

# Annual Report 2022

HEALTHY PROPERTIES  
DELIVER HEALTHY RETURNS



Kawarau Park Health Precinct,  
Queenstown

**Vital** HEALTHCARE  
PROPERTY TRUST  
Managed by  
NORTHWEST HEALTHCARE PROPERTIES

# Investing in healthcare infrastructure in New Zealand and Australia

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## FY22 HIGHLIGHTS

9.625cpu

## DISTRIBUTIONS

↑ 8.5% ABOVE FY21

11.92cpu

## AFFO

↑ 3.3% ABOVE FY21

\$287m<sup>1</sup>ACQUISITIONS TO SUPPORT  
FUTURE GROWTH

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<sup>1</sup> Excluding transaction costs

# Vital

HEALTHCARE  
PROPERTY TRUST

NZX listed property trust which owns ~\$3.3 billion of healthcare property in New Zealand and Australia.

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## Vision

To be Australia and New Zealand's leading listed healthcare property fund.

## Mission

Deliver stable and growing total Unit Holder returns, including an attractive risk-adjusted income distribution, majority sourced from healthcare real estate.





NorthWest (Australia and New Zealand) is the manager of Vital, with over 60 professionals in the region. We have offices in Auckland, Melbourne, Sydney and the Gold Coast.

## We value

Hard work, integrity, collaboration, drive, flexibility, team work, fun and results.

## NorthWest Healthcare Properties REIT

TSX listed owner and manager of NZ\$12.4 billion of healthcare property across four continents.

### Vision

Be the leading global diversified healthcare real estate company.

### Mission

Provide best in-class real estate solutions to the healthcare industry and deliver exceptional shareholder value to investors.

### Values



#### EXCELLENCE

Delivering exceptional outcomes



#### INTEGRITY

Doing what's right



#### PARTNERSHIP

Succeeding together



## Overview of Vital<sup>1</sup>

Vital is the only specialist healthcare landlord on the NZX.



~\$3.3bn

47 PROPERTIES  
(AUS & NZ)



~\$2.4bn

31 PROPERTIES  
(AUS)



~\$0.9bn

16 PROPERTIES  
(NZ)

As at 30 June 2022

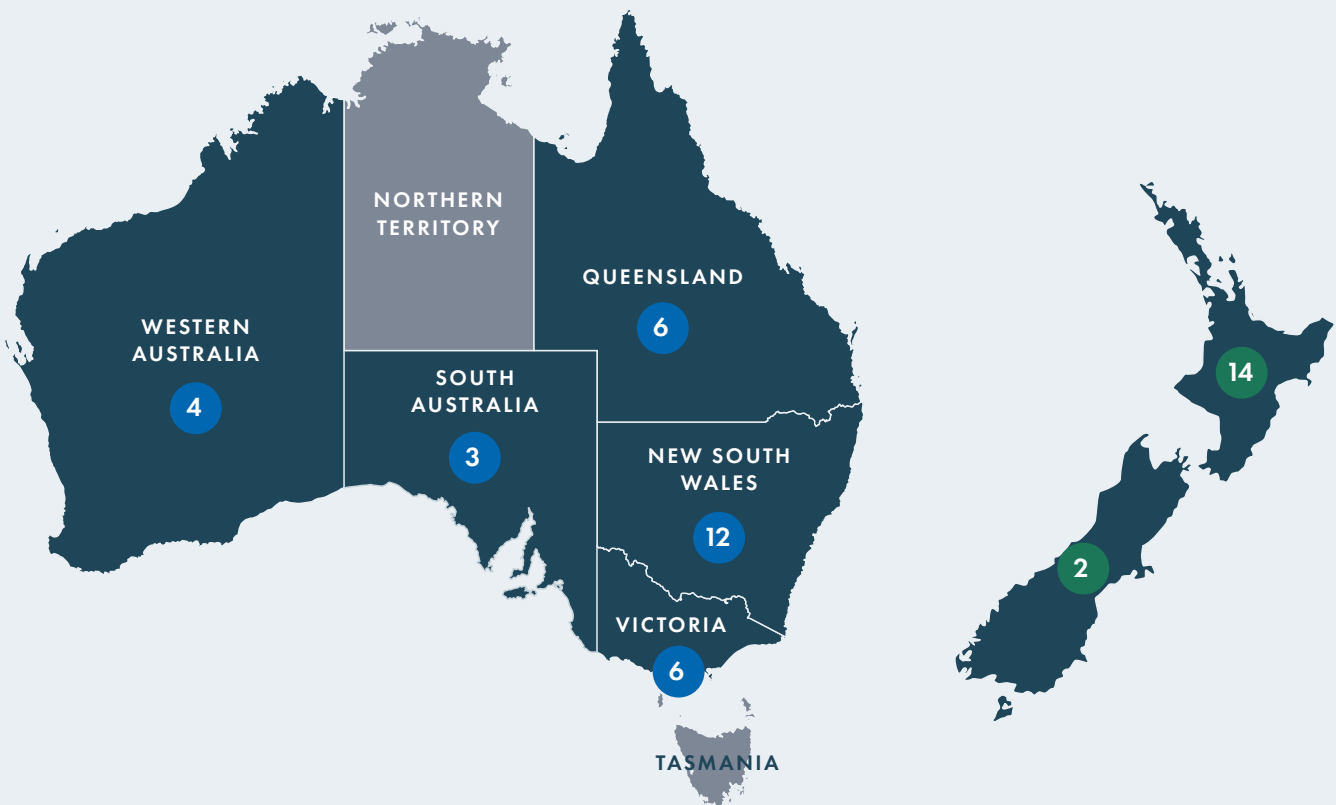
<sup>1</sup> Number of properties include Kawarau Park Health Precinct, Queenstown, but excludes strategic assets. All other figures exclude Kawarau Park Health Precinct, Queenstown.



