Interim Report

FOR THE SIX MONTHS
ENDED 31 DECEMBER 2021

Vital HEALTHCARE PROPERTY TRUST

Managed by NORTHWEST HEALTHCARE PROPERTIES

Investing in healthcare infrastructure in New Zealand and Australia

~$3bn

VALUE OF INVESTMENT PORTFOLIO

9.75 cpu

UPGRADED, ANNUALISED DISTRIBUTION GUIDANCE

17.8 years

WEIGHTED AVERAGE LEASE TERM (WALE)

CONTENTS

Overview of Vital
as at 31 December 2021

Vital is the only specialist healthcare landlord on the NZX.

Vital Portfolio by Geography

AUSTRALIA

~$2.2bn

31‡ PROPERTIES (AUS)

NEW ZEALAND

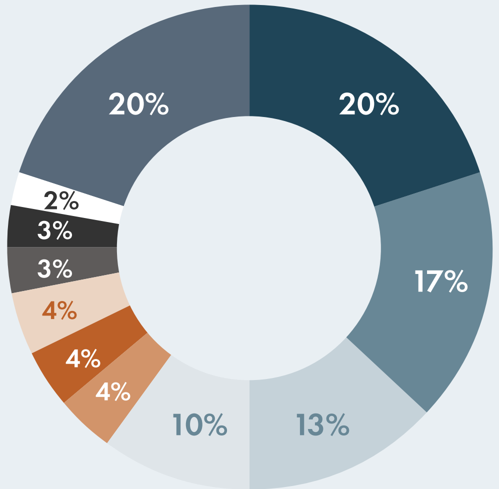
~$0.8bn

12‡ PROPERTIES (NZ)

~$3bn

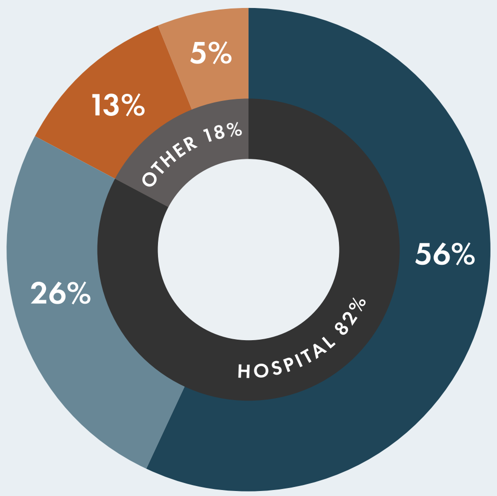
43‡† PROPERTIES (AUS & NZ)

Tenant Diversification
(% of Rent)



Aurora Healthcare	20%	Sportsmed	4%
Healthe Care Surgical	17%	Bolton Clarke	3%
Epworth	13%	Mercy Ascot	3%
Evolution Group	10%	Ramsay	2%
Hall & Prior	4%	Other	20%
Norfolk Southern Cross Limited	4%		

Sub-sector Diversity
(% of Value)



Acute Hospitals	56%
Specialty Hospitals (mental health & rehabilitation)	26%
Ambulatory Care	13%
Aged Care	5%

NZ $113m
NET ANNUAL PROPERTY INCOME (CY21)

4.67%
WEIGHTED AVERAGE CAP RATE (IPP)‡ (AUS 4.63%, NZ 4.78%)

17.8 years
WEIGHTED AVERAGE LEASE EXPIRY (WALE)

10.7 years
AVERAGE BUILDING AGE*

99.0%
PORTFOLIO OCCUPANCY

‡ Income Producing Property (excludes strategic assets)
*Average building age = the later of the date of construction or last significant capital works.
† Figures may not sum due to rounding.

Vital's 2-year progression despite COVID-19

Two years ended 31 December 2021

TOTAL PROPERTY VALUE

~$2bn (AUS:75%, NZ:25%) **2019** | ~$3bn (AUS:73%, NZ:27%) **2021**

52.6% growth

WALE

17.9 years **2019** | 17.8 years **2021**

Maintenance of market leading WALE

AVERAGE BUILDING AGE

14.0 years **2019** | 10.7 years **2021**

Younger buildings reduce maintenance capex requirements

NET PROPERTY INCOME (ANNUAL)

$98.8m **2019** | $113.4m **2021**

14.8% increase

Portfolio enhancements support target of growing AFFO and distributions by 2–3% per unit per annum.

DEVELOPMENT PIPELINE

~$200m **2019** | >$1bn[1] **2021**

Enhance earnings and valuation growth and support portfolio development

LARGEST SINGLE TENANT EXPOSURE

46% **2019** | 20% **2021**

Concentration risk reduced

SECTOR SPLIT

Hospital:86% Ambulatory care: 11% Aged care 3% **2019** | Hospital: 82% Ambulatory care: 13% Aged care 5% **2021**

Diversity of assets reduces risk and enhances earnings

WEIGHTED AVERAGE CAP RATE

5.52% **2019** | 4.67% **2021**

Reduction demonstrates: (1) quality of assets and tenants; and (2) value added by leasing and development undertaken

BALANCE SHEET GEARING

35.1% **2019** | 33.2% **2021**

Conservative gearing maintained

Balance sheet strengthened through $351m of new equity and extending debt whilst supporting portfolio growth to grow AFFO and distributions.

AVERAGE DEBT MATURITY

1.7 years **2019** | 4.4 years[2] **2021**

Significantly expanded

NTA PER UNIT

$2.36 **2019** | $3.12 **2021**

32.2% growth

AFFO PER UNIT (CPU)

10.45[3] **2019** | 11.90[4] **2021**

13.9% growth

DISTRIBUTIONS PER UNIT (CPU)

8.75[3] **2019** | 9.75[4] **2021**

11.4% growth

[1] Development timing and therefore spend expected to be over a staged and lengthy period (at least 10 years)
[2] Pro-forma as at 31 December 2021 including terms agreed post 31 December 2021
[3] FY20 actual
[4] FY22 upgraded guidance

Manager's report

Vital recorded growth in earnings, distributions to unitholders and assets during HY22 as NorthWest's management continues to demonstrably benefit unitholders.

Tēnā koutou,

NorthWest Healthcare Properties Management Limited, the Manager of Vital Healthcare Property Trust (Vital), is pleased to report Vital's results for the six months ended 31 December 2021 (the Half Year).

> Vital has continued to deliver for unitholders through increased earnings with FY22 AFFO now expected to be at least 11.9cpu or 3.2% above FY21, following revised earnings guidance issued on the date of this report, allowing for an increase in distribution guidance to 9.75cpu (annualised).

Other key achievements over the Half Year include:

- 8.0% increase in net tangible assets (NTA) per unit from $2.89 to $3.12.
- 91.3% increase in profit (before tax) attributable to unitholders from the prior corresponding period; $103.2 million to $197.4 million.
- 13.9% increase in adjusted funds from operations (AFFO) from $28.1 million to $32.0 million from the prior corresponding period.
- 0.7% increase in AFFO per unit from the prior corresponding period; 5.87 cents per unit (cpu) to 5.91 cpu.
- >99% rent collection despite COVID-19.
- Development pipeline expanded to over $1 billion comprising $303.8 million of committed developments (of which $161.4 million remains to be spent) and ~$1 billion of potential developments being actively pursued. The timing and actual spend of this potential development pipeline will be confirmed if, and when, potential developments convert to committed developments. These developments are likely to be staged over multiple years.
- $314 million of acquisitions (includes acquisitions committed post 31 December 2021).
- Over 3,300 square metres of leasing to maintain a high occupancy of 99.0% and long WALE of 17.8 years as well as improve income security.
- $155 million of new equity issued via placement, unit purchase plan and distribution reinvestment plan helping to reduce balance sheet gearing to 33.2%.
- Extension of debt facility duration (both pre and post balance date).

	31 Dec 2021	31 Dec 2020	% Change
NTA per unit ($)	3.12	2.55	22.4%
Investment portfolio value ($m)	2,941.5	2,248.4	30.8%
Investment properties (No.)	43[1]	42	N/A
Avg. property value ($m)	68.4	53.5	27.9%
Avg. building age (years)	10.7	11.9	N/A
WALE (years)	17.8	19	N/A
Occupancy (%)	99.0	99.1	N/A
AFFO – 6 months ($m)	32.0	28.1	13.9%
AFFO – 6 months (cpu)	5.91	5.87	0.7%

91.3% INCREASE IN PROFIT FROM HY21

8.0% INCREASE IN NTA PER UNIT

$314m ACQUISITIONS COMPLETED/AGREED

[1] Includes two property consolidations which occurred at 30 June 2020, (1) Sportsmed Consulting property into Sportsmed Hospital and (2) Ascot Central Carparks (right of use) consolidated into one property.

AFFO

AFFO (a proxy for cash profit for unitholders) increased by 13.9% from the prior corresponding period ($28.1 million to $32.0 million). This equates to a 0.7% increase in cents per unit (5.87cpu to 5.91cpu). Our average across longer periods, including the last one and two years, remains above our target of 2–3% growth per unit per annum.

Our revised FY22 AFFO guidance is at least 3.2% above AFFO recorded for FY21.

Distributions

Distributions paid / payable for the Half Year were 8.6% above the prior corresponding period at 4.75 cpu (2.375 cpu per quarter) on a conservative pay-out ratio of 80%.

Due to the higher AFFO guidance noted above, on the date of this report, the Board increased distribution guidance for the next two quarters to 2.438 cpu per quarter or 9.75 cpu annualised. This equates to an 8.5% increase in distributions per unit over FY22 from FY21.

"Distribution guidance has been upgraded from 9.5cpu to 9.75cpu (annualised). This is expected to result in an 8.5% increase in distributions for FY22 from FY21."

Net tangible assets

Net tangible assets rose 8% per unit from $2.89 to $3.12 primarily attributable to property revaluation gains.

Capital management

A placement and follow-on UPP were undertaken in October and November 2021 raising $142.8 million primarily from existing unitholders. This reduced balance sheet gearing to 33.2% and supported the acquisition of Tennyson Centre in Adelaide (refer below for more details). Equity was raised at $2.90 per unit, approximately equal to NTA per unit at 30 June 2021 and a 3.7% discount to VHP's closing price on the day before launch of the placement.

At 31 December 2021, balance sheet gearing was 33.2%, all-in weighted cost of debt was 3.14% (based on drawn debt only and includes the cost of hedging) and Vital had debt headroom in its existing facilities of A$141 million. Post 31 December 2021, terms were agreed to extend Vital's average debt duration from 3.3 years to 4.4 years (pro-forma at 31 December 2021).

Portfolio overview

Vital owns a high-quality ~$3 billion portfolio of 43 healthcare investment properties, diversified across all mainland Australian States and New Zealand. The portfolio comprises 26 private hospitals (representing 82% of the portfolio value), nine ambulatory care facilities (13%) and eight aged care facilities (5%).

At 17.8 years, Vital's WALE remains the longest of any NZX or ASX listed REIT providing a high level of income security for unitholders.

Leasing

Over 3,300 square metres of new or extended leasing was undertaken across Vital 's portfolio during the Half Year. Leasing helped to maintain occupancy above 99%, maintain the long WALE and contribute to the earnings growth noted above.

Net property income

Net property income increased by 6.9% over the Half Year from $54.2 million to $57.9 million compared to the prior corresponding period.

"Over the 10 years ended 31 December 2021, Vital has provided a total return of 16.3% per annum, 4.0% per annum above the S&P/NZX All Real Estate Index and 1.5% per annum above the broader S&P/NZX50 index."

