

11 August 2023

## Managed Investment Scheme 2023 Annual Report

On 10 August 2023 Vital Healthcare Property Trust (**Vital**) released to the NZX the 2023 Annual Report. That report contained information which includes the Financial Statements of Vital and other information consistent with Vital's status as an NZX Listed Issuer.

Vital is a managed investment scheme for the purposes of the Financial Markets Conduct Act 2013 (**FMCA**). As a managed investment scheme Vital is required to produce an annual report in a format consistent with the FMCA and in accordance with Listing Rule 3.12.1.

An electronic copy of the FMCA compliant annual report has been registered on the New Zealand Companies Office - Disclose Register and is provided to the NZX as an attachment to this announcement.

– ENDS –

### ENQUIRIES

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### About Vital (NZX code VHP):

Vital Healthcare Property Trust is an NZX-listed fund that invests in high-quality healthcare properties in New Zealand and Australia including private hospitals (~80%\* of portfolio value), ambulatory care facilities (~16%\* of portfolio value) and aged care (~4%\* of portfolio value).

Vital is the leading specialist listed landlord of healthcare property in Australasia.

Vital is managed by Northwest Healthcare Properties Management Limited, a subsidiary of Toronto Stock Exchange listed Northwest Healthcare Properties REIT, a global owner and manager of healthcare property.

For more information, visit our website: [www.vhpt.co.nz](http://www.vhpt.co.nz)

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\* All figures are indicative, as at 30 June 2023

## DETAILS OF THE SCHEME

The Scheme is the Vital Healthcare Property Trust (**Scheme** or **Vital**) which is a managed investment scheme for the purposes of the Financial Markets Conduct Act 2013 (**FMCA**).

The Scheme is managed by Northwest Healthcare Properties Management Limited (**Manager**) and supervised by Trustees Executors Limited, a supervisor licensed under the Financial Markets Supervisors Act 2011 (**Supervisor**).

The offer of interests in the Scheme was originally made under the Unit Trust Act 1960. The Scheme transitioned to compliance with the FMCA on 30 November 2016. Accordingly, a Product Disclosure Statement has not been prepared for the Scheme as no regulated offers of units have been made pursuant to the FMCA. The Scheme units are listed on the New Zealand Stock Exchange (NZX code: VHP).

Vital's latest financial statements and the auditor's report for those statements were lodged with the Disclose Register on 10 August 2023.

## DESCRIPTION OF THE SCHEME

The Scheme is a unit trust established under the Unit Trust Act 1960 by a Trust Deed dated 11 February 1994, as amended by subsequent Deeds of Variation and Restatement. Vital became a registered Managed Investment Scheme under the Financial Markets Conduct Act 2013 on 29 November 2016.

Vital is a long-term investor in healthcare real estate. This means Vital is focused on investing directly in real property, or in companies or trusts (listed on a recognised stock exchange or unlisted) through financial products, other types of financial instruments or the provision of debt, which themselves own, directly or indirectly, real property with healthcare related qualities.

From time to time, Vital may invest at earlier stages of the development process, including undertaking the design, refurbishment or development of healthcare properties for particular health service operators. Vital does not operate healthcare facilities itself – instead, it receives rental income via leasing its properties primarily to healthcare operators and/or tenants with healthcare characteristics and/or it earns investment income from any healthcare related investments it may undertake.

## INFORMATION ON COMPOSITION OF THE SCHEME

This Annual Report covers the accounting period from 1 July 2022 to 30 June 2023. The number of managed investment products, being units in the Scheme (**Units**) on issue at

the start of the accounting period was 649,155,196. The number of Units on issue at the end of the accounting period was 661,013,614.

## CHANGES RELATING TO THE SCHEME

Material changes to the nature of the Scheme, the Scheme property, the investment objectives and strategy, or the management of the Scheme over the accounting period are as follows:

### TRUST DEED

Clause 32 of the Trust Deed provides that the Trust Deed may be varied by a deed executed by the Supervisor and the Manager if the amendment is authorised pursuant to section 139 of the FMCA.