## Vital Portfolio by Geography

**AUSTRALIA**  
72%

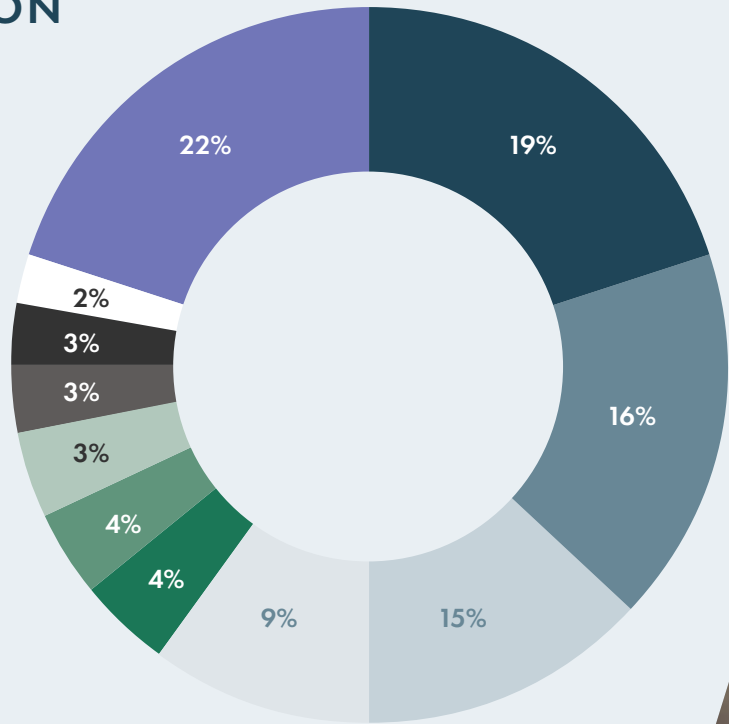
**NEW ZEALAND**  
28%



## TENANT DIVERSIFICATION

% of Rent

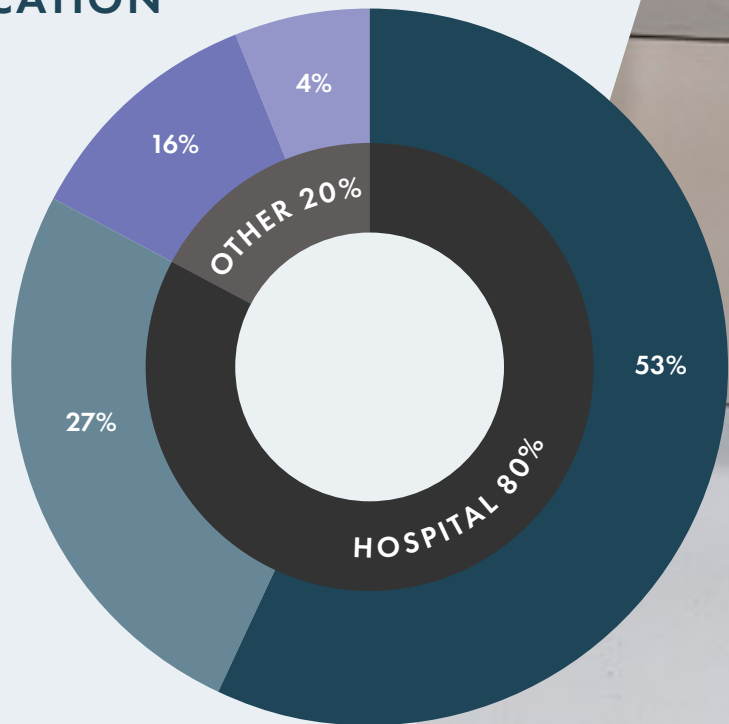
<span style="display:inline-block; width:15px; height:15px; background-color:#1a3d4d; margin-right:5px;"></span> Aurora Healthcare	19%
<span style="display:inline-block; width:15px; height:15px; background-color:#4a7c8c; margin-right:5px;"></span> Health Care Surgical	16%
<span style="display:inline-block; width:15px; height:15px; background-color:#a6c1c1; margin-right:5px;"></span> Epworth	15%
<span style="display:inline-block; width:15px; height:15px; background-color:#d9e1e1; margin-right:5px;"></span> Evolution Healthcare	9%
<span style="display:inline-block; width:15px; height:15px; background-color:#1a7c4d; margin-right:5px;"></span> Hall & Prior	4%
<span style="display:inline-block; width:15px; height:15px; background-color:#4a8c5c; margin-right:5px;"></span> Norfolk Southern Cross Limited	4%
<span style="display:inline-block; width:15px; height:15px; background-color:#8c9c7c; margin-right:5px;"></span> Sportsmed	3%
<span style="display:inline-block; width:15px; height:15px; background-color:#5c4c4c; margin-right:5px;"></span> Bolton Clarke	3%
<span style="display:inline-block; width:15px; height:15px; background-color:#2c2c2c; margin-right:5px;"></span> Mercy Ascot	3%
<span style="display:inline-block; width:15px; height:15px; background-color:#f0f0f0; margin-right:5px;"></span> Ramsay	2%
<span style="display:inline-block; width:15px; height:15px; background-color:#6a5c9c; margin-right:5px;"></span> Other	22%



## SUB-SECTOR DIVERSIFICATION

% of Value

<span style="display:inline-block; width:15px; height:15px; background-color:#1a3d4d; margin-right:5px;"></span> Acute Hospitals	53%
<span style="display:inline-block; width:15px; height:15px; background-color:#4a7c8c; margin-right:5px;"></span> Specialty Hospitals (mental health & rehabilitation)	27%
<span style="display:inline-block; width:15px; height:15px; background-color:#6a5c9c; margin-right:5px;"></span> Ambulatory Care	16%
<span style="display:inline-block; width:15px; height:15px; background-color:#8c7c9c; margin-right:5px;"></span> Aged Care	4%







**\$123m**

FY22 PROPERTY INCOME



**4.58%**

WEIGHTED AVERAGE CAP RATE<sup>1</sup>  
(AUS 4.54%, NZ 4.70%)



**17.6 years**

WEIGHTED AVERAGE  
LEASE EXPIRY (WALE)



**11.1 years**

AVERAGE BUILDING AGE<sup>2</sup>



**98.8%**

PORTFOLIO OCCUPANCY

<sup>1</sup> Income producing properties only

<sup>2</sup> Average building age = the later of the date of construction or last significant capital works

# Key events over FY22



## JULY 2021

- Practical completion of Stage 1 of Wakefield Hospital, Wellington for a total cost of ~\$50.8m