Acquisitions and divestments

Vital acquired two income producing properties during the Half Year:

1. Tennyson Centre, Adelaide for ~A$92.75 million. This Cancer Centre of Excellence is located between Adelaide's Airport and CBD and 500 metres from Ashford Hospital. Tenants include Nexus, Icon, Sonic, Genesis and Dr Jones & Partners. The acquisition includes land suitable for future development. Since acquisition, several key leases have been renewed.
2. Hutt Valley Health Hub, Wellington for $46.5 million. This is a purpose-built, seismically resilient ambulatory care facility adjoining Boulcott Hospital (an existing Vital asset) and Hutt Hospital. Key tenants include Capital & Coast DHB, Ropata Health and Boulcott Pharmacy. Settlement occurred post 31 December 2021 with additional development land expected to be settled later in 2022. The acquisitions will enable Vital to enhance this existing medical precinct including a proposed upgrade and expansion of Boulcott Hospital.

Vital sold Gold Coast Surgical Centre for ~A$13 million (before costs) during the Half Year, ~5% above book value. The sale removed a persistent vacancy within the portfolio. The sales proceeds will be used to support Vital's development pipeline.

Developments

Developments are a key component of Vital's strategy to continue to deliver earnings growth and improve the quality of the portfolio.

As at 31 December 2021, Vital had a committed development pipeline of $303.8 million across ten projects of which $161.4 million was left to complete.

During the Half Year $42 million was spent on developments, ~$6 million spent on value-add capital works and ~$2 million on maintenance and tenant incentives.

Significant development milestones during the Half Year were as follows:

1. **Terms agreed for $74 million of expansions and upgrades to NZ Hospitals**. Vital has agreed terms with Evolution Healthcare and Southern Cross to upgrade and expand five facilities in New Zealand. Nearly half of this money will be used to expand Grace Hospital in Tauranga which Vital acquired in late 2020.
2. **Epworth Eastern development partially completed.** This A$96.5 million expansion of the existing hospital is nearing completion with clinical floors (1–10) handed over to the hospital in November 2021 and the balance expected to be handed over in early 2022. Rent commenced from 1 February 2022.
3. **Completion of Stage 1 of Playford Health Hub.** This ~A$24 million development comprises a 450 bay multi-deck carpark majority leased to SA Health (South Australia's public health authority who operate the adjoining Lyell McEwin Hospital) and 1,700 sqm of ground floor retail. The development is 70% leased (by income) providing a yield on cost of 6.8%[1] and also provides ~200 car bays for stage 2 of this development.
4. **Commencement of design for Stage 2 of Playford Health Hub.** This A$49 million specialist medical centre is 55%[2] pre-leased. Construction is targeted to commence mid-2022 and to complete in late 2023.
5. **Memorandum of Understanding signed with Calvary Health Care for Stage 3 of Playford Health Hub.** Construction of this ~A$93 million private hospital is expected to commence in 2024.
6. **Commencement of construction for Stage 2 of Wakefield Hospital redevelopment.** Stage 2 is expected to cost ~$91.5 million and complete in late-2024. Stage 1 was completed in mid-2021 for $49.9 million.

Post 31 December 2021, Vital announced two acquisitions to support future developments. Refer to pages 10–11 for more details.

In addition, Vital's potential development opportunities increased to ~$1 billion[3]. These are opportunities which are being actively considered but are not yet committed or approved.

"Vital recorded growth in earnings, distributions to unitholders and assets during HY22 as NorthWest's management continues to demonstrably benefit unitholders."

COVID-19

Despite the on-going impacts of COVID-19, Vital's tenants have largely continued to provide a full gamut of acute and sub-acute services and have adapted to more varied cashflows. Increased pressure on public sector wait times is expected to result in an increased reliance on the private sector to unblock the back-logs.

Vital continues to provide a stable earnings stream sourced from a defensive sector with 86% of its leases linked to CPI growth in some way.

Outlook

Vital remains well-positioned to continue to grow earnings including our revised AFFO guidance, achieve our revised distribution guidance and continue to improve Vital's high-quality portfolio.

On behalf of your Board and Management, thank you for your on-going support.

Nā māua noa, nā

Graham Stuart Independent Chair	Aaron Hockly Fund Manager

24 February 2022
NorthWest Healthcare Properties Management Limited,
the Manager of Vital Healthcare Property Trust

[1] Stabilised year 3 yield
[2] Includes signed heads of agreement
[3] Development timing and therefore spend expected to be over a staged and lengthy period (at least 10 years)

Post 31 December 2021 acquisitions in Sydney

Expansion land for mental health facility

- Acquisition of 4,340 sqm of land adjacent to existing Vital asset, The Hills Clinic
- The Hills Clinic is a specialist mental health hospital 100% leased to Aurora Healthcare Australia located in north-west Sydney, approximately 28 kms from the CBD
- The acquired land is subject to a leasing pre-commitment from Aurora enabling expansion of the existing hospital with additional beds, group rooms and other facilities
- Aurora is Australia's largest specialty private mental health provider with 1,000 beds across 16 facilities
- Total development costs, inclusive of the land, are expected to be ~A$50 million and will be rentalised at an initial yield of ~5%
- The expansion lease is expected to have the same term as the existing lease which has 25 years remaining with rent growing annually in line with CPI and market reviews every 10 years

25 years
remaining on lease

~5%
return on cost

~A$50m
development costs include land acquisition and construction

Multi-stage development land in Western Sydney

- Acquisition of ~28,000 sqm 85-year* ground lease in Campbelltown, Sydney
- Expected to comprise three separate development stages
- Total consideration of A$76.6 million (including stage 1 development fund through costs)

Up to 40,000 sqm
additional GFA

Part of the broader health precinct that includes Campbelltown Hospital and Western Sydney University Medical School

Core tenant:

GenesisCare

One of the largest independent providers of cancer care globally with 350 clinics across the US, UK, Australia and Spain providing treatment to ~440,000 patients per annum

COMMITTED STAGE 1	▸ Terms agreed with GenesisCare, one of the largest independent providers of cancer care globally, to fund-through the development of a 4 storey cancer centre of excellence with 2,713 sqm of NLA
	▸ Total acquisition price and development costs for Stage 1
	  ▸ A$52m
	  ▸ Construction estimated to take 16 months from early 2022
	▸ 15-year initial lease term to GenesisCare with 3% annual fixed increases
	▸ Additional development capacity expected to be available post-construction completion given low site coverage

IN NEGOTIATION STAGE 2	▸ Discussions underway with one of Australia's largest hospital operators to develop a day surgery and mental health facility on ~10,000 sqm of land ▸ Acquisition price for full ~23,000 sqm metres of leasehold land across stages 2 & 3 is ~A$24.6m
FUTURE POTENTIAL STAGE 3	▸ ~13,000 sqm of land in key health precinct; development options to be considered over time ▸ Options for this development land include new research & education uses, medical consulting and aged care

*Includes options to renew

Our Board

The board comprises five highly qualified directors; three of whom are independent. Both the Chair of the Board and the Chair of the Audit Committee are independent directors.

Graham Stuart

Independent Chair and Member of the Audit Committee (64, Auckland)

Graham Stuart is an experienced corporate director with an established track record of performance in governance and in prior executive roles. He is currently the Independent Chair of EROAD Limited and an Independent Director and Chair of the Audit Committee at Tower and Metro Performance Glass Limited. He was previously the CEO of Sealord Group from 2007 to 2014 and Director, Strategy and Growth and CFO of Fonterra Co-operative Group from 2001 to 2007.

Paul Dalla Lana

Director and Member of the Audit Committee (56, Toronto)

Paul Dalla Lana is the founder and CEO of NorthWest Healthcare Properties REIT – the 100% owner of NorthWest Healthcare Properties Management Limited, the Manager of Vital Healthcare Property Trust. Over the past 25+ years, Paul has led NorthWest in the acquisition and development of over $10 billion worth of real estate transactions, with a significant focus on healthcare properties.

Andrew Evans

Independent Director and Member of the Audit Committee (58, Auckland)

Andrew Evans has over 30 years' experience in commercial real estate and asset management, previously holding executive positions with listed and unlisted real estate investment businesses. Andrew is Chairperson of Accessible Properties NZ Ltd and Infinity Investment Group Holdings Ltd, is a director on Holmes Group Limited, Holmes GP Fire Limited and Trust Investments Management Limited.

Craig Mitchell

Director and Member of the Audit Committee (54, Sydney)

Craig Mitchell has more than 20 years' experience specialising in the property industry in Australia. His previous roles include Executive Director and Chief Operating Officer of Dexus, an ASX top 50 listed REIT. Craig is President of the NorthWest Group, having joined in 2018 as CEO of Australia and New Zealand. He is responsible for funds management globally including establishment of new funds, providing strategic direction as part of the REIT's global leadership team, and has overall accountability for the Australian and New Zealand region, including strategy, performance and leading the team of over 50 real estate professionals.

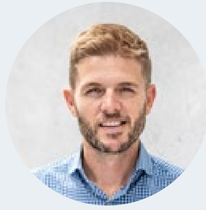
Dr Michael Stanford AM

Independent Director and Chair of the Audit Committee (62, Melbourne)

Dr Michael Stanford has more than 30 years' experience in the health sector in either Group CEO or Board roles. Michael's current Board roles include Australian Clinical Labs (ASX:ACL), Australia's third largest private pathology provider; Nucleus Networks, one of the world's largest Phase one clinical research organisations, and Diabetes Australia, a significant Not For Profit of which Michael Is President and Board Chair. Other Board roles in the last three years have included Healthscope (ASX:HSO), Australia's second largest hospital operator; and Virtus Health (ASX:VRT), one of the world's top 5 providers of Assisted Reproductive Services.

Our Executive Team

Vital's executive team comprises real estate professionals with extensive experience in New Zealand, Australia and beyond.



Aaron Hockly

Senior Vice President – New Zealand and Vital Fund Manager (43, Auckland)

Aaron Hockly has over 20 years' experience in financial services, property and law. Originally from New Zealand, Aaron spent 17 years in the UK and Australia until returning in 2018. Aaron was Chief Operating Officer for a large ASX listed real estate investment trust for nearly 10 years where he was responsible for strategy, transaction structuring and execution (property, debt and equity), reporting and investor relations. Among other qualifications, Aaron has a Masters in Applied Finance and a BA/LLB from the University of Auckland. He is a Fellow of both Governance New Zealand and the Financial Services Institute of Australasia (FINSIA). Aaron currently serves on the board of Mercy Healthcare (Auckland).

Chris Adams

Executive Director – Projects (52, Melbourne)

Chris Adams has extensive experience in the property industry in New Zealand, Australia and the United Kingdom, including over 20 years' experience in health sector property acquisitions, transaction structuring and large-scale hospital development. Responsibilities with respect to NorthWest include overseeing development management and joint responsibility for acquisitions undertaken by the business. He was one of the founding Executives at Generation Healthcare REIT. Prior to joining Generation, Chris established Vital's presence in Australia in 1999 and served as General Manager – Australia following various roles with the group in New Zealand.

Alex Belcastro

Senior Vice President – Medical Precincts (33, Sydney)

Alex Belcastro joined the team in April 2021, prior to which she was the Chief Business Development Officer at Ramsay Health Care, where she managed a multi-billion-dollar portfolio of 73 hospital assets in Australia.