On 17 October 2022 the Supervisor and the Manager entered into a Deed of Amendment of the Trust Deed and the Supervisor, for the purposes of section 139(2)(a)(ii) of the FMCA, certified that the amendment and restatement of the Trust Deed did not have a material adverse effect on the Unit Holders and that the amended and restated Trust Deed would comply with the requirements of the FMCA on the basis set out in the certificate.

A summary of the key variations to the Trust Deed is set out below<sup>1</sup>:

Variation	Explanatory Note
<b>Hybrid meetings</b> (Schedule 4, clause 4)	Given hybrid meetings that combine in-person attendance and electronic participation have become very common, the Manager will no longer need to obtain specific approval from the Supervisor for a meeting to be held on a hybrid basis. Specific approval will still be required for a meeting of Unit Holders to be held on a fully-virtual basis.
<b>Postal votes</b> (Schedule 4, clause 8(e))	New clause added to permit Unit Holders voting by post (including by electronic means) in accordance with procedures set by the Manager.
<b>Electronic communication</b> (clause 1.2(f), 13.15 and 34.7)	Change to clarify that "written" and "in writing" includes electronic means, e.g. email.  Clarification that distribution statements can be sent electronically.  Change so that notices from the Supervisor to the Manager no longer need to be signed.
<b>Registrar on Manager's behalf</b> (clause 8.5)	Change to make it clear that a change of name or address can be notified to Computershare on behalf of the Manager, as well as by the Manager itself.

<sup>1</sup> Capitalised words used, but not otherwise defined in the table have the meanings given to them in the Trust Deed. The summary is of key variations (not all variations) and is not intended to replace a detailed review of the amended Trust Deed.

Variation	Explanatory Note
<b>Repeal of Trustee Act</b> (clause 12.3, 25.5 and 25.7)	Changes to reflect the repeal of the Trustee Act 1956.
<b>Removal of cheques</b> (clause 13.8)	Changes to reflect the fact that distributions may no longer be made by cheque. If the Manager does not have a valid nominated bank account for Unit Holder, payment will be held in the Trust's bank account until a bank account has been nominated by the Unit Holder or an alternative method of payment has been determined.
<b>Notice revoking DRP participation</b> (clause 14.6)	Changes to acknowledge that the terms of Vital's Distribution Reinvestment Scheme include provisions outlining how a Unit Holder provides a revocation notice.
<b>Base fee</b> (clause 22.3)	Changing "calendar quarter" to "three month period", which better reflects how the Base Fee is calculated each month.
<b>Reimbursement of expenses</b> (clause 25.4)	Changes to clarify that costs associated with the appointment and remuneration of a Custodian are able to be reimbursed out of the Trust Fund.
<b>References to Financial Reporting Act 2013 and associated definitions</b> (clause 1.1, 1.2(h) and related references throughout)	<p>There are a number of references in the Trust Deed to the Financial Reporting Act 2013. A definition has been added to clause 1.1 and the references simplified throughout.</p> <p>A new interpretive provision has been added at 1.2(h) stipulating that "generally accepted accounting practice" has the same meaning as 17.0 in the Financial Reporting Act. This has allowed for the deletion of a number of references throughout.</p>
<b>Preparation of accounts</b> (clause 28.1(b) and 28.5)	<p>Changes to clarify that the Manager will prepare financial statements of the Trust as may be necessary to enable it to comply with its obligations pursuant to the FMC Act and the Financial Reporting Act.</p> <p>Removal of the reference to the Listing Rules requiring distribution of the annual accounts of the Trust, given amendments to the Listing Rules removing that requirement for managed investment schemes.</p>

There have been no further amendments to the Trust Deed made during the current accounting period.