## SEPTEMBER 2021

- 2.375cpu distribution paid



## NOVEMBER 2021

- \$27.8m raised via a Unit Purchase Plan from existing retail holders at \$2.85 per unit
- Completion of Stage 1 of Playford Health Hub, Adelaide for ~A\$20m
- Commencement of \$6.3m Royston Stage 2, \$31.7m Grace Hospital and \$6.3m Bowen Hospital developments
- MoU signed with Calvary Health Care to operate a ~A\$93m hospital (Stage 3 of Playford Health Hub)

2021



## AUGUST 2021

- FY22 AFFO and distribution guidance announced 11.8cpu and 9.5cpu respectively
- Acquisition of Hutt Valley Health Hub, Wellington for \$46.5m announced



## OCTOBER 2021

- A\$315m debt refinance to extend debt capacity by A\$65m and extend debt tenor
- Acquisition of Tennyson Centre, Adelaide for A\$92.75m
- \$115m placement primarily to existing institutional holders at \$2.90 per unit
- Commencement of \$91.5m Wakefield Stage 2 with demolition of existing building
- Terms agreed for \$74m of new and extended brownfield developments across five of Evolution Healthcare's facilities in New Zealand



## DECEMBER 2021

- 2.375cpu distribution paid



## FEBRUARY 2022

- Acquisition of land for expansion of The Hills Clinic in Sydney for ~A\$50.0m (includes land cost and estimated construction costs)
- Announcement of acquisition of multi-stage development site in south-west Sydney for A\$76.6m (includes acquisition costs, Stage 1 construction costs and tenant incentive)
- Upgrade to annualised AFFO and distribution guidance to at least 11.9cpu and 9.75cpu



## APRIL 2022

- Appointment of Angela Bull as an additional Independent Director
- Acquisition of 68 Saint Asaph St, Christchurch for \$50.7m
- Acquisition of Kawarau Park Health Precinct, Queenstown for ~\$95m (settled July 2022)
- Acquisition and expansion of Endoscopy Auckland announced for \$43.8m (acquisition cost plus estimated development spend)
- Announcement of expansion of Ormiston Hospital, Auckland for ~\$40m (includes land already owned by Vital)

2022



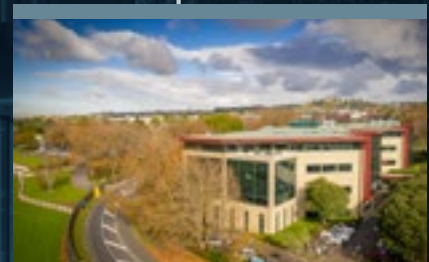
## MARCH 2022

- 2.4375cpu distribution paid
- Practical completion of A\$97m Epworth Eastern East Wing Tower
- A\$39.3m Playford Health Hub Stage 2 commenced with demolition of existing building
- A\$350 debt refinance completed, increasing facility limits by A\$150m and weighted average term to maturity by 1.1 years to 4.4 years



## MAY 2022

- \$200m in new equity raised through an entitlement offer at \$2.95 per unit
- Acquisition of a vacant aged care facility in Mt Eliza, Victoria for ~\$A12m to be re-purposed as a private hospital
- Ormiston Hospital ~\$40m expansion commenced











## JUNE 2022

- 2.4375cpu distribution paid
- Retirement of Andrew Evans as an Independent Director after 15 years on the board
- Acquisition of 80 Ascot Ave, Remuera for \$16m
- Agreement to undertake a ~A\$98m development of a new private hospital and ambulatory care facility in Hobart, Tasmania

# Short, medium and longer term progression<sup>1</sup>

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






	FY12	FY19	FY22	
Total property value	~\$0.57bn (AUS: 71%, NZ: 29%)	~\$1.93bn (AUS: 76%, NZ: 24%)	\$3.34bn (AUS: 72%, NZ: 28%)	 <b>489%</b> growth (FY12-FY22)
WALE	11.9 years	18.1 years	17.6 years	 Maintenance of market leading WALE
Average Building Age <sup>2</sup>	Data not available	13.5 years	11.1 years	 Younger buildings reduce maintenance capex requirements
Net Property Income (annual)	\$48m	\$98m	\$123m	 <b>156%</b> increase (FY12 - FY22)
Development pipeline	~\$60m	\$279m	\$2.1bn <sup>3</sup>	 Enhance earnings and valuation growth and support portfolio development
Largest single tenant exposure	40%	49%	19%	 Concentration risk reduced
Sector split	Hospital: 88% Ambulatory care: 12% Aged care 0%	Hospital: 83% Ambulatory care: 14% Aged care 3%	Hospital: 80% Ambulatory care: 16% Aged care 4%	 Diversity of assets reduces risk and enhances earnings
Weighted average cap rate	9.30%	5.61%	4.58%	 Reduction demonstrates: (1) quality of assets and tenants; and (2) value added by leasing and development undertaken

Portfolio enhanced through acquisitions, development and disposals to: (1) increase diversity of assets and tenants, (2) reduce age of building and (3) maintain long WALE. This helps to reduce income risk for Vital's Unit Holders.

<sup>1</sup> All figures are as 30 June at the end of the financial year listed other than Net Property Income, AFFO and Distributions which are for the financial year.

<sup>2</sup> Average building age = the later of the date of construction or the last significant capital works

<sup>3</sup> Includes \$214.9m of committed development spend remaining and ~\$1.8bn of developments being considered. Development timing and therefore spend expected to be over a staged and lengthy period (at least 10 years)

	FY12	FY19	FY22	
Balance sheet gearing	42.3%	35.3%	30.0%	 No debt expiring until October 2023
Average debt maturity	3.8 years	2.2 years	3.9 years	 Significantly expanded
NTA per unit	\$0.98	\$2.31	\$3.34	 <b>241%</b> growth (FY12-FY22)
AFFO per unit (cpu)	8.0c <sup>4</sup>	9.9c	11.92c	 <b>49%</b> growth (FY12-FY22)
Distributions per unit (cpu)	7.7c	8.75c	9.625c	 <b>25%</b> growth (FY12-FY22)

*Balance sheet strengthened during FY22 through raising \$379m of new equity and extending debt whilst supporting portfolio growth as a means to grow AFFO and distributions.*

<sup>4</sup> Net Distributable Income per unit (AFFO not reported)

# Manager's report

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Vital recorded growth in earnings, distributions to Unit Holders and assets during FY22 as NorthWest's management continued to demonstrably benefit Unit Holders.