Alex has over 13 years of specialised healthcare real estate experience across the public and private sectors, having been involved in over $8b of hospital, laboratory, and research projects.

Vanessa Flax

Regional General Counsel ANZ and Company Secretary (51, Melbourne)

Vanessa Flax joined the team on 1 May 2019, prior to which she was a special counsel at Ashurst Australia.

Vanessa has 25 years of deep and broad ranging property law experience in Australia, including acting as primary legal adviser (for approximately 15 years) for Vital and NorthWest.

Vanessa's legal experience covers all aspects of real estate property transactions, including acquisitions, divestments and sales, leasing and Crown leasing, development transactions and due diligence.

Michael Groth

Chief Financial Officer – ANZ Region (48, Melbourne)

Michael Groth has over 13 years' experience as a senior finance executive in the listed and unlisted property funds and funds management industry. Prior to joining the team in October 2019, Michael's most recent position was as Group Chief Financial Officer of the Melbourne based and ASX-listed real estate fund manager, APN Property Group Limited.

Michael has extensive experience in financial management and reporting, taxation, treasury and capital management, corporate structuring, acquisitions, disposals and equity raisings.

Richard Roos

Executive Director – Portfolio (57, Melbourne)

Richard Roos has over 20 years' career experience in commercial real estate financing, acquisitions and property management, 14 years of which have been in healthcare real estate.

In his role as Executive Director, Richard is responsible along with his Melbourne and Auckland-based teams for the asset management of the NorthWest Group's Australian and New Zealand portfolio, including leasing and tenant relationships, and joint responsibility for acquisitions and business development. In particular, Richard's strong relationships with healthcare operators are a crucial element of NorthWest's success in sustainability achieving its growth targets.

FY22 sustainability targets

Ko ngā tahu ā ō tapuwae inanhi, hei tauira mō āpōpō.

The footsteps we lay down in our past create the paving stones on which we stand today.

Whakatauki (Maori Proverb)

People

- **Continue to improve diversity on the Board and in Management***
  Women in management 48%.
  Board renewal process underway
- **Focus on mentoring and career progression**
  Peer mentoring and career development planning commenced
- **Encourage greater community involvement**
  Donations made to community organisations including the Epworth Foundation in Australia and the Keystone Trust in New Zealand. Sponsorship of five key international days including Human Rights Day and International Women's Day
- **Continue existing professional development**
  through e-learning and mental health webcasts and launch of LinkedIn Learning 2022, in addition to targeted and general employee personal development, diversity equity and inclusion training was provided to all employees

*As part of wider renewal/recruitment processes.

Practice

- **Establish baseline environmental reporting**
  Underway across energy, water and waste
- **Meet distribution guidance and AFFO target**
  Half year guidance met. Guidance upgraded for the full year
- **Maintain prudent payout ratio**
  Maintained at ~80%
- **Continue charitable and community support programmes**
  Vital has pledged to a three-year scholarship programme for the Keystone Trust in conjunction with the University of Auckland, commencing CY23
- **Extend and diversify debt**
  Vital has agreed terms to extend debt to 4.4 years (pro-forma as at 31 December 2021)

Places

- **Participate in third-party assessments through GRESB and CDP**
  Commitment to participate for CY22
- **Improve our CDP score**
  Vital was one of 5 NZ participants to improve their scores in 2021. We are seeking to further improve this in 2022 capturing initiatives implemented over HY22
- **Deploy sustainability initiatives with key stakeholders including tenants**
  - Continued to foster the Strategic ESG Alliance with Epworth Healthcare facilitating active collaboration, information-sharing, and improved sustainable outcomes at both the property and operating levels.
  - Vital is a member of the Green Building Council of Australia and has pursued registration of four active and pipeline development projects including Stage 2 of Playford Health Hub in Adelaide.
- **Continue to progress investigation of additional solar installations**
  Vital have undertaken desktop sustainability audits of all Vital assets to better understand environmental impacts and opportunities. Sustainable tenant fit-out guide and tenant sustainability guide launched and is currently being piloted at nominated assets.

About Vital and NorthWest

Vital benefits from being managed by a global healthcare property owner and manger.

About Vital

Vital Healthcare Property Trust (Vital, the Trust) is an NZX-listed investment fund (NZX:VHP) that invests in high-quality healthcare properties in New Zealand and Australia. The Trust is externally managed by NorthWest Healthcare Properties Management Limited.

Vital's portfolio of 43 properties is valued at ~$3 billion with 73% (by value) located in Australia and the balance in New Zealand. The portfolio has over 140 tenants and over 2,800 beds.

Vital's tenants include hospital operators and healthcare providers who deliver a wide range of services across the full spectrum of health services.

Further information is available at **vhpt.co.nz**

> *"Vital is the only NZX listed specialist landlord of healthcare property and the fourth largest NZX listed property vehicle"*

About the Manager

NorthWest Healthcare Properties Management Limited (NWHPM, the Manager) is an external manager that provides management services to Vital and its unitholders.

The Manager's primary responsibilities include the day-to-day administration of Vital, portfolio management, sourcing new opportunities and conducting due diligence on potential acquisitions. The Manager is also responsible for providing specialist property management, project management, development management and leasing services to the Trust.

The Manager's Board of five comprises three independent directors and two NorthWest appointees. Refer to page 12 for more details.

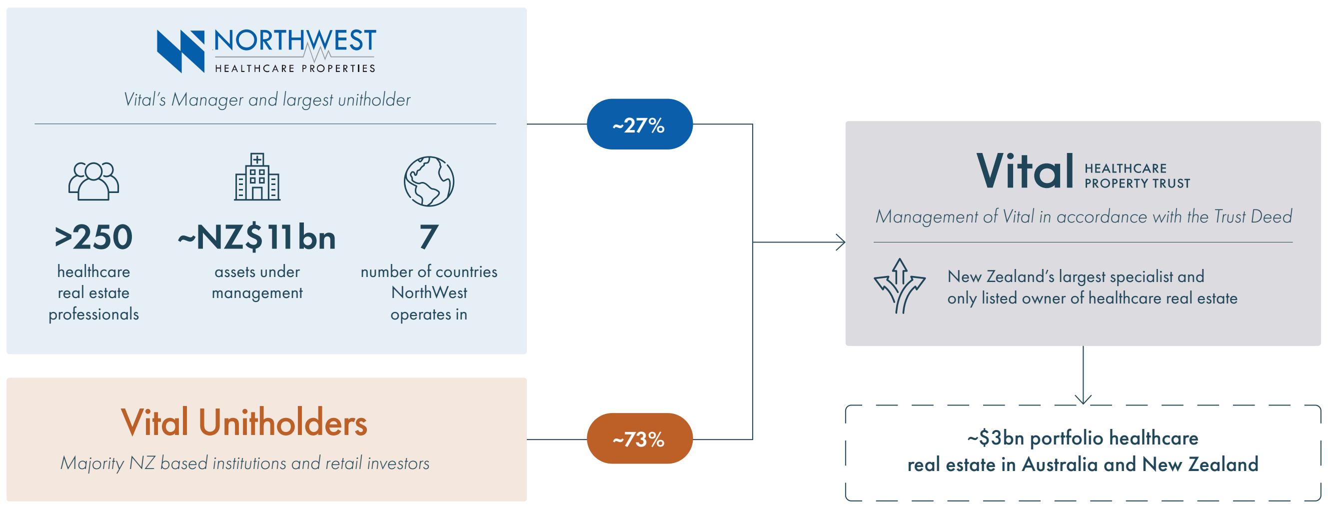
Vital's leadership team is led by Aaron Hockly (Fund Manager), and draws on the skills and experience of over 50 real estate professionals across New Zealand and Australia with offices in Auckland, Melbourne and Sydney. Refer to page 13 for more details.

NorthWest REIT

The Manager is a subsidiary of Toronto Stock Exchange-listed NorthWest Healthcare Properties REIT (NorthWest REIT). NorthWest REIT operates across seven countries in four continents and was founded by its current CEO, Paul Dalla Lana, in 2004. Among other roles, Paul is a director of Vital's Manager.

NorthWest REIT has ~NZ$11 billion of assets under management globally and over 250 real estate professionals. In Australia and New Zealand, NorthWest is led by regional CEO, Craig Mitchell.

Our Structure – A Unit Trust



Financial Statements

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2021

	Note	6 months Dec-21 $000s	6 months Dec-20 $000s
Gross property income from rentals		**60,014**	56,205
Gross property income from expense recoveries		**6,677**	6,770
Property expenses		**(8,767)**	(8,815)
Net property income	4	**57,924**	54,160
Other income and expenses		**(16,113)**	(12,386)
Strategic transaction expenses		**(283)**	–
Finance income		**27**	18
Finance expense	10	**(13,740)**	(13,566)
Operating profit		**27,815**	28,226
Other gains/(losses)			
Revaluation gain on investment property	6	**153,170**	60,859
Net gain/(loss) on disposal of investment property	6	**281**	11,557
Fair value gain/(loss) on foreign exchange derivatives		**(150)**	624
Fair value gain/(loss) on interest rate derivatives		**16,548**	2,920
Realised gain/(loss) on foreign exchange		**3**	(1,349)
Unrealised gain/(loss) on foreign exchange		**(242)**	388
		169,610	74,999
Profit before income tax		**197,425**	103,225
Taxation expense	5	**(27,194)**	(11,635)
Profit attributable to unitholders of the Trust		**170,231**	91,590
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Movement in foreign currency translation reserve		**(8,767)**	(3,258)
Fair value gain/(loss) on net investment hedges		**–**	151
Deferred taxation (expense)/credit		**–**	(42)
Total other comprehensive income/(loss) after tax		**(8,767)**	(3,149)
Total comprehensive income after tax		**161,464**	88,441
Earnings per unit			
Basic and diluted earnings per unit (cents)	8	**31.41**	19.12

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	Dec-21 $000s	Jun-21 $000s
Non-current assets			
Investment properties	6	**2,941,165**	2,634,588
Derivative financial instruments	11	**587**	–
Deferred tax		**540**	6,477
Total non-current assets		**2,942,292**	2,641,065
Current assets			
Cash and cash equivalents		**7,810**	6,880
Trade and other receivables	13	**29,164**	1,634
Other current assets		**17,080**	12,736
Derivative financial instruments	11	**198**	245
Total current assets		**54,252**	21,495
Total assets		**2,996,544**	2,662,560
Unitholders' funds			
Units on issue	7	**942,921**	777,199
Reserves		**(10,162)**	4,208
Retained earnings		**866,779**	722,044
Total unitholders' funds		**1,799,538**	1,503,451
Non-current liabilities			
Borrowings	10	**778,655**	814,895
Lease liability – ground lease		**3,988**	4,094
Derivative financial instruments	11	**24,183**	40,379
Deferred tax		**145,002**	129,361
Total non-current liabilities		**951,828**	988,729
Current liabilities			
Trade and other payables		**27,714**	41,005
Income in advance		**1,331**	854
Derivative financial instruments	11	**978**	640
Lease liability – ground lease		**167**	142
Taxation payable		**2,471**	13,334
Borrowings	10	**212,517**	114,405
Total current liabilities		**245,178**	170,380
Total liabilities		**1,197,006**	1,159,109
Total unitholders' funds and liabilities		**2,996,544**	2,662,560

For and on behalf of the Manager, NorthWest Healthcare Properties Management Limited.