A copy of the current version of the Trust Deed is available on Vital's website [www.vhpt.co.nz](http://www.vhpt.co.nz) under the section About/Governance. It is also available on the Disclose Register accessible on the Companies Office website at (<https://disclose-register.companiesoffice.govt.nz/disclose>).

## TERMS OF THE OFFER OF UNITS

Vital continues to be a closed ended fund and does not continuously offer units for subscription. Vital offers units for subscription from time to time to raise equity capital. During the period 1 July 2022 to 30 June 2023, the following offer was made:

- ▶ an active dividend reinvestment plan, the terms of which remained unchanged during the current accounting period.

## STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (SIPO)

The SIPO was lodged on the Disclose Register on 9 August 2018 and amended and lodged on 6 December 2021. Since the amendments made to the SIPO lodged on 6 December 2021 there have been no amendments to the SIPO.

A copy of the current SIPO is available on Vital's website [www.vhpt.co.nz](http://www.vhpt.co.nz) under the section About/Governance.

## RELATED PARTY TRANSACTIONS

During the period 1 July 2022 to 30 June 2023 there were no changes to the nature and scale of related party transactions.

There were no related party transactions that were not on arm's-length terms.

Further details of the related party fees paid by Vital to the Manager and its related parties can be found in note 22 of Vital's financial statements which have been lodged with the Registrar.

## VALUATION AND PRICING METHODOLOGIES

There was no change to the valuation and pricing methodologies, as outlined in the Trust Deed, for the Scheme during the current accounting period.

## FINANCIAL CONDITION AND PERFORMANCE OF THE SCHEME

Changed market conditions resulted in the Manager's focus shifting from acquisitions to developments majority funded by proposed divestments. This does not represent a change in strategy for Vital but the expediting of several previously announced strategies to enable us to continue to deliver growing returns for Unit Holders over the medium term.

Despite recent heightened market volatility, healthcare property remains a defensive asset class, underpinned by a high level of government support and non-discretionary spending. This has been demonstrated by recent sales in the sector notably in Australia.

Vital's ~\$3.4 billion property portfolio remains high quality, high acuity with a long WALE and limited upcoming expiries (on average 1.8% of the portfolio's rent expires per annum over the next 10 years).

Vital's weighted average lease expiry (WALE) was 17.8 years at 30 June 2023 compared to 17.6 years at 30 June 2022.

Our plan for the short to medium term is:

- ▶ Continue our sales programme with proceeds used to initially repay debt and ultimately fund Vital's development pipeline.
- ▶ Continue with Vital's existing committed development pipeline and selectively add to this pipeline where the financial returns and/or strategic considerations make sense for Vital's Unit Holders. To this end, a process is underway to bring as many potential developments into a "shovel ready" position to enable Vital to commence specific developments where market conditions are supportive.
- ▶ Consider alternative funding options for Vital which may include co-ownership of existing assets and/or developments.
- ▶ Renew Vital's 5-year portfolio strategy noting that we have achieved many of the targets of the previous strategy ahead of time and to reflect changed market conditions.
- ▶ Maintain Vital's debt maturity profile and consider further diversifying sources of debt to support returns for Vital's Unit Holders.
- ▶ Continue to enhance and upgrade our sustainability programme, as part of Northwest's wider programme, to play our part in protecting and enhancing the environment, the communities in which we operate and the stakeholders we serve.
- ▶ Target new potential investors in Vital noting both the strong demand for the sector and Vital's current limited offshore investor base.