## Tēnā koutou,

NorthWest Healthcare Properties Management Limited (NorthWest), the Manager of Vital Healthcare Property Trust (Vital), is pleased to report Vital's results for the year ended 30 June 2022 (FY22).

*Despite a more uncertain economic environment and rising debt costs, NorthWest has continued to deliver earnings and distribution growth for Vital's Unit Holders whilst also continuing to enhance the property portfolio and embed sustainability into all parts of NorthWest and Vital.*

## FY22 highlights included:

- 3.3% increase in AFFO per unit from 11.54 cents per unit (cpu) to 11.92 cpu.
- 8.5% increase in distributions per unit from 8.88 cpu to 9.625 cpu on a prudent 81% AFFO pay-out ratio.
- 15.3% increase in net tangible assets (NTA) per unit from \$2.89 to \$3.34.
- \$287m of property acquisitions (before costs) and \$15m of disposals undertaken.
- \$100m of capital expenditure undertaken comprising \$86m for developments, ~\$12m for value-add works and ~\$2m for maintenance and tenant incentive related works.
- Commencement of \$240m of new developments including Ormiston Hospital expansion in Auckland and Stage 2 of both Wakefield Hospital in Wellington and Playford Health Hub in Adelaide.
- Replenishment of potential development pipeline to provide future earnings and valuation upside for Unit Holders.
- Release of inaugural Sustainability Reports for both Vital and NorthWest as well as participation in both the Carbon Disclosure Project (CDP) and the Global Real Estate Sustainability Benchmark (GRESB). Results are due to be publicly released later in 2022.
- \$379m (before costs) of equity raised primarily via a \$143m placement and UPP in late 2021 and a \$200m entitlement offer in early 2022. Equity was raised to support the acquisitions and developments referred to above and to keep balance sheet gearing below 35%.
- Appointment of Angela Bull as an Independent Director, replacing long-term director Andrew Evans, completing a two-year process of Board renewal.

## Our commitment to sustainability

During FY22, Vital released its first Sustainability Report (part of its Annual Report released in August 2021) and NorthWest released its first Sustainability Report (available [here](#)). These reports, which include measurable targets, demonstrate our commitment to sustainability and are considered the first key steps in our sustainability journey.

FY22 sustainability highlights include:

- Establishment of global and regional sustainability teams and governance structures in NorthWest including the appointment of three dedicated sustainability resources in Australia and New Zealand to champion sustainability initiatives in this region including for Vital:
  - Clare Solomon – Vice President Sustainability and Development.
  - Tony Gill – National Engineering and Operations Manager.
  - Liz Ingram – Sustainability Associate.
- Commitment by NorthWest covering all of its operations and platforms including Vital to achieve net zero emissions by 2050. We are now focused on establishing baseline emissions with a view to establishing science-based interim 2030 reduction targets.
- Materiality workshops and stakeholder engagement meetings held with key Vital Unit Holders, employees, debt providers and tenants.
- Alignment of NorthWest and Vital's commitments and targets with United Nations Sustainability Goals and the Global Real Estate Sustainability Benchmark (GRESB).
- Establishment of ESG working groups with key tenants including Epworth Healthcare in Australia and Evolution Healthcare in New Zealand.
- Participation in both GRESB and the Carbon Disclosure Project (CDP) with results released later in 2022.

Please refer to pages 44-75 of this Annual Report for Vital's detailed Sustainability Report.

We will build on these achievements as well as our targets and goals over time.

## Portfolio overview

Vital's ~\$3.3 billion property portfolio remains high quality, high acuity with a long WALE and limited upcoming expiries (on average 1.7% of the portfolio's rent expires per annum over the next 10 years).

Vital's weighted average lease expiry (WALE) was 17.6 years at 30 June 2022 compared to 18.7 years at 30 June 2021.

The average building age has been maintained at a young 11.1 years consistent with the Manager's strategy to maintain or lower this key metric as a means of maintaining relatively low capital expenditure and ensure Vital's assets continue to meet tenant / patient demand.

<sup>1</sup> Excluding acquisition costs

<sup>2</sup> Developments where Vital is funding through the development rather than acting as developer.

## Net property income

Net property income increased by 12.8% from FY21 (excluding foreign exchange impacts), reflecting contributions from the structured rent reviews within the portfolio, developments and acquisitions. After adjusting for foreign exchange, net property income increased by 12.2%.

~80% of Vital's rent is linked to CPI. 77% of this having a weighted average annual limit of ~3.7% with the balance being uncapped. This structure provides Vital's Unit Holders with some protection in periods of elevated inflation.

Like-for-like net property income increased by 2.8% over FY22 on a same currency basis.

## Acquisitions

Further details of the \$287m<sup>1</sup> of acquisitions during FY22 plus other acquisitions to the date of this report are included on pages 36-43 of this report.

## Divestments

\$15m of divestments undertaken at a premium to previous book value due to the disposal of surplus development land.

## Developments

In addition to asset enhancing and maintenance capital expenditure, Vital had ~\$293m of development projects underway in New Zealand and Australia with ~\$215m remaining to spend. In addition, \$169m of fund-through<sup>2</sup> developments have been committed to.

Further details of specific developments are available on pages 32-35 of this report.

## Financial results

Cash from operations available to Unit Holders, measured by AFFO, increased 18.0% to \$67.8m. AFFO per unit was 11.92c; a 3.3% increase from FY21.

Expenses were \$66.2m, 13.0% higher than FY21 notwithstanding a 27.7% increase in assets.

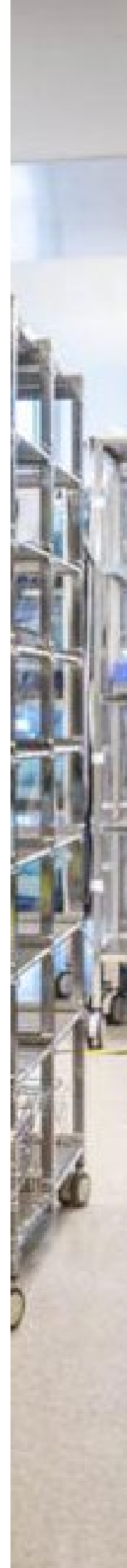
Vital's NTA per unit increased by 15.3% to \$3.34 primarily due to \$244.2m of property revaluation gains. These revaluation gains included ~\$10m in development margins and ~\$100m due to rental increases and leasing.