G Stuart, **Independent Chair**
24 February 2022

M Stanford, **Independent Director & Chair of the Audit Committee**

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2021

	Units on issue $000s	Retained earnings $000s	Translation of foreign operations $000s	Foreign exchange hedges $000s	Share based payments $000s	Total unitholders' funds $000s
For the six months ended 31 December 2020						
Balance at the start of the six months	594,752	488,096	(73,003)	62,659	6,475	1,078,979
Changes in unitholders' funds	170,533	–	–	–	(6,475)	164,058
Manager's incentive fee	–	–	–	–	3,121	3,121
Profit for the period	–	91,590	–	–	–	91,590
Distributions to unitholders	–	(21,226)	–	–	–	(21,226)
Other comprehensive income for the period						
Movement in foreign currency translation reserve	–	–	(3,257)	–	–	(3,257)
Fair value gains on net investment hedges	–	–	–	109	–	109
Balance at the end of the six months	765,285	558,460	(76,260)	62,768	3,121	1,313,374
For the six months ended 31 December 2021						
Balance at the start of the six months	**777,199**	**722,044**	**(71,291)**	**63,073**	**12,427**	**1,503,452**
Changes in unitholders' funds	**165,722**	**–**	**–**	**–**	**(12,427)**	**153,295**
Manager's incentive fee	**–**	**–**	**–**	**–**	**6,823**	**6,823**
Profit for the period	**–**	**170,231**	**–**	**–**	**–**	**170,231**
Distributions to unitholders	**–**	**(25,496)**	**–**	**–**	**–**	**(25,496)**
Other comprehensive income for the period						
Movement in foreign currency translation reserve	–	–	(8,767)	–	–	(8,767)
Balance at the end of the six months	**942,921**	**866,779**	**(80,058)**	**63,073**	**6,823**	**1,799,538**

Consolidated Statement of Cash Flows

For the six months ended 31 December 2021

	Note	6 months Dec-21 $000s	6 months Dec-20 $000s
Cash flows from operating activities			
Property income		**60,429**	60,971
Recovery of property expenses		**6,709**	6,256
Interest received		**27**	18
Property expenses		**(7,971)**	(10,759)
Management and trustee fees		**(8,134)**	(7,124)
Interest paid		**(13,190)**	(13,453)
Tax paid		**(14,576)**	(7,860)
Other trust expenses		**(1,267)**	(2,328)
Net cash provided by/(used in) operating activities		**22,027**	25,721
Cash flows from investing activities			
Receipts from foreign exchange derivatives		**475**	1,281
Payments for foreign exchange derivatives		**(950)**	(2,629)
Capital additions on investment properties		**(69,798)**	(80,421)
Purchase of properties		**(133,919)**	(106,056)
Deposits and acquisition costs paid – Investment Property		**(14,233)**	(145)
Proceeds from disposal of properties		**12,991**	100,475
Epworth Eastern tenant fitout		**(13,240)**	-
Strategic transaction expenses		**(68)**	(925)
Net cash provided by/(used in) investing activities		**(218,742)**	(88,420)
Cash flows from financing activities			
Debt drawdown		**461,096**	176,100
Repayment of debt		**(389,419)**	(255,207)
Issue of units		**142,719**	157,502
Loan issue costs		**(1,831)**	(32)
Costs associated with new equity raised		**(1,722)**	(2,487)
Distributions paid to unitholders		**(13,198)**	(12,159)
Net cash from/(used in) financing activities		**197,645**	63,717
Net increase/(decrease) in cash and cash equivalents		**930**	1,018
Cash and cash equivalents at the beginning of the period		**6,880**	5,265
Cash and cash equivalents at the end of the six months		**7,810**	6,283

Notes to the Consolidated Financial Statements

About this Report

1 REPORTING ENTITY

Vital Healthcare Property Trust ("VHP" or the "Trust") is a unit trust established under the Unit Trusts Act 1960 by a Trust Deed dated 11 February 1994 (as subsequently amended and replaced), domiciled in New Zealand, with its registered office at C/- Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland. The Trust is managed by NorthWest Healthcare Properties Management Limited (the "Manager").

The condensed consolidated interim financial statements of VHP for the six months ended 31 December 2021 comprise VHP and its subsidiaries (together referred to as the "Group"). VHP is listed on the New Zealand Stock Exchange (NZX) and is a FMC reporting entity for the purpose of the Financial Markets Conduct Act 2013. The Group's principal activity is investment in high quality Health Sector related properties.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Manager on 24 February 2022.

The condensed consolidated interim financial statements for the six months ended 31 December 2021 (including comparative balances) have been reviewed by the auditor. The 30 June 2021 comparatives were subject to independent audit.

2 BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), NZ IAS 34 and IAS 34 Interim Financial Reporting, and do not include notes of the type normally included in an Annual Report. Therefore this report should be read in conjunction with the Group's most recent Annual Report. The accounting policies have been consistently applied, when compared to those used in the 2021 Annual report. The 2021 Annual Report complies with New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable Financial Reporting Standards issued and effective at the time of preparing those statements.

(b) Basis of consolidation

The Group's financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries). Control is achieved where the Trust has power over the investees; is exposed, or has rights, to variable returns from its involvement with the investees; and has the ability to use its power to affect its returns. The results of subsidiaries are included in the consolidated financial statements from the date of acquisition to the date of disposal. All significant intra-group transactions, balances, cashflows, income and expenses are eliminated on consolidation.

(c) Basis of measurement

The Group uses the historical cost basis except for derivative financial instruments and investment properties which are measured at fair value. Historical cost is based on the fair value of the consideration given or received in exchange for assets or liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

(d) Functional and presentation currency

These financial statements are presented in New Zealand Dollars ($), which is the Trust's functional and presentation currency. All information has been rounded to the nearest thousand dollars ($000), unless stated otherwise.

(e) Impact of COVID-19

In March 2020 the World Health Organisation declared the outbreak of a novel coronavirus ('COVID-19') as a pandemic, which spread throughout New Zealand, Australia and the world. Governments in New Zealand and Australia responded with lock-downs, business trading restrictions and social distancing measures all of which impacted large parts of the economy, including the ability for the Group's tenants to operate on a business as usual basis. Throughout 2021,the New Zealand and Australian governments have imposed various forms of lockdown as deemed necessary in relevant States/regions in response to community transmissions of COVID-19. Vaccination programmes commenced midway through 2021 and have reached eligible population vaccination levels of over 90% for both New Zealand and Australia.

In response to these challenging economic conditions the Group supported some tenants with rent abatement and/or rent deferral arrangements. Accordingly trade receivables related to deferral arrangements outstanding at 31 December 2021 are ongoing and loss allowances have been made. While Government restrictions have eased and 'COVID normal' operating conditions are ongoing, as at 31 December 2021 deferred rent with businesses impacted by previous lock-downs and trading restrictions remains.

COVID-19 has also potentially impacted the previous market evidence used by independent valuers to inform assumptions and opinions that determine the fair value of investment property in some markets in which the Group operates, although recent independent professionally qualified valuer reports commissioned note that market conditions and transactional evidence uncertainty has abated (refer Note 6 for further details).

Currently there is community transmission of COVID-19 in both countries but Governments have not implemented further lockdowns due to the reliance being placed in vaccination levels. However the current Omicron variant and/or further waves that could arise could adversely impact the viability of the Group's tenants and therefore potentially the operating performance and the financial position of the Group if the Governments in New Zealand and Australia were to respond with prolonged lock-downs and business trading restrictions.

(f) The notes to the consolidated financial statements

The following notes include information required to understand these financial statements that is relevant and material to the operations, financial position and performance of the Group. The notes have been collated into sections to help users find and understand inter-related information. Information is considered relevant and material if, for example:

- the amount in question is significant by virtue of its size or nature;
- it is important to understand the results of the Group;
- it helps explain the impact of significant changes in the Group's business; or
- it relates to an aspect of the Group's operations that is important to its future performance.

3 SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates and judgements

In the application of NZ IFRS, the Board and management are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, however actual results may differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The critical judgements, estimates and assumptions made in the current period are contained in the following notes:

Note	Description
Note 5	Current and deferred taxation
Note 6	Valuation of investment properties
Note 14	Related party transactions

Notes to the Consolidated Financial Statements

Performance

This section shows the results and performance of the Group and its reporting segments and includes detailed information in respect to its revenues, expenses and profitability. It also provides information on the investment properties that underpin the Group's performance.

4 SEGMENT INFORMATION

The principal business activity of the Group is to invest in Health Sector related properties. Segment profit represents the profit earned by each segment including allocation of identifiable administration costs, finance costs, revaluation gains/(losses) on investment properties, and gains/(losses) on disposal of investment properties. This is the measure reported to the Board, who are the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The Group operates in both Australia and New Zealand.

The following is an analysis of the Group's results by reportable segment.

	Australia $000s	New Zealand $000s	Total $000s
Segment profit/(loss) for the six months ended 31 December 2021:			
Gross property income from rentals	43,303	16,711	60,014
Gross property income from expense recoveries	2,612	4,065	6,677
Property expenses	(4,251)	(4,516)	(8,767)
Net property income	41,664	16,260	57,924
Other expenses	(6,757)	(9,356)	(16,113)
Strategic transaction expenses	–	(283)	(283)
Net finance expense	(6,185)	(7,528)	(13,713)
	28,722	(907)	27,815
Fair value gain/(loss) on interest rate derivatives	–	16,548	16,548
Revaluation gains on investment properties	107,818	45,352	153,170
Net gain/(loss) on disposal of investment property	281	–	281
Other foreign exchange gains/(losses)	(2)	(387)	(389)
Total segment profit before income tax	136,819	60,606	197,425
Taxation expense			(27,194)
Profit for the six months			170,231
Segment profit/(loss) for the six months ended 31 December 2020:			
Gross property income from rentals	42,646	13,559	56,205
Gross property income from expense recoveries	3,191	3,579	6,770
Property expenses	(4,797)	(4,018)	(8,815)
Net property income	41,040	13,120	54,160
Other expenses	(6,500)	(5,886)	(12,386)
Net finance expense	(3,717)	(9,831)	(13,548)
	30,823	(2,597)	28,226
Fair value gain/(loss) on interest rate derivatives	–	2,920	2,920
Revaluation gains on investment properties	28,599	32,260	60,859
Net gain/(loss) on disposal of investment property	11,557	–	11,557
Other foreign exchange gains/(losses)	(3)	(334)	(337)
Total segment profit before income tax	70,976	32,249	103,225
Taxation expense			(11,635)
Profit for the six months			91,590

Net property income comprises rental income and expense recoveries from tenants less property expenses. The Group has three Australian tenants that contributed $31.6 million of gross property income (31 December 2020: three Australian tenants that contributed $34.7 million). There were no inter-segment sales during the six months (31 December 2020: nil).

Notes to the Consolidated Financial Statements

4 SEGMENT INFORMATION (continued)

	Australia $000s	New Zealand $000s	Total $000s
Segment assets at 31 December 2021:			
Investment properties	2,170,442	770,723	2,941,165
Other non-current assets	–	1,127	1,127
Current assets	45,985	8,267	54,252
Consolidated assets	2,216,427	780,117	2,996,544
Segment assets at 30 June 2021:			
Investment properties	1,933,502	701,086	2,634,588
Other non-current assets	–	6,477	6,477
Current assets	16,369	5,126	21,495
Consolidated assets	1,949,871	712,689	2,662,560
Segment liabilities at 31 December 2021:			
Borrowings	963,871	27,301	991,172
Other liabilities	169,745	36,088	205,833
Consolidated liabilities	1,133,616	63,389	1,197,005
Segment liabilities at 30 June 2021:			
Borrowings	800,950	128,350	929,300
Other liabilities	173,313	56,496	229,809
Consolidated liabilities	974,263	184,846	1,159,109

All assets and liabilities have been allocated to reportable segments.