### **FY23 Highlights**

- ▶ 1.3% increase in distributions per unit from 9.625 cpu to 9.75 cpu (consistent with guidance) on a prudent 875% AFFO pay-out ratio.
- ▶ NZ\$100m of disposals undertaken (including one property which settled in July 2023) with a further ~NZ\$55m contracted for sale.
- ▶ NZ\$192m of capital expenditure undertaken comprising NZ\$187m for developments, ~NZ\$5m for value-add works and ~NZ\$0.6m for maintenance and tenant incentive related works.
- ▶ Commencement of ~NZ\$257m of new developments including:
  - Vital's first life sciences investment, RDX on the Gold Coast, which is expected to cost A\$140m (including land);
  - Stage 1 of the Macarthur Health Precinct in Campbelltown, New South Wales, being a A\$64m cancer centre (including amortising fit-out loan); and
  - A\$29m aged care conversion works at Mt Eliza, Victoria.
- ▶ 5-Star rating for developments received from independent standards organisation GRESB (formerly the Global Real Estate Sustainability Benchmark) as well as second place for listed healthcare entities globally, third place for standing investments against peers globally and being ranked in the top quartile for developments for all listed entities in Oceania.
- ▶ Extension of amount and tenor of debt facilities to reduce future net income volatility for Unit Holders and fund part of Vital's development pipeline.

As at 30 June 2023 Vital had net assets of \$1,957.4 million (2022: \$2,165.9 million), comprising total current assets of \$115.30 million (2022: \$40.0 million), total non-current

assets of \$3,314.4 million (2022: \$3,359.9 million) and total liabilities of \$1,472.3 million (2022: \$1,234.0 million).

Total comprehensive income for the 12-month period to 30 June 2023 was (loss \$172,787 million) (2022: profit \$340.4 million), and total distributions relating to the period to Unit Holders were \$64.8 million (2022: \$55.2 million), representing 9.75 cents per Unit (2022: 9.625 cents per Unit).

You can find a copy of Vital's financial statements, including information on distributions made by the Scheme on the Disclose Register at: <https://disclose-register.companiesoffice.govt.nz/disclose> Scheme number SCH11214. Further information on the financial results is provided in Vital's Annual Report at: [www.vhpt.co.nz](http://www.vhpt.co.nz).

## FEES

The following fees and expenses were charged in respect of the Scheme in dollars and as a percentage of the Scheme's property for the 12-month period to 30 June 2023.

	2023 \$000s	Percentage of Scheme's Property <sup>1</sup>
<b>Total fees and expenses incurred</b>		
Management fees	18,546	0.54%
Manager's incentive fee	14,986	0.44%
Leasing / Licencing fees	165	0.00%
Property management fees	1,978	0.06%
Disposal fees	733	0.02%
AFSL fee	1,397	0.04%
	<b>37,805</b>	<b>1.10%</b>
<b>Service fees capitalised</b>		
Acquisition fees	(571)	-0.02%
Leasing / Licensing fees	330	0.01%
Project management fees	46	0.00%
Development management fees	6,767	0.20%
<b>Total fees charged by the Manager and associated persons</b>	<b>44,377</b>	<b>1.29%</b>
Auditor's remuneration	264	0.01%
Supervisor's fees	576	0.02%
Other operating income/expenses	2,191	0.06%
<b>Total fees &amp; expenses</b>	<b>47,408</b>	<b>1.38%</b>

1: Totals may not add due to rounding

## MANAGER'S FEES

### Remuneration of the Manager

Vital pays fees to the Manager in accordance with the arrangements set out in the amended Trust Deed approved by Unit Holders on 31 October 2019.

## Current Fee Arrangements

### Base Fee

The Base Fee structure is as follows:

- ▶ 0.65% per annum of the gross value of the assets of the Scheme up to \$1 billion;
- ▶ 0.55% per annum of the gross value of the assets of the Scheme between \$1 billion and \$2 billion;
- ▶ 0.45% per annum of the gross value of the assets of the Scheme between \$2 billion and \$3 billion; and
- ▶ 0.40% per annum of the gross value of the assets of the Scheme over \$3 billion.

### Incentive Fee

The incentive fee is an amount equal to 10% per annum of the average annual increase in the Net Tangible Assets (as defined in the Trust Deed) of the Scheme over the relevant financial year and two preceding financial years, subject to a three year high-water mark, with payment being made by way of subscribing for new units in Vital.