## Capital management

During the year Vital's debt facilities were increased by ~A\$215m along with a renegotiation of facilities expiring early in FY23. The next debt facility expiries now occur late 2023. Vital has a weighted average debt maturity at 30 June 2022 of 3.9 years, and management continues to investigate measures to extend Vital's debt tenor. Vital's all-in weighted average cost of debt at 30 June 2022 was 3.73% (30 June 2020: 3.32%) now beginning to reflect a challenging cost of debt environment.

\$379m (before costs) of equity was raised primarily via a \$142.8m placement and UPP in late 2021 and a \$200m entitlement offer in early 2022. Equity was raised to support the acquisitions and developments referred to above and to keep balance sheet gearing below 35%.

The debt to total assets ratio was 30.0% at 30 June 2022

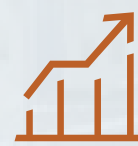






**18.0%**

INCREASE IN AFFO  
(CASH IN EARNINGS)



**3.3%**

INCREASE IN AFFO  
PER UNIT



**15.3%**

INCREASE IN NTA  
PER UNIT



**12.8%**

INCREASE IN NET  
PROPERTY INCOME

(30 June 2021: 35.0%). Vital currently has approximately A\$302m of headroom under its debt facilities and considers that enough headroom is available to facilitate the development pipeline reported in this Annual Report.

### Board renewal

In April 2022, Angela Bull was appointed as an Independent Director and member of the Audit Committee to replace Andrew Evans who retired from these roles on 30 June 2022.

Angela is currently Chief Executive of Tramco Group, a New Zealand owned property investment company which specialises in large scale land holdings, notably the Viaduct Harbour precinct in Auckland and Wairakei Estate in the Waikato. She holds a Bachelor of Laws and a Bachelor of Arts (Political Science) and practised property and environmental law prior to her executive career. Angela held a number of senior positions over a 10-year period with Foodstuffs, most recently being General Manager Property Development for Foodstuffs North Island. Angela is an independent director of the Real Estate Institute of New Zealand, realestate.co.nz, Foodstuffs South Island Ltd and Foodstuffs NZ Ltd. She is located in Auckland, New Zealand.

Andrew had been on the Board of Vital's manager since 2007.

The replacement of Andrew with Angela maintains key existing attributes of the Board including majority independent directors, geographic balance (two directors in each of New Zealand and Australia and one director in Canada) and an appropriate skills mix.

### FY23 guidance<sup>1</sup>

The Board and management are pleased to provide FY23 distribution guidance of 9.75 cpm (payable quarterly); 1.3% above FY22 whilst maintaining a prudent ~80% payout ratio.

### Outlook

Despite recent heightened market volatility, healthcare property remains a defensive asset class, underpinned by a high level of government



*As Australasia's leading listed owner of high quality, high acuity healthcare real estate, supported by NorthWest's unmatched development and management expertise, Vital remains well positioned to take advantage of opportunities in this sector.*

support and non-discretionary spending. As noted above, we have added to Vital's development capacity through strategic acquisitions.

### Our plan for the short to medium term is:

- Renew Vital's 5-year portfolio strategy noting that we have achieved many of the targets of the previous strategy ahead of time and to reflect changed market conditions.
- The above strategy will help us continue to grow earnings and distributions for Unit Holders whilst maintaining a prudent pay-out ratio of ~80%.
- Focus on the current and potential development pipeline in New Zealand and Australia to provide new and upgraded health facilities for communities across our region.
- Maintain Vital's debt maturity profile and consider further diversifying sources of debt to support returns for Vital's Unit Holders.
- Continue to enhance and upgrade our sustainability programme, as part of NorthWest's wider programme, to play our part in protecting and enhancing the environment, the communities in which we operate and the stakeholders we serve.

**Nā māua noa, nā**



**Graham Stuart**  
Independent Chair



**Aaron Hockly**  
Fund Manager

11 August 2022  
NorthWest Healthcare Properties Management Limited, the Manager of Vital Healthcare Property Trust

<sup>1</sup> Refer to disclaimer on back page of this report for limitations to this guidance.



## Financial summary

All figures are in New Zealand dollars (NZD) unless otherwise stated

	2018 \$000s	2019 \$000s	2020 \$000s	2021 \$000s	2022 \$000s
<b>Financial Performance</b>					
Net property income	90,659	97,683	100,147	109,663	123,018
Revaluation gain/(loss) on investment properties	85,461	103,556	45,703	235,383	244,239
<b>AFFO and distributions</b>					
Adjusted Funds From Operations (AFFO) <sup>1</sup>	47,074	43,897	47,211	57,457	67,824
AFFO (cpu)	10.84	9.90	10.45	11.54	11.92
Cash distribution to Unit Holders (cpu)	8.50	8.75	8.75	8.88	9.63
<b>Financial Position</b>					
Total assets	1,786,828	1,931,543	2,105,218	2,662,560	3,399,834
Borrowings	670,124	734,211	813,515	929,300	1,018,777
Total equity	987,976	1,029,745	1,078,979	1,503,451	2,165,876
Debt to total assets ratio (%)	38.7	35.3	38.7	35.0	30.0
Net tangible assets (\$ per unit)	2.26	2.31	2.38	2.89	3.34

<sup>1</sup> AFFO for FY18 has been restated to include the notional impact of the 1 July 2018 introduction of attributed FIF tax rule changes

## Portfolio metrics

All figures are in New Zealand dollars (NZD) unless otherwise stated

	2018	2019	2020	2021	2022
Investment properties (\$m)	1,731	1,836	2,086	2,634	3,339
Number of investment properties <sup>1</sup>	42	42	44	41	46 <sup>2</sup>
Occupancy (%)	99.3	99.4	99.4	99.2	98.8
Weighted average lease term to expiry (years)	18.2	18.1	18.1	18.7	17.6
12 month lease expiry (% of income)	1.8	1.7	1.4	1.7	1.7

<sup>1</sup> Excludes properties held for development

<sup>2</sup> Additions include Tennyson Centre, Playford Health Hub - Retail and Carpark, 120 Thames Street, Hutt Valley Health Hub, 68 Saint Asaph St, Endoscopy Auckland, and disposal of Gold Coast Surgery Centre. Excludes post 30 June 2022 acquisition of Kawarua Park Health Precinct, Queenstown

# Asset allocation

Vital invests in health ecosystems in New Zealand and Australia. Our precinct strategy will help create new opportunities for Vital to build out assets in health-related precincts where public, private, education, aged care and research uses are closely agglomerated and interrelated.

## TARGET PORTFOLIO WEIGHTINGS



### HOSPITALS

#### Comprises

Public, private, speciality, rehabilitation and mental health hospitals

#### Targeting

Government supported or high private health insurance catchments with growing populations

#### Target portfolio weighting

**50 - 70%**

(30 June 2022: 80%)



### OUT-PATIENT/AMBULATORY CARE

#### Comprises

Administration, diagnostic services and specialist consulting, primary care out-patient facilities

#### Targeting

Facilities located in a healthcare precinct<sup>1</sup> and/or from where healthcare is delivered

#### Target portfolio weighting

**10 - 20%**

(30 June 2022: 16%)

<sup>1</sup> Healthcare precinct = area or hub for healthcare delivery typically including at least two of a public hospital, major private hospital, health teaching facility or health research facility

<sup>2</sup> The initial focus for this sub-sector will be New Zealand. Hospitals and aged care are the priority for Vital's growth in Australia at least in the near-term

Investments are targeted to provide earnings growth from a diversified and defensive asset base.



## AGED CARE

### Comprises

Residential aged care facilities (excluding retirement facilities)

### Targeting

High quality operators with substantial balance sheets and <45% rent/EBITDAR and high-quality infrastructure

### Target portfolio weighting

**10 - 20%**

(30 June 2022: 4%)



## LIFE SCIENCES/RESEARCH

### Comprises

Biotechnology, pharmaceutical, biomedical, university, health education and other research facilities

### Targeting

Specialised facilities and/or facilities located in a healthcare precinct<sup>1</sup>

### Target portfolio weighting

**5 - 15%**

(30 June 2022: 0%)<sup>2</sup>

# Australian portfolio overview

# ~\$2.4bn

31<sup>1</sup> PROPERTIES (AUS)



## WESTERN AUSTRALIA



- Abbotsford Private Hospital
- Hamersley Aged Care
- Marian Centre
- Rockingham Aged Care

## SOUTH AUSTRALIA



- Sportsmed Hospital, Clinic and Consulting
- Tennyson Centre
- Playford Health Hub

## VICTORIA



- 120 Thames Street
- Ekeru Medical Centre
- Epworth Camberwell
- Epworth Eastern Hospital
- Epworth Rehabilitation
- South Eastern Private Hospital

<sup>1</sup> Income Producing Property (excludes strategic assets)

## QUEENSLAND



- Baycrest Aged Care
- Belmont Private Hospital
- Eden Rehabilitation
- Palm Beach Currumbin Clinic
- Tantula Rise Aged Care
- The Southport Private Hospital

## NEW SOUTH WALES



- Clover Lea Aged Care
- Darlington Aged Care
- Fairfield Aged Care
- Grafton Aged Care
- Hironnelle Private Hospital
- Hurstville Private Hospital
- Lingard Day Centre
- Lingard Private Hospital
- Maitland Private Hospital
- Mons Road Medical Centre
- The Hills Clinic
- Toronto Private Hospital



### PRIVATE HOSPITALS

- 17 hospitals (acute and specialty – mental health, rehabilitation)
- 4 hospital operators
- 80% of AUS portfolio value; 79% of AUS rent
- WALE: 19.1 years



### AMBULATORY CARE

- 6 assets, multiple tenants
- 14% of AUS portfolio value; 12% of AUS rent
- WALE: 7.0 years



### AGED CARE

- 8 facilities
- 2 operators
- 6% of AUS portfolio value; 9% of AUS rent
- WALE: 14.0 years

# New Zealand portfolio overview<sup>1</sup>

## NORTH ISLAND



- Apollo Health and Wellness Centre
- Ascot Carpark (Right of Use)
- Ascot Central
- Ascot Hospital
- Boulott Hospital
- Bowen Hospital
- Endoscopy Auckland
- Grace Hospital
- Hutt Valley Health Hub
- Kensington Hospital
- Napier Health Centre
- Ormiston Hospital
- Royston Hospital
- Wakefield Hospital



~\$0.9bn

16 PROPERTIES (NZ)

<sup>1</sup> Number of properties include Kawarau Park Health Precinct, Queenstown, but excludes strategic assets. All other figures exclude Kawarau Park Health Precinct, Queenstown.



## SOUTH ISLAND



- Kawarau Park Health Precinct
- 68 Saint Asaph St



### PRIVATE HOSPITALS

- 9 hospitals (all acute)
- 6 hospital operators
- 75% of NZ portfolio value; 75% of NZ rent
- WALE: 21.6 years



### AMBULATORY CARE

- 6 assets, multiple tenants
- 25% of NZ portfolio value; 25% of NZ rent
- WALE: 9.9 years

## 5 largest assets and asset groupings

---

Valued at \$1.32bn and representing 40% of Vital's total portfolio, the five largest assets or asset groupings (i.e. adjoining assets or assets which form part of the same healthcare precinct) span Melbourne, Newcastle, Auckland, Brisbane and Wellington and a diverse range of tenants.

They represent a core part of Vital's value and earnings. Development has recently occurred or is planned to occur at each of these sites.

It is anticipated that this list will evolve over time primarily through developments. Notably Vital's recent acquisition in Campbelltown, Sydney is expected to end up being one of Vital's largest assets through the delivery of a multi-staged development over several years.

---



## Epworth Eastern Precinct, Melbourne, VIC

Comprising three income producing assets plus 5,500 square metres of development land, this is Vital’s largest asset concentration and forms part of the Box Hill Health and Education Precinct which includes Box Hill Public Hospital and Box Hill (tertiary training) Institute approximately 14 kilometres from Melbourne’s CBD.



These assets have been acquired, developed and improved over time reflecting Vital’s two decade relationship with Epworth (Victoria’s largest private healthcare operator and Vital’s third largest tenant by income).

The largest of the three income producing assets, Epworth Eastern Hospital, is valued at A\$406m comprising 286 inpatient beds, 14 operating theatres, three endoscopy suites and six floors of specialist medical consulting including radiotherapy, medical imaging and pathology. A 14 storey redevelopment of this hospital was completed in early 2022.

The development land at 17-23 Nelson Road is expected to have a value if fully developed in excess of A\$350m.



270  
PATIENT BEDS



~15,000sqm  
LAND AREA



~35,000sqm  
NLA



150m  
PROXIMITY TO  
PUBLIC HOSPITAL



16.0%  
% OF VITAL'S  
PORTFOLIO



1999  
YEAR ACQUIRED  
BY VITAL



**A\$482m**  
VALUE



**Epworth Eastern Hospital, 17-23  
Nelson Rd (development land), Eker  
Medical Centre & 120 Thames St**  
ASSETS



## Lingard Private Hospital Precinct, Newcastle, NSW

Comprising two income producing assets, this is Vital's second largest asset concentration and is fully leased to Health Care Surgical (Vital's second largest tenant by income). The assets are ~4 kilometres from Newcastle's CBD.



Lingard Private Hospital is a 123-bed acute medical and surgical hospital which has recently been expanded and redeveloped and is valued at A\$203m.

Due to demand at the hospital, a new day surgery unit was completed in mid-2020 including four day theatres and two endoscopy suites which is valued at A\$43m.



140  
PATIENT BEDS



~15,000sqm  
LAND AREA



11,500sqm  
NLA



3.6km  
PROXIMITY TO  
PUBLIC HOSPITAL



8.5%  
% OF VITAL'S  
PORTFOLIO



2010  
YEAR ACQUIRED  
BY VITAL



**A\$256m**  
VALUE



**Lingard Private Hospital, Lingard Day Centre and 27 Hopkins Street (development land)**  
ASSETS



## Ascot Hospital Precinct, Auckland, NZ

Ascot Hospital was developed in 1999 and was Vital's first significant hospital development. Over the last 23 years, Vital has developed the adjoining Ascot Central (specialist centre) and recently acquired 3,415 square metres of land with a view to further expanding one of New Zealand's leading health precincts.



Ascot Hospital has 12 operating theatres, 88 inpatient beds and is valued at \$140.5m. It is operated by Mercy Ascot, New Zealand's second largest private hospital operator.

Ascot Central is valued at \$44.8m and has a range of medical and ancillary tenants including Fertility Associates, New Zealand's leading provider of fertility services.



88  
PATIENT BEDS



~40,000sqm  
LAND AREA



~16,000sqm  
NLA



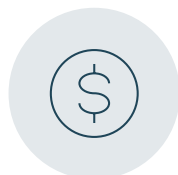
5.6km  
PROXIMITY TO  
PUBLIC HOSPITAL



6.3%  
% OF VITAL'S  
PORTFOLIO



1999  
YEAR ACQUIRED  
BY VITAL



**\$209m**  
VALUE



**Ascot Hospital, Ascot Central,  
80 Ascot Ave (development  
land) & Ascot Carpark**

ASSETS



## Belmont Private Hospital, Brisbane, QLD

Belmont Private Hospital is a 150-bed general mental health hospital approximately 12 kilometres from Brisbane’s CBD. It is the largest mental health hospital in Queensland and offers a range of specialist acute mental health services catering for both inpatient and day patients.

The facility is currently under development to add an additional 35 beds, 13 consulting suites and 70 car parks. This \$23m development is expected to be complete in late-2022.



150  
PATIENT BEDS



~43,000sqm  
LAND AREA



~8,700sqm  
NLA



11.0km  
PROXIMITY TO  
PUBLIC HOSPITAL



4.8%  
% OF VITAL'S  
PORTFOLIO



2010  
YEAR ACQUIRED  
BY VITAL



**A\$146m**  
VALUE



**Belmont Private  
Hospital**  
ASSETS



## Wakefield Hospital, Wellington, NZ

Wakefield Hospital is the largest private hospital in the Wellington region, located on a 2.2 hectare site, 5 kilometres south of Wellington’s CBD and 850 metres from Wellington Regional Hospital.

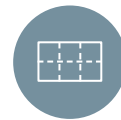
Vital has committed to a full redevelopment of this facility to provide a seismically resilient, modern and functional facility including eight operating theatres, 47 beds, a 3,000sqm medical consulting building and over 260 carparks. The combined value of the development works is approximately \$134m with Vital’s commitment at \$112.8m and the balance funded by Evolution Healthcare, New Zealand’s third largest private hospital operator.

The first stage of this project involving the construction of a new building housing medical specialist consulting space, a full radiology unit, and new administration and front of house area was completed in mid-2021.

Stage 2 is underway and is expected to be completed in late 2024.



68  
PATIENT BEDS



~20,000sqm  
LAND AREA



14,500sqm  
NLA



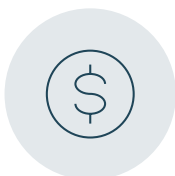
850m  
PROXIMITY TO  
PUBLIC HOSPITAL



3.9%  
% OF VITAL'S  
PORTFOLIO



2017  
YEAR ACQUIRED  
BY VITAL



\$130m  
VALUE



Wakefield  
Hospital  
ASSETS

# Developments

Vital has 10 committed developments underway at a total projected cost of \$293m with \$215m remaining to spend. In addition, Vital has \$169m of fund-through developments underway and a potential development pipeline of \$1.8bn.



**~\$2.1bn**  
COMMITTED AND POTENTIAL  
DEVELOPMENT PIPELINE<sup>1</sup>

During FY22 \$86m was spent on developments including completion of Vital's largest single development Epworth Eastern. \$148m was also converted from potential developments into committed developments.



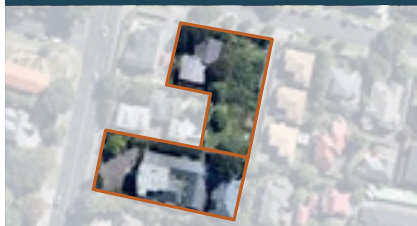
## Committed and fund-through developments All values shown in \$m

ABBOTSFORD PRIVATE HOSPITAL PERTH		BELMONT PRIVATE HOSPITAL BRISBANE		PLAYFORD HEALTH HUB STAGE 2 ADELAIDE	
Development cost	A\$18.6	Development cost	A\$22.6	Development cost	A\$39.3
Spend to date	A\$14.0	Spend to date	A\$10.4	Spend to date	A\$5.3
Cost to complete	A\$4.6	Cost to complete	A\$12.2	Cost to complete	A\$34.0
Forecast Net Return	6.1%	Forecast Net Return	5.8%	Forecast Net Return	7.3%
Forecast completion date	Late-22	Forecast completion date	Late-22	Forecast completion date	Early-24

<sup>1</sup> Excluding fund-through developments

<sup>2</sup> Stabilised yield based on Genesis Care rent in Yr3



**ENDOSCOPY AUCKLAND**  
 AUCKLAND


Development cost	NZ\$22.6
Spend to date	NZ\$0.3
Cost to complete	NZ\$22.3
Forecast Net Return	5.1%
Forecast completion date	Late-23

**WAKEFIELD HOSPITAL STAGE 2**  
 WELLINGTON


Development cost	NZ\$91.5
Spend to date	NZ\$29.1
Cost to complete	NZ\$62.4
Forecast Net Return	5.6%
Forecast completion date	Late-24

**BOULCOTT HOSPITAL**  
 WELLINGTON


Development cost	NZ\$7.7
Spend to date	NZ\$0.0
Cost to complete	NZ\$7.7
Forecast Net Return	6.2%
Forecast completion date	TBC <sup>3</sup>

**ORMISTON HOSPITAL STAGE 1**  
 AUCKLAND


Development cost	NZ\$37.9
Spend to date	NZ\$5.1
Cost to complete	NZ\$32.8
Forecast Net Return	5.1%
Forecast completion date	Mid-24

**GRACE HOSPITAL STAGE 1**  
 TAURANGA


Development cost	NZ\$31.7
Spend to date	NZ\$5.5
Cost to complete	NZ\$26.2
Forecast Net Return	5.3%
Forecast completion date	Late-23

**ROYSTON HOSPITAL STAGE 2**  
 HASTINGS


Development cost	NZ\$6.3
Spend to date	NZ\$2.4
Cost to complete	NZ\$3.9
Forecast Net Return	5.3%
Forecast completion date	Late-22

In addition, \$169m of the fund-through developments have been committed to<sup>4</sup>

**BOWEN HOSPITAL OT5**  
 WELLINGTON


Development cost	NZ\$6.3
Spend to date	NZ\$3.0
Cost to complete	NZ\$3.3
Forecast Net Return	5.3%
Forecast completion date	Late-22

**CAMPBELLTOWN STAGE 1**  
 SYDNEY


Development cost	A\$54.4
Spend to date	A\$6.1
Cost to complete	A\$48.3
Forecast Net Return	4.3% <sup>2</sup>
Forecast completion date	Early-24

**TASMAN MEDICAL CENTRE**  
 HOBART


Development cost	A\$98.6
Spend to date	A\$9.5
Cost to complete	A\$89.1
Forecast Net Return	~4.5%
Forecast completion date	Late-24

<sup>3</sup> Subject to receipt of final business case

<sup>4</sup> Developments where Vital is funding through the development rather than acting as developer

# New and proposed developments<sup>1</sup>

Work is underway to convert ~\$196m of strategic land holdings into income producing properties (including the below).



## Coomera BRISBANE, QLD

Stage 1 Medical Office Building Development Application lodged in April 2022 and Stage 2 Mental Health Development Application lodged in June 2022.



## Woolloongabba SOUTH BRISBANE, QLD

Development Application lodged in July 2022. Detailed design phase commenced with procurement strategy to be determined in late-2022.



## Ormiston AUCKLAND, NZ

Early works have commenced on site at Ormiston Hospital with Savory Construction to form on grade carpark and associated infrastructure. Trade pricing for main contract underway with Savory engaged on an ECI basis.



The Ormiston Hospital development's main contractor, Savory Construction has registered the site with the MATES in Construction programme which aims to shape and strengthen connections on building sites and across the construction industry to raise awareness and support those at risk of suicide.

By encouraging positive wellbeing and supportive conversations through on-site training, MATES field officers who are trained in suicide intervention, facilitate connections for those at risk of suicide with the appropriate professional support.

<sup>1</sup> All photos are artist's impressions

## Development case studies

### Epworth Eastern

MELBOURNE, VIC

Having identified the opportunity within the Box Hill Health and Education Precinct to co-locate a public and private hospital, Epworth Eastern Private Hospital was constructed in 2005, consisting of 208 beds, eight operating theatres, associated radiology, pathology and consulting suites.

Subsequent expansion of the Epworth Eastern tower was announced in 2018 responding to the precinct's growth requirements.

The Epworth Eastern tower project consists of 14-storey building including five operating theatres and 63 beds. Construction was successfully completed throughout COVID-19 lockdowns with practical completion reached in March 2022.

The project had a total cost of A\$97 million bringing the total value of the Epworth Eastern campus to over A\$400 million.

Epworth have taken a head lease over all floors to level 10 with the remaining levels 11 - 14 to be



leased to individual consulting surgeons.

Further investment and growth opportunities have been recognised and provisioned for via the acquisition of an adjacent land

parcel with potential for a 40,000sqm mixed use development. Master planning for this site has commenced.



**A\$97m**

total cost



**20.5 years**

WALE



**~5.8%**

fully let blended yield



**March 2022**

completion

### Grace Hospital

TAURANGA, NZ

In late 2020 Vital announced that it had acquired Grace Hospital.

As part of the acquisition Vital and the hospital operator (a joint venture between Evolution Healthcare and Southern Cross Healthcare) have been undertaking design and planning to extend the existing facility.

Vital committed to funding masterplanned works at Grace Hospital over five years from settlement of the transaction. Stage 1 of the masterplan works was to complete the fit out of two cold shell theatres, taking the total number of operational theatres to 11 and to improve admission areas and patient flows.

This initial stage has been completed and will officially open in mid July 2022.

Detailed planning and design for further stages of Grace Hospital's expansion continue.

The project is forecast to increase the value of the site by over 25%.



**\$31.7m**

project value



**5.3%**

yield



**\$5.5m**

spend to date



**Late 2023**

expected completion