5 TAXATION

Income tax recognised in the consolidated statement of comprehensive income

	6 months Dec-21 $000s	6 months Dec-20 $000s
Profit/(loss) before tax for the period	197,425	103,225
Taxation (charge)/credit – 28% on profit before income tax	(55,279)	(28,903)
Effect of different tax rates in foreign jurisdictions	17,967	9,230
Tax exempt income	13,288	10,119
Tax impact of leasing deals	(59)	4,563
Foreign tax credits	2,515	4,206
Tax charges on overseas investments	(5,656)	(6,609)
Over/(under) provided in prior periods	-	(470)
Other adjustments	30	(3,771)
Taxation (expense)/credit	(27,194)	(11,635)
The taxation (charge)/credit is made up as follows:		
Current taxation	(4,352)	(7,578)
Deferred taxation	(22,842)	(4,057)
Total taxation (expense)	(27,194)	(11,635)

Notes to the Consolidated Financial Statements

6 INVESTMENT PROPERTIES

Investment properties comprise real estate predominately leased, or targeted to be leased, to health sector tenants that is held for either deriving rental income, for capital appreciation or both.

6A Reconciliation of Carrying Amounts

	Dec-21 $000s	Jun-21 $000s
Carrying value of investment property at the beginning of the six months	**2,634,588**	2,086,309
Acquisition of properties	**133,205**	237,072
Capitalised costs	**46,854**	121,642
Capitalised interest costs	**2,900**	4,852
Net capitalised incentives	**32**	31,631
Disposal of properties	**(12,114)**	(87,771)
Foreign exchange translation difference	**(17,470)**	4,901
Revaluation gain on investment property	**153,170**	235,383
Right of use asset recognised	**–**	569
Carrying value of investment property at the end of the six months	**2,941,165**	2,634,588

The Group holds the freehold to all properties except the car parks at the rear of Ascot Hospital and Ascot Central, which are the subject of a ground lease ("right of use" asset) that has a weighted average term remaining of 17.3 years (30 June 2021: 17.8 years). As at reporting date the fair value of this right-of-use asset totals $8.1 million (30 June 2021: $7.9 million).

6B Joint Arrangements

During 2019 the Group purchased a 50% tenants-in-common interest in an investment property in Elizabeth Vale, South Australia (now re-named Playford Health Hub). Subject to a Co-ownership Deed, this arrangement constituted a joint operation whereby the Group recognised its share of assets and liabilities in the consolidated statement of financial position and share of revenue earned and expenses incurred in the consolidated statement of comprehensive income. On 21 August 2020 the Group purchased the remaining 50% interest in the investment property and ceased the joint arrangement.

No new joint arrangements have been entered into in the current period.

6C Acquisition Of Property

During the period the Group:

- acquired a development site of 20,131 square metres at 187–195 Foxwell Rd, Coomera, Queensland, Australia for an acquisition price of A$9.4 million (excluding transaction costs) on 15 July 2021.
- acquired a development site of 982 square metres at 1 Beck Court, Noble Park, Victoria, Australia (adjacent to Vital's South Eastern Hospital) for an acquisition price of A$1.95 million (excluding transaction costs) on 28 September 2021.
- acquired a development site of 749 square metres at 61 – 71 Park Rd, Grafton, Auckland, New Zealand for an acquisition price of NZ$7.25 million (excluding transaction costs) on 30 September 2021.
- acquired a "Cancer Centre of Excellence" in Adelaide known as Tennyson Centre at 520 South Road, Kurralta Park, SA, Australia, as well as an adjoining development site of 1,920 square metres at 502–504 South Road for A$90 million and A$2.75 million respectively (excluding transaction costs) on 11th October 2021.
- settled on a medical office building at 120 Thames St, Box Hill, Victoria, Australia for an acquisition price of A$10.1 million (excluding transaction costs), which had previously been accrued for in Other Payables.
- acquired a group of residential properties through the six month period to be held for potential future development in Meadowbrook, Queensland, Australia for A$9.6 million (excluding transaction costs).

6D Disposal of Property

During the period the Group:

- sold Gold Coast Surgery Centre (QLD) for A$12.75 million (excluding transaction costs) on 27 October 2021.

6E Contractual Arrangements

The Group was party to contracts to purchase or construct property or provide lease incentives to tenants which are not recognised in the financial statements for the following amounts:

	Dec-21 $000s	Jun-21 $000s
Capital expenditure commitments	**161,171**	135,952
Property acquisition commitments	**132,608**	18,593
Tenant incentive commitments	**10,626**	10,742

- On 12 August 2021, the Group entered into a contract to acquire Lower Hutt Health Hub in New Zealand for $46.5 million (plus transaction costs). Settlement completed on 1 February 2022 (refer note 14).
- On 10 December 2021, the Group entered into a contract to acquire 6 McCausland Ave, Kellyville (The Hills Development Land) in Australia for A$13.5 million (plus transaction costs). Settlement completed on 8 February 2022 (refer note 14).
- On 23 December 2021, the Group entered into a contract to acquire the leasehold interest and fund the stage 1 development of a GenesisCare four storey Comprehensive Cancer Centre and multi-stage health precinct in Campbelltown, South West Sydney, Australia for total consideration of A$76.6 million. A refundable deposit of A$7.69 million has been paid, with final settlement subject to the satisfaction of conditions precedent including development conditions and Council approval of the transfer of the leasehold interest to Vital.

6F Individual Valuations and Carrying Amounts

The details of the New Zealand and Australian investment property portfolio, including its location, sub sector, fair value, market capitalisation rate, occupancy and weighted average lease expiry term are as follows:

Notes to the Consolidated Financial Statements

Properties	Location	Sub sector	Major Tenant	Latest independent valuation Date	Latest independent valuation $M	Fair value $M Dec-21	Fair value $M Jun-21	Market capitalisation rate % Dec-21	Market capitalisation rate % Jun-21	Occupancy % Dec-21	Occupancy % Jun-21	WALE Years Dec-21	WALE Years Jun-21
Australia													
Lingard Private Hospital[1]	Merewether, New South Wales	Hospital (Acute)	Healthe Care	Dec-21	206.1	**206.1**	193.9	**4.3**	4.5	**100.0**	100.0	**24.2**	24.7
Maitland Private Hospital	East Maitland, New South Wales	Hospital (Acute/Specialty)	Healthe Care	Dec-21	124.3	**124.3**	118.3	**4.9**	5.1	**100.0**	100.0	**16.0**	16.5
Hurstville Private Hospital[1]	Hurstville, New South Wales	Hospital (Acute)	Healthe Care	Dec-21	84.7	**84.7**	80.6	**5.8**	5.8	**100.0**	100.0	**20.3**	20.8
The Hills Clinic[1]	Kellyville, New South Wales	Hospital (Specialty)	Aurora	Dec-21	58.2	**58.2**	54.4	**4.3**	4.5	**100.0**	100.0	**25.5**	26.0
Toronto Private Hospital	Toronto, New South Wales	Hospital (Acute/Specialty)	Aurora	Dec-21	50.8	**50.8**	47.7	**5.1**	5.4	**100.0**	100.0	**20.6**	21.1
Mons Road Medical Centre	Westmead, New South Wales	MOB	Castlereagh	Jun-21	40.5	**40.5**	39.7	**5.3**	5.4	**94.5**	94.5	**3.4**	3.6
Lingard Day Centre[1]	Merewether, New South Wales	MOB	Healthe Care	Dec-21	43.2	**43.2**	40.6	**4.3**	4.5	**100.0**	100.0	**24.2**	24.7
Hirondelle Private Hospital	Chatswood, New South Wales	Hospital (Specialty)	Aurora	Jun-21	29.9	**31.3**	30.2	**5.0**	5.3	**100.0**	100.0	**20.4**	20.9
Fairfield Aged Care[1]	Fairfield, New South Wales	Aged Care	Hall & Prior	Dec-21	20.0	**20.0**	19.3	**6.3**	6.3	**100.0**	100.0	**14.2**	14.7
Darlington Aged Care	Banora Point, New South Wales	Aged Care	Bolton Clarke	Jun-21	18.1	**18.1**	18.3	**6.3**	6.3	**100.0**	100.0	**14.8**	15.3
Clover Lea Aged Care[1]	Burwood Heights, New South Wales	Aged Care	Hall & Prior	Dec-21	14.5	**14.5**	14.1	**6.3**	6.3	**100.0**	100.0	**14.2**	14.7
Grafton Aged Care[1]	South Grafton, New South Wales	Aged Care	Hall & Prior	Dec-21	12.0	**12.0**	11.9	**7.0**	7.0	**100.0**	100.0	**15.3**	15.8
Epworth Eastern Hospital[2]	Box Hill, Victoria	Hospital (Acute)	Epworth Foundation	Dec-21	412.8	**412.8**	375.2	**4.0**	4.3	**100.0**	100.0	**17.3**	17.8
South Eastern Private Hospital	Noble Park, Victoria	Hospital (Specialty)	Aurora	Dec-21	91.9	**91.9**	86.0	**4.5**	4.8	**100.0**	100.0	**19.2**	19.7
Epworth Camberwell	Camberwell, Victoria	Hospital (Specialty)	Epworth Foundation	Jun-21	77.3	**77.3**	78.1	**4.2**	4.3	**100.0**	100.0	**19.5**	20.0
Ekera Medical Centre[1]	Box Hill, Victoria	MOB	Imaging Associates	Dec-21	34.5	**34.5**	33.3	**5.0**	5.3	**92.9**	100.0	**3.0**	3.3
Epworth Rehabilitation	Brighton, Victoria	Hospital (Specialty)	Epworth Foundation	Jun-21	28.7	**28.7**	29.0	**5.5**	5.5	**100.0**	100.0	**2.1**	2.6
120 Thames Street[1]	Box Hill, Victoria	MOB	Epworth Foundation	Dec-21	13.0	**13.0**	30.0	**5.5**	6.5	**89.7**	100.0	**2.8**	3.6
Belmont Private Hospital	Carina Heights, Queensland	Hospital (Specialty)	Aurora	Dec-21	139.7	**147.3**	133.5	**4.0**	4.3	**100.0**	100.0	**23.7**	24.2
Palm Beach Currumbin Clinic	Currumbin, Queensland	Hospital (Specialty)	Aurora	Dec-21	74.0	**74.0**	69.2	**4.5**	4.8	**100.0**	100.0	**13.7**	14.2
The Southport Private Hospital[1]	Southport, Queensland	Hospital (Acute/Specialty)	Ramsay	Dec-21	52.8	**52.8**	51.4	**4.8**	5.0	**100.0**	100.0	**23.2**	23.7
Eden Rehabilitation	Cooroy, Queensland	Hospital (Acute/Specialty)	Aurora	Jun-21	29.6	**34.2**	33.0	**5.3**	5.3	**100.0**	100.0	**15.9**	16.4
Baycrest Aged Care	Hervey Bay, Queensland	Aged Care	Bolton Clarke	Jun-21	19.6	**19.6**	19.8	**6.3**	6.3	**100.0**	100.0	**14.5**	15.0
Gold Coast Surgery Centre[3]	Southport, Queensland	MOB	South Coast Radiology	n.a.	–	**–**	12.2	**–**	7.5	**–**	88.9	**–**	1.4
Tantula Rise Aged Care	Alexandra Headland, Queensland	Aged Care	Bolton Clarke	Jun-21	24.4	**24.4**	24.7	**6.3**	6.3	**100.0**	100.0	**14.5**	15.0
Marian Centre[1]	Wembley, Western Australia	Hospital (Specialty)	Aurora	Dec-21	63.6	**63.6**	57.8	**4.4**	4.6	**100.0**	100.0	**12.6**	13.1
Abbotsford Private Hospital	West Leederville, Western Australia	Hospital (Specialty)	Aurora	Dec-21	43.8	**43.8**	37.9	**4.3**	4.5	**100.0**	100.0	**20.1**	20.6
Hamersley Aged Care[1]	Subiaco, Western Australia	Aged Care	Hall & Prior	Dec-21	13.8	**13.8**	13.5	**6.5**	6.8	**100.0**	100.0	**14.2**	14.7
Rockingham Aged Care[1]	Rockingham, Western Australia	Aged Care	Hall & Prior	Dec-21	7.5	**7.5**	7.3	**6.8**	7.0	**100.0**	100.0	**14.2**	14.7
Tennyson Centre	Kurralta Park, South Australia	MOB	ICON Cancer Care	Aug-21	95.6	**96.4**	–	**4.8**	–	**99.8**	–	**2.5**	–
Sportsmed Hospital, Clinic & Cons.[4]	Stepney, South Australia	Hospital (Acute)	Sportsmed SA	Jun-21	82.4	**87.1**	83.3	**5.0**	5.3	**100.0**	100.0	**14.1**	14.6
Playford Health – Retail & Carpark[5]	Elizabeth Vale, South Australia	MOB	SA Health	Dec-21	22.8	**22.8**	–	**6.0**	–	**53.1**	–	**10.0**	–
Total Australia						**2,049.2**	1,814.0						
New Zealand													
Ascot Hospital & Clinics[1]	Greenlane, Auckland	Hospital (Acute)	Ascot Hospital and Clinics Limited	Dec-21	134.5	**134.5**	126.3	**4.4**	4.6	**100.0**	99.5	**16.5**	17.0
Grace Hospital	Tauranga, Bay of Plenty	Hospital (Acute)	Norfolk Southern Cross Limited	Dec-21	107.5	**108.5**	104.5	**4.6**	4.8	**100.0**	100.0	**29.0**	29.5
Wakefield Hospital[1]	Newtown, Wellington	Hospital (Acute)	Evolution Healthcare	Dec-21	110.5	**112.4**	99.6	**4.8**	4.9	**100.0**	100.0	**25.9**	26.4
Royston Hospital[1]	Hastings, Hawkes Bay	Hospital (Acute)	Evolution Healthcare	Dec-21	94.0	**94.0**	81.3	**4.8**	5.0	**100.0**	100.0	**27.9**	28.4
Bowen Hospital[1]	Crofton Downs, Wellington	Hospital (Acute)	Evolution Healthcare	Dec-21	71.4	**71.4**	63.5	**4.8**	4.8	**100.0**	100.0	**27.9**	28.4
Boulcott Hospital[1]	Lower Hutt, Wellington	Hospital (Acute)	Healthe Care	Dec-21	50.8	**50.8**	47.0	**4.8**	5.0	**100.0**	100.0	**16.5**	17.0
Ormiston Hospital[1]	Flatbush, Auckland	Hospital (Acute)	Ormiston Surgical and Endoscopy Ltd	Dec-21	47.0	**48.8**	45.4	**5.0**	5.3	**100.0**	100.0	**2.4**	2.6
Ascot Central	Greenlane, Auckland	MOB	Fertility Associates Limited	Dec-21	44.0	**44.0**	43.3	**4.8**	5.3	**100.0**	80.9	**6.9**	6.5
Apollo Health & Wellness Centre	Albany, Auckland	MOB	Apollo Medical Limited	Dec-21	32.3	**32.3**	27.6	**5.3**	5.8	**91.5**	84.0	**6.9**	8.1
Kensington Hospital	Whangarei, Northland	Hospital (Acute)	Kensington Hospital Limited	Dec-21	24.0	**25.3**	23.2	**5.1**	5.3	**100.0**	100.0	**24.5**	25.0
Napier Health Centre[1]	Napier, Hawkes Bay	MOB	Hawke's Bay District Health Board	Dec-21	18.5	**18.5**	16.3	**5.9**	6.0	**100.0**	100.0	**12.0**	12.5
Ascot Carpark (right of use asset)	Greenlane, Auckland	Hospital (Acute)	Ascot Hospital and Clinics Limited	Dec-21	8.1	**8.1**	7.9	**8.1**	8.8	**90.6**	89.8	**14.1**	14.6
Total New Zealand						**748.6**	685.8						
Properties held for development[1]						**143.4**	134.5						
TOTAL FAIR VALUE OF INVESTMENT PROPERTIES						**2,941.2**	2,634.3	**4.7**	4.9	**99.0**	99.2	**17.8**	18.7