Under the three year high-water mark requirement, the annual NTA increase will be reduced to zero if the actual NTA does not exceed the high-water mark for that financial year.

### Activity Fees

The Activity Fee structure is as follows:

a) Leases or licences

Vital pays the Manager leasing or licence fees where the Manager has negotiated leases or licences instead of, or alongside, a real estate agent. These fees are charged at 11% of the aggregate annual rental for terms less than 3 years, 12% of the aggregate annual rental for terms of 3 years, and 12% plus an additional 1% for each full year (pro-rata for part years) for terms greater than three years (to a maximum of 20%), subject to a minimum fee of \$2,500.

Lease or licence renewals are charged at 50% of a new lease or licence fee.

b) Property management

Vital pays the Manager property management fees where the Manager acts as the property manager instead of, or alongside, a real estate agent. These fees are charged at 1%-2% of gross income depending on the number of tenants at the property and may be recovered from tenants if permitted under lease agreements.

c) Facilities management

Vital pays the Manager a facilities management fee where the Manager acts as the property facilities manager. These fees are charged at market rates and may be recovered from tenants if permitted under lease agreements.

d) Project management

Vital pays project management fees to the Manager for managing capital expenditure projects where the purpose of the project is to upgrade, repair or otherwise extend the life of the property, including via the replacement or repair of major plant and equipment, structural items and building envelope. Project management fees for projects with a budget of between \$0.2m and \$2.5m are 2% of the committed spend where the Manager is the project lead and 1% of committed spend where the Manager has an oversight role, increasing to 4% and 2% respectively for projects with a budget greater than \$2.5m.

## **Additional Costs**

The Additional Costs structure is as follows:

a) Acquisitions

Vital pays fees to the Manager for managing the due diligence, financing, legal aspects and settlement of the purchase of an investment or property instead of, or alongside, a real estate agent. These fees are charged at 1.5% of the purchase price and related capitalised acquisition costs.

b) Disposals

Vital pays fees to the Manager for managing the due diligence, legal aspects and settlement of the sale of an investment or property instead of, or alongside, a real estate agent. These fees are charged at 1% of the contracted sale price of the relevant investment or property actually received, provided that, if a real estate agent has been engaged to provide services for the disposal, then the fee payable to the Manager will be net of the third party agent's costs and commissions.

c) Development Management

Vital pays fees where the Manager acts as a development manager on Vital developments. These fees are charged at 4% of the committed spend (excluding land) approved by the Board of the Manager provided that, if a third party agent has been engaged to provide development management services, the fee payable to the Manager will be reduced by the non-rentalisable third party costs paid.

## **EXPENSES CHARGED BY THE MANAGER & ASSOCIATED PERSONS**

The Manager and the Supervisor are entitled to be reimbursed by Vital for all expenses, costs or liabilities incurred in acting as Manager or Supervisor as the case may be. Certain services are provided by the Manager in lieu of using external providers.

Any changes to fees and expenses charged by any person in respect of the Scheme during the accounting period require the approval of the Supervisor (or in certain circumstances, Unit Holders) and would be advised to Unit Holders via the NZX.

For more information in respect to the Fees, please refer to Vital's financial statements, on the Disclose register at <https://disclose-register.companiesoffice.govt.nz/disclose>, scheme number SCH11214.



## SCHEME PROPERTY

The table below contains the assets of the Scheme extracted from the Consolidated Statement of Financial Position:

	2023 \$000s	2022 \$000s
<b>Non-current assets</b>		
Investment Properties	3,288,356	3,339,169
Derivative financial instruments	26,047	20,692
Other non-current assets	-	-
<b>Total non-current assets</b>	<b>3,314,403</b>	<b>3,359,861</b>
<b>Current assets</b>		
Non-current assets classified as held for sale	92,364	-
Cash and cash equivalents	10,885	22,055
Trade and other receivables	5,783	2,442
Other current assets	5,763	15,451
Derivative financial instruments	514	25
<b>Total current assets</b>	<b>115,309</b>	<b>39,973</b>
<b>Total assets</b>	<b>3,429,712</b>	<b>3,399,834</b>

## CHANGES TO PERSONS INVOLVED IN THE SCHEME

There have been no changes to the Manager involved in the Scheme during the accounting period.