1 The independent valuer, in determining or informing the fair value for this property, has advised that the transactional market evidence used is continuing to be impacted by uncertainty caused by the COVID-19 pandemic. Therefore less certainty and a higher degree of caution should be applied to the properties reported value than normally the case.
2 Epworth Eastern Medical Centre was combined with Epworth Eastern Hospital during FY21. The independent valuer, in determining or informing the fair value for this property, has advised that the transactional market evidence used is continuing to be impacted by uncertainty caused by the COVID-19 pandemic. Therefore less certainty and a higher degree of caution should be applied to the properties reported value than normally the case.
3 This property was sold on 27 October 2021
4 Sportsmed Office was combined with Sportsmed Hospital, Clinic and Consulting during FY21
5 This property was previously categorised as Held for Development but reached Practical Completion on 19 November 2021

Notes to the Consolidated Financial Statements

Recognition and measurement

Valuation process

The purpose of the valuation process is to ensure that investment properties are held at fair value. In accordance with the Group's valuation policy and Trust Deed, external valuations are performed by independent professionally qualified valuers who hold a recognised and relevant professional qualification and have specialised expertise in the type of investment property being valued. The valuation policy requires that a valuer may not value the same property for more than two consecutive valuations. All valuations are reviewed by the Manager and approved by the Board. The fair value of investment property as at 31 December 2021 was determined through independent professional valuers for approximately 77% of the portfolio (30 June 2021: 66%) and the remainder was determined by the Manager. The Manager's valuations were informed by market data and valuation advice provided by independent valuers, comparable transactional evidence and current period leasing activities. The valuers of properties which have been independently valued at 31 December 2021 included: Ernst & Young, Colliers International, Jones Lang LaSalle Australia, Valued Care, Absolute Value and CBRE. The properties which have been independently valued at 31 December 2021 are disclosed above in note 6f.

The methods used for assessing the fair value of investment property are the Direct Comparison, Discounted Cash Flow (using a risk adjusted discount rate), Capitalisation of Contract and Market Income approaches and are unchanged from the prior period. The principal assumptions in establishing the valuation include the capitalisation/discount rates, occupancy, market rent assessments and the weighted average lease term to expiry (WALE).

COVID-19 impact

In determining the fair value of investment properties at 31 December 2021, some independent professionally qualified valuers advise that due to the continued uncertainty caused by the COVID-19 pandemic, asset values could change quickly if market circumstances change, and therefore general caution should be exercised when relying on reported valuations. While market evidence and transactional activity has increased in the period to 31 December 2021, and some valuers still advise that less certainty and a high degree of caution should be attached to independent property valuations. Directors' valuations at 31 December 2021 have been informed by this recent evidence.

Fair Value Hierarchy

As the valuation methods use assumptions and judgements that are not based on observable market data, investment properties are classified as Level 3 under the fair value hierarchy.

Generally, as:

- market rent assessments, occupancy and weighted average lease term to expiry increase, yields firm, resulting in increased fair values for investment properties and vice versa;
- capitalisation rates and discount rates used in the valuation approaches decrease (firm), the fair value of the investment property will increase, and vice versa.

Notes to the Consolidated Financial Statements

Capital Structure, Financing and Risk Management

This section outlines how the Group manages its capital structure and related financing activities and presents the resultant returns delivered to unitholders via distributions and earnings per unit.

7 UNITS ON ISSUE

	Dec-21 $000s	Jun-21 $000s
Balance at the beginning of the period	777,199	594,752
Issue of units under Distribution Reinvestment Plan	12,298	18,983
Issue of units under placement and unit purchase plan	142,803	159,650
Issue of units to satisfy Manager's incentive fee	12,427	6,450
Issue costs of units	(1,806)	(2,636)
Balance at the end of the period	**942,921**	777,199

	Dec-21 000s	Jun-21 000s
Reconciliation of number of units		
Balance at the beginning of the period	519,753	453,783
Issue of units under the Distribution Reinvestment Plan	4,170	6,388
Issue of units under placement and unit purchase plan	49,401	57,017
Units issued to satisfy Manager's incentive fee	4,091	2,565
Balance at the end of the period	**577,415**	519,753

Distributions related to the six month period to 31 December 2021 were 4.75 cents per unit (31 December 2020: 4.375 cents per unit), including the second quarter distribution of 2.375 cents per unit declared subsequent to 31 December 2021 (31 December 2020: 2.1875 cents per unit). Refer Note 14 for details.

On 30 August 2021, 4,090,950 units were issued against the 30 June 2021 Manager's incentive fee of $12.4 million (31 December 2020: 2,565,076 were issued against the 2020 Manager's incentive fee of $6.5 million).

On 20 October 2021, 39,655,172 units were issued for a price of $2.90 per unit under an underwritten placement and on 10 November 2021, 9,746,042 units were issued for a price of $2.852 per unit under a unit purchase plan. (31 December 2020: On 13 October 2020, 44,642,858 units were issued for a price of $2.80 per unit under an underwritten placement and on 4 November 2020, 11,607,176 units were issued for a price of $2.80 per unit under a unit purchase plan).

8 EARNINGS PER UNIT

	6 months Dec-21 $000s	6 months Dec-20 $000s
Profit attributable to unitholders of the Trust ($000s)	170,231	91,590
Weighted average number of units on issue (000's of units)	541,878	479,151
Basic and diluted earnings per unit (cents)	**31.41**	19.12

Recognition and measurement

Basic and diluted earnings per unit is calculated by dividing the profit attributable to unitholders of the Trust by the weighted average number of ordinary units on issue during the reporting period.

Notes to the Consolidated Financial Statements

9 DISTRIBUTABLE INCOME

Statutory profit attributable to unitholders is determined in accordance with NZ GAAP and includes a number of non-cash items including fair value movements, straight line lease accounting adjustments, amortisation of borrowing and leasing costs, and incentives.

The Manager uses Adjusted Funds from Operations (AFFO) and AFFO per unit as the Group's key performance metric, representative of the Group's underlying performance, and as a guide to informing the Group's distribution policy. AFFO adjusts statutory profit attributable to unitholders for certain items that are non-cash, unrealised, capital in nature or are one-off or non-recurring (i.e. outside the Group's ordinary operations or not reflective of its underlying performance). As AFFO is a non GAAP measure it may not be directly comparable with other entities.

A reconciliation of statutory profit attributable to unitholders to AFFO and AFFO per unit is outlined as follows:

	6 months Dec-21 $000s	6 months Dec-20 $000s
Adjusted funds from operations		
Operating profit before tax and other income	27,815	28,226
Add/(deduct):		
Current tax expense	(4,352)	(7,578)
Current tax expense on net of gain on property disposals and lease incentive transaction	–	3,374
Incentive fee	6,823	3,096
Strategic transaction expenses	283	–
Realised foreign exchange on borrowings (net of tax)	(118)	478
Amortisation of borrowing costs	555	336
Amortisation of leasing costs & tenant inducements	1,238	1,100
IFRS 16 Operating lease accounting	(81)	(67)
Funds from operations (FFO)	32,163	28,965
Add/(deduct):		
Actual capex from continuing operations	(128)	(862)
Adjusted funds from operations (AFFO)	32,035	28,103
AFFO (cpu)	5.91	5.87
Distribution per unit (cpu)	4.750	4.375
AFFO payout ratio	80%	75%
Units on issue (weighted average, 000s)	541,878	479,151

Notes to the Consolidated Financial Statements

10 BORROWINGS

	Dec-21 $000s	Jun-21 $000s
AUD denominated loans	984,008	807,377
NZD denominated loans	11,500	125,000
Borrowing costs	(4,336)	(3,077)
Total borrowings	991,172	929,300
Current liability	212,517	114,405
Non current liability	778,655	814,895
Total borrowings	991,172	929,300

	Dec-21 $000s	Jun-21 $000s
Total borrowings at the beginning of the period	929,300	813,515
Drawdowns during the year	461,096	1,204,354
Repayments during the year	(389,419)	(1,092,839)
Additional facility refinancing fee	(1,831)	(2,523)
Facility refinancing fee amortised during the period	555	878
Foreign exchange movement	(8,529)	5,915
Total borrowings at the end of the period	991,172	929,300

10A Summary of Borrowing Arrangements

On 25 February 2021 the Group replaced its syndicated revolving multi-currency facility with borrowings subject to a common terms deed and bi-lateral facility agreements. Three new banking groups were also introduced into its lending relationships to provide financier diversity. On 30 September 2021 the Group further diversified its financier group by introducing one more financier to the lending group on 7 year terms, at the same time addressing facility expiries due in November 2021 and January 2022 with other existing lenders on extended terms. These activities increased total borrowing facilities by A$65 million. The facilities' expiry profile and undrawn facility limits are as follows:

Common Terms Deed – AUD	Dec-21 A$m Limit	Dec-21 A$m Undrawn	Dec-21 Expiry	Jun-21 A$m Limit	Jun-21 A$m Undrawn	Jun-21 Expiry
Facility A1	100.0	-	Oct-28	-	-	n.a.
Facility A2	100.0	-	Apr-24	-	-	n.a.
Facility B1	62.5	-	Jul-22	62.5	-	Jul-22
Facility B2	137.5	-	Jul-22	137.5	-	Jul-22
Facility C	125.0	-	Oct-23	125.0	-	Oct-23
Facility H	62.5	-	Mar-25	62.5	-	Mar-25
Facility I	62.5	-	Mar-25	62.5	-	Mar-25
Facility J	125.0	-	Feb-26	125.0	-	Feb-26
Facility K1	70.1	31.0	Feb-26	70.1	-	Feb-26
Facility K2	21.0	-	Oct-26	-	-	n.a.
Facility L	75.0	-	Sep-28	-	-	n.a.
Facility M	19.0	3.0	Oct-26	-	-	n.a.
Facility E1	-	-	n.a.	50.0	50.0	Nov-21
Facility E2	-	-	n.a.	50.0	22.8	Nov-21
Facility F1	-	-	n.a.	75.0	70.7	Jan-22
Facility F2	-	-	n.a.	75.0	-	Jan-22
Total AUD Facility	960.1	34.0		895.1	143.5	
	NZ$m Limit	NZ$m Undrawn				
Facility A	50.0	38.5	Oct-23	50.0	-	Oct-23
Facility B	75.0	75.0	Feb-26	75.0	-	Feb-26
Total NZD Facility	125.0	113.5		125.0	-	

The facilities governed by the common terms deed are secured and cross collateralised over the Group's investment properties (by first ranking real property mortgages) and other assets (via a first ranking general 'all assets' security agreement).

The common terms deed contains both financial and non-financial covenants and undertakings that are customary for secured facilities of this nature. The key financial covenants (with capitalised terms being defined terms in the common terms deed) are as follows:

	Covenant	Dec-21 Actual	Jun-21 Actual
Banking Covenants			
Loan to value ratio	< 55%	35.0%	38.0%
Interest cover	> 2.00x	2.94	2.88
Total EBITDA of Obligors v total EBITDA of Group	Not < 95%	100%	100%
Total assets of Obligors v total assets of Group	Not < 95%	100%	100%
Total value of unmortgaged properties v total assets of Group	Not > 10%	2.6%	4.8%

Notes to the Consolidated Financial Statements

Subsequent to 31 December 2021, the Group has agreed revised and new financing terms with existing financiers. Facility limits of A$350 million have been secured, over terms of 3, 5 and 7 years, to refinance near term facility expiries, resulting in a A$150 million net increase in facility limits. The documentation for the refinance is in agreed form but is subject to execution and final satisfaction of conditions precedent.

10B Finance Expense

The effective interest rate on the borrowings, incorporating interest rate hedges, as at 31 December 2021 was 3.14% per annum (30 June 2021: 3.59%).

11 DERIVATIVES

11A Interest Rate Swaps

	Dec-21 $000s	Jun-21 $000s
Non-current assets		
Interest rate derivative assets	587	–
Current liabilities		
Interest rate derivative liabilities	(875)	(640)
Non-current liabilities		
Interest rate derivative liabilities	(24,183)	(40,379)
Total	(24,471)	(41,019)

During the period the Group recognised an unrealised fair value gain of $16.5 million (31 December 2020: $2.9 million gain) on interest rate contracts. The Group's interest rate swaps outstanding at 31 December 2021 are as follows:

	Dec-21 $000s	Jun-21 $000s
Nominal value of interest rate swaps – AUD	425,000	425,000
Average fixed interest rate	2.94%	2.94%
Floating rates based on AUD BBSW	0.12%	0.12%

Interest rate derivatives mature over the next eight years and have fixed interest rates ranging from 1.54% to 4.35% (30 June 2021: from 1.54% to 4.99%).

Recognition and measurement

Derivatives are categorised as financial instruments at fair value through profit or loss and are initially recognised and subsequently measured at fair value derived from counterparty bank valuations. Counterparty bank valuations are tested for reasonableness by discounting the estimated future cashflows and using market interest rates for a substitute instrument at the measurement date. The resulting gain or loss is recognised immediately in the consolidated statement of comprehensive income as hedge accounting has not been applied.

11B Forward Exchange Contracts

	Dec-21 $000s	Jun-21 $000s
Current assets		
Foreign exchange derivative assets	198	245
Current liabilities		
Foreign exchange derivative liabilities	(103)	–
Total	95	245

During the period the Group recognised an unrealised fair value loss of $0.15 million (31 December 2020: $0.62 million gain) on forward exchange contracts. The Group's forward exchange contracts outstanding at 31 December 2021 are as follows:

	Dec-21 $000s	Jun-21 $000s
Nominal value of foreign exchange contracts – AUD	16,600	18,100
Average foreign exchange rate	0.9318	0.9199

Recognition and measurement

Derivatives are categorised as financial instruments at fair value through profit or loss and are initially recognised and subsequently measured at fair value derived from counterparty bank valuations. Counterparty bank valuations are tested for reasonableness by using a valuation model based on the applicable forward price curves derived from observable forward prices. As hedge accounting has not been applied any resulting gain or loss is recognised immediately in the consolidated statement of comprehensive income.

11C Fair Value Hierarchy

The following provides an analysis of derivatives that are measured at fair value at reporting date, grouped into Levels 1 to 3 based on the degree to which the fair value inputs are observable:

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has determined that interest rate swaps and foreign exchange contract derivatives are Level 2 fair value measurement instruments, that are measured using observable prices of similar instruments. There have been no reclassifications between levels in the current period (2021: nil).

12 COMMITMENTS AND CONTINGENCIES

Other than the contractual obligations disclosed in Note 6E and Note 12A, there are no other commitments and contingencies in effect at 31 December 2021 (31 December 2020: nil).

12A NZSX Bank Bond

As a condition of listing on the New Zealand Stock Exchange (NZSX), NZSX requires all issuers to provide a bank bond to NZSX under NZSX/DX Listing Rule 1.23.2. The bank bond required by the Trust for listing on the NZSX is $50,000.

13 TRADE AND OTHER RECEIVABLES

	Dec-21 $000s	Jun-21 $000s
Current		
Trade receivables	705	623
Other receivables	28,459	1,011
Total Current	29,164	1,634

The Other receivables balance includes an amount relating to the delivery of a fitout project on the Epworth Eastern expansion development on behalf of the tenant. Subsequent to 31 December 2021 the tenant has settled this amount in full.

Other Notes

14 SUBSEQUENT EVENTS

On 24 February 2022 a cash distribution of 2.375 cents per unit was announced by the Trust. The Record Date for the final distribution is 10 March 2022, and payment is scheduled to unitholders on 24 March 2022. Imputation credits of 0.2141 cents per unit will be attached to the distribution.

On 1 February 2022 the Group settled a contract to purchase Hutt Valley Health Hub at 135 Witako Street, Lower Hutt, New Zealand for NZ$44.6 million excluding transaction costs. Settlement of additional development land for consideration of NZ$1.9 million still remains outstanding pending council approval of a subdivision.

On 8 February 2022, the Group settled a contract to acquire 6 McCausland Ave, Kellyville (The Hills Development Land) in Australia for A$13.5 million (plus transaction costs). This land will be held for development in relation to the Group's The Hills Clinic in NSW.

Subsequent to 31 December 2021 the Group has agreed revised and new financing terms with existing financiers. Facility limits of A$350 million have been secured, over terms of 3, 5 and 7 years, to refinance near term facility expiries, resulting in a A$150 million net increase in facility limits. The documentation for the refinance is in agreed form but is subject to execution and final satisfaction of conditions precedent.

15 RELATED PARTY TRANSACTIONS

The Manager

Vital is managed by NorthWest Healthcare Properties Management Limited (the "Manager"), a wholly owned subsidiary of NWI Healthcare Properties LP (NWIHLP).

The ultimate parent of NWIHLP is Toronto listed NorthWest Healthcare Properties Real Estate Investment Trust (NWH REIT) that, as at reporting date, holds a 27.4% (31 December 2020: 25.8%) interest in Vital. NWH REIT and its controlled entities (including the Manager) are considered related parties to Vital and its controlled entities by virtue of common ownership and/or directorships.

Other related parties by virtue of common ownership and/or ownership and/or directorship to the Manager of Vital include Australian Properties Limited and NorthWest Healthcare Australian Property Limited.

Remuneration of the Manager

Vital pays fees to the Manager in accordance with the Trust Deed. The aggregate of Base Fees, Incentive Fees and Activity Fees is capped at 1.75% per annum of Vital's gross asset value (GAV) as at the end of a financial year.

Notes to the Consolidated Financial Statements

Fee arrangements

In accordance with the Trust Deed, the fee arrangements are as follows:

Base Fee

The Base Fee structure is as follows:

- 65 bps per annum up to $1 billion of GAV:
- 55 bps per annum from $1 billion to $2 billion of GAV;
- 45 bps per annum from $2 billion to $3 billion of GAV; and
- 40 bps per annum over $3 billion of GAV.

Incentive Fee

The Incentive Fee is determined as 10% of the average annual increase in Vital's Net Tangible Assets (NTA) (as defined by the Trust Deed) over the respective financial year and the two preceding financial years, with payment being made by way of subscribing for new units. The incentive fee calculations are also subject to a 'three year high watermark", such that the Manager will not be paid an Incentive Fee in a year where NTA grows if it is still below where it was on the last business day of any of the past three financial years.

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. The 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% pro-rata for each year or part thereof 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.

Leasing or licence fees are capitalised to the respective investment or property in the consolidated statement of financial position and amortised over the term of the lease.

b. Property management

Vital pays the Manager property management fees where the Manager acts as the property manager. 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.

Property management fees, net of recoveries from tenants, are expensed through the consolidated statement of comprehensive income in the year in which they arise.

c. Facilities management

Vital pays the Manager a facilities management fee where the Manager acts as a property facilities manager based on the market rate (referenced to a reputable and high-quality third party service provider) for similar services at similar properties. This fee may be recovered from tenants if permitted under lease agreements.

Facilities management fees are expensed, net of recoveries from tenants, through the consolidated statement of comprehensive income in the year in which they arise.

Notes to the Consolidated Financial Statements

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 $0.2 million and $2.5 million 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 $2.5 million.

Project management fees are capitalised to the respective investment or property in the consolidated statement of financial position.

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 third party agent. These fees are charged at 1.5% of the capitalised cost of the relevant investment or property, being the contracted price payable, excluding any deductions netted off the settlement price (such as rates), together with other related capitalised acquisition costs.

Acquisition fees are capitalised to the respective investment or property in the consolidated statement of financial position.

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 third party agent. These fees are charged at 1% of the contracted sale price of the relevant investment or property actually received, provided that, if a third party 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.

Disposal fees are expensed through the consolidated statement of comprehensive income in the year in which they arise.

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, then the fee payable to the Manager will be reduced by the non-rentalisable third party costs paid.

Development management fees are capitalised to the respective property in the consolidated statement of financial position.

Other amounts

In accordance with the Trust Deed, the Manager is permitted to engage related parties to provide services to the Trust. The provision of these services is subject to compliance with the restrictions on related party transactions in the Financial Markets Conduct Act 2013.

Notes to the Consolidated Financial Statements

Transactions with related parties

Amounts charged by the Manager and related parties and owing are as follows:

	31 December 2021 $000s				31 December 2020 $000s				30 June 2021
	Statement of Comprehensive Income	Statement of Financial Position	Total	Amounts Owing/ (Receivable)	Statement of Comprehensive Income	Statement of Financial Position	Total	Amounts Owing/ (Receivable)
Base fee	7,401	–	7,401	–	6,324	–	6,324	53
Incentive Fee[1]	6,823	–	6,823	6,823	3,096	–	3,096	12,427
Activity Fees:								
Leasing/licensing[2]	57	1,800	1,857	1,696	32	1,085	1,117	1,375
Property management[3]	860	–	860	297	751	–	751	326
Facilities management[3]	–	–	–	–	–	–	–	–
Project management[4]	–	157	157	157	–	–	–	158
AFSL fee	564	–	564	100	492	–	492	–
	15,705	1,957	17,662	9,073	10,695	1,085	11,780	14,339
Additional Costs:								
Acquisitions[5]	–	3,643	3,643	1,953	–	1,535	1,535	1,852
Disposals	128	–	128	–	1,003	–	1,003	–
Development management[6]	–	1,360	1,360	2,160	–	1,733	1,733	3,709
	128	5,003	5,131	4,113	1,003	3,268	4,271	5,561
Other Amounts:								
Reimbursement of third party expenses:								
Other expenses	46	–	46	–	462	–	462	–
Amounts paid to directors:								
– Andrew Evans	45	–	45	–	45	–	45	–
– Graham Stuart	85	–	85	–	58	–	58	–
	176	–	176	–	565	–	565	–
	16,009	6,960	22,969	13,186	12,263	4,353	16,616	19,900

1 Manager's incentive fee accrued at 31 December 2021 of $6.8m (Jun 21: $12.4m) is payable to NorthWest Healthcare Properties Management Limited
2 Amounts outstanding at 31 December 2021 are: NorthWest Healthcare Properties Management Limited $0.01m (Jun 21:$0.2m); NorthWest Healthcare Australian Property Limited $1.7m (Jun 21: $1.2m)
3 Property Management and Facilities Management fees, exclusive of recoveries from tenants, incurred by the Trust totalled $0.86m and nil respectively for the 31 December 2021 period (Dec 20: $0.75m and nil respectively). Amounts outstanding at 31 December 2021 are: NorthWest Healthcare Properties Management Limited $0.1m (Jun 21: $0.1m); NorthWest Healthcare Australian Property Limited $0.2m (Jun 21:$0.2m)
4 Amounts outstanding at 31 December 2021 are: NorthWest Healthcare Properties Management Limited $0.1m (Jun 21: $0.1m) NorthWest Healthcare Australian Property Limited $0.1m (Jun 21: $0.1m)
5 Amounts outstanding at 31 December 2021 are: NorthWest Healthcare Properties Management Limited $0.7m (Jun 21: $0.1m); NorthWest Healthcare Australian Property Limited $1.3m (Jun 21:$1.7m)
6 Amounts outstanding at 31 December 2021 are: NorthWest Healthcare Properties Management Limited $1.1m (Jun 21: $1.4m); NorthWest Healthcare Australian Property Limited $1.1m (Jun 21: $2.3m)

Other Related Parties

On 21 August 2020 the Group acquired the remaining 50% share in Playford Health Hub in South Australia from the NorthWest Australia Real Estate Investment Trust for A$7.4 million excluding transaction costs.

Independent Auditor's Report

Deloitte.

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE UNITHOLDERS OF VITAL HEALTHCARE PROPERTY TRUST

Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Vital Healthcare Property Trust and its subsidiaries ('the Group ' or 'the Trust') which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 18 to 40.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Trust do not present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Trust.

Emphasis of matter – Valuation uncertainty related to investment properties

We draw your attention to note 2(e) and note 6(f) in the condensed consolidated interim financial statements, where the Trust discloses information about the ongoing impact of COVID-19 on the valuation of investment properties. Independent registered valuers determined the fair value of approximately 77 percent of the investment properties at 31 December 2021, and Directors determined the fair value of the remaining properties. Some independent registered valuers cautioned in their reports that "less certainty" and "a higher degree of caution" should be attached to the valuations than would normally be the case. Our opinion is not modified in respect of this matter.

Board of Directors' responsibilities for the interim financial statements

The Board of Directors of the Manager is responsible on behalf of the Trust for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors of the Manager determines is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly we do not express an audit opinion on the interim financial statements.

Independent Auditor's Report

Deloitte.

Restriction on use
This report is made solely to the Trust's unitholders, as a body. Our review has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's unitholders as a body, for our engagement, for this report, or for the conclusions we have formed.

Deloitte Limited

Silvio Bruinsma
Partner
for Deloitte Limited
Auckland, New Zealand
24 February 2022

This review report relates to the unaudited interim financial statements of Vital Healthcare Property Trust for the six months ended 31 December 2021 included on the Trust's website. The Board of Directors of the Manager is responsible for the maintenance and integrity of the Trust's website. We have not been engaged to report on the integrity of the Trust's website. We accept no responsibility for any changes that may have occurred to the unaudited interim financial statements since they were initially presented on the website. The review report refers only to the unaudited interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited interim financial statements and related review report to confirm the information included in the unaudited interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directory

MANAGER

NorthWest Healthcare Properties Management Limited
PO Box 6945,
Victoria Street West
Auckland 1142

Telephone: 0800 225 264
(NZ freephone); +64 9 973 7300
Email: enquiry@vhpt.co.nz

NorthWest Healthcare Properties Management – Australia
Level 45, Rialto South Tower,
525 Collins Street
Melbourne 3000

BOARD AND OFFICERS OF THE MANAGER

Graham Stuart – Independent Chair

Andrew Evans – Independent Director

Paul Dalla Lana – Director

Craig Mitchell – Director

Dr Michael Stanford – Independent Director

Aaron Hockly – Fund Manager

Michael Groth – Chief Financial Officer

Vanessa Flax – Regional General Counsel A/NZ and Company Secretary

AUDITOR

Deloitte Limited
Deloitte Centre
80 Queen Street
Auckland 1010

Private Bag 115-033
Auckland 1140

Telephone: +64 9 303 0700
Facsimile: +64 9 303 0701

LEGAL ADVISERS TO THE TRUST AND THE MANAGER

Bell Gully
Vero Centre
48 Shortland Street
PO Box 4199
Auckland 1140

Telephone: +64 9 916 8800
Facsimile: +64 9 916 8801

Ashurst Australia
Level 16, 80 Collins Street,
South Tower,
GPO Box 4958
Melbourne, Victoria 3001

Telephone: +61 3 9679 3000
Facsimile: +61 3 9679 3111

SUPERVISOR

Trustees Executors Limited
Level 7, 51 Shortland Street
Auckland 1010
PO Box 4197
Auckland 1140

Telephone: +64 9 308 7100
Facsimile: +64 9 308 7101

BANKERS TO THE TRUST

ANZ Bank New Zealand Limited
ANZ Centre
23–29 Albert Street
Auckland 1010

Australia and New Zealand Banking Group Limited
2/100 Queen Street
Melbourne, Victoria 3000
Australia

Bank of New Zealand
Deloitte Centre
80 Queen Street
Auckland 1010

Westpac Banking Corporation
Westpac Place
275 Kent St
Sydney NSW 2000
Australia

The Hongkong and Shanghai Banking Corporation Limited
International Towers
100 Barangaroo Avenue
Sydney NSW 2000
Australia

Industrial and Commercial Bank of China Limited – Australia
International Towers
100 Barangaroo Avenue
Sydney NSW 2000
Australia

Industrial and Commercial Bank of China Limited – New Zealand
HSBC Building
188 Quay Street
Auckland 1010

Credit Agricole CIB Australia Limited
Aurora Place
88 Phillip Street
Sydney NSW 2000
Australia

UNIT REGISTRAR

Computershare Investor Services Limited
159 Hustmere Road
Takapuna, Auckland 0622
Private Bag 92119
Auckland 1142
New Zealand

vital@computershare.co.nz
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787

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All references to $ are to New Zealand dollars unless otherwise indicated.

This document may contain forward-looking statements. Forward-looking statements can include words such as "expect", "intend", "plan", "believe", "continue" or similar words in connection with discussions of future operating or financial performance or conditions. Any indications of, or guidance or outlook on, future earnings or financial position or performance and future distributions are also forward-looking statements. The forward-looking statements are based on management's and directors' current expectations and assumptions regarding the Trust's business, assets and performance and other future conditions, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and to any changes in circumstances. The Trust's actual results may vary materially from those expressed or implied in the forward-looking statements. The Manager, the Trust, and its or their directors, employees and/or shareholders have no liability whatsoever to any person for any loss arising from this document or any information supplied in connection with it. The Manager and the Trust are under no obligation to update this document or the information contained in it after it has been released. Past performance is no indication of future performance.

The information in this document is of general background and does not purport to be complete. It should be read in conjunction with Vital's market announcements lodged with NZX, which are available at www.nzx.com/companies/VHP.

Vital HEALTHCARE PROPERTY TRUST

Managed by NORTHWEST HEALTHCARE PROPERTIES