The following changes to the Supervisor involved in the Scheme during the accounting period have occurred:

- ▶ The following directors ceased to be directors of the Supervisor during the accounting period:
  - Robert Graeme KIRKPATRICK - Ceased date: 14 Sep 2022
  - Laurence Stanley KUBIAK - Ceased date: 12 Dec 2022
  - Ryan Elliott BESSEMER - Ceased date: 12 Dec 2022
  - Victoria Alice GRACE - Ceased date: 07 Mar 2023
- ▶ The following were appointed to be directors of the Supervisor during the accounting period:
  - Kevin Charles WALLACE – Appointment date: 05 Oct 2022
  - Robert Paul RUSSELL - Appointment Date: 13 Feb 2023
  - Keith Thomas John RICHARDS - Appointment Date: 12 Dec 2022

There have been no changes to the Registrar or the auditors involved in the Scheme during the accounting period.

## HOW TO FIND FURTHER INFORMATION

Copies of documents relating to the Scheme, such as the Trust Deed, SIPO and the annual financial statements are available on the Disclose Register at <https://disclose-register.companiesoffice.govt.nz/disclose>, scheme number SCH11214, on Vital's website [www.vhpt.co.nz](http://www.vhpt.co.nz) or on request from the Manager.

You have the right, free of charge and during normal office hours, to inspect that part of the Unit Register that relates to your Units on giving written notice to the Manager in accordance with the Financial Markets Conduction Regulations 2014.

You also have the right, free of charge, on giving written notice and during normal office hours, to inspect a copy of the Trust Deed, SIPO and annual financial statements at the Manager's registered office, which is located at: HSBC Tower, Level 17, 188 Quay Street, Auckland Central. Alternatively, you can obtain a copy free of charge by writing to us at: PO Box 6945, Victoria Street West, Auckland 1142.

## CONTACT DETAILS AND COMPLAINTS

### Manager

Northwest Healthcare Properties Management Limited  
PO Box 6945, Victoria Street West, Auckland 1142  
Attn: Company Secretary  
Telephone: 0800 225 265  
Email: [enquiry@vhpt.co.nz](mailto:enquiry@vhpt.co.nz)  
Website: [www.vhpt.co.nz](http://www.vhpt.co.nz)

### Trustee and Supervisor

Trustees Executors Limited  
Level 11, 51 Shortland Street, Auckland 1010  
PO Box 4197, Auckland 1140  
Attn: Client Manager – Corporate Trustee Services  
Telephone: 0800 878 783  
Email: [gjo@trustees.co.nz](mailto:gjo@trustees.co.nz)

### Registrar

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road, Takapuna 0622  
Private Bag 92119, Auckland 1142  
Telephone: +64 9 488 8777  
Facsimile: +64 9 488 8787  
Email: [vital@computershare.co.nz](mailto:vital@computershare.co.nz)

## Complaints

Complaints may be made to the Manager or the Supervisor at the contact details above. In addition, as a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008, the Manager is a member of an approved dispute resolution scheme (registration number FSP33302) to which complaints may be made.

## **Insurance & Financial Services Ombudsman Scheme Inc.**

Level 2, Solnet House  
70 The Terrace  
Wellington 6011  
Telephone: +64 4 499 7612 or 0800 888 202  
Email: [info@ifso.nz](mailto:info@ifso.nz)

There will be no fee charged to any complainant in connection with investigation or resolution of a complaint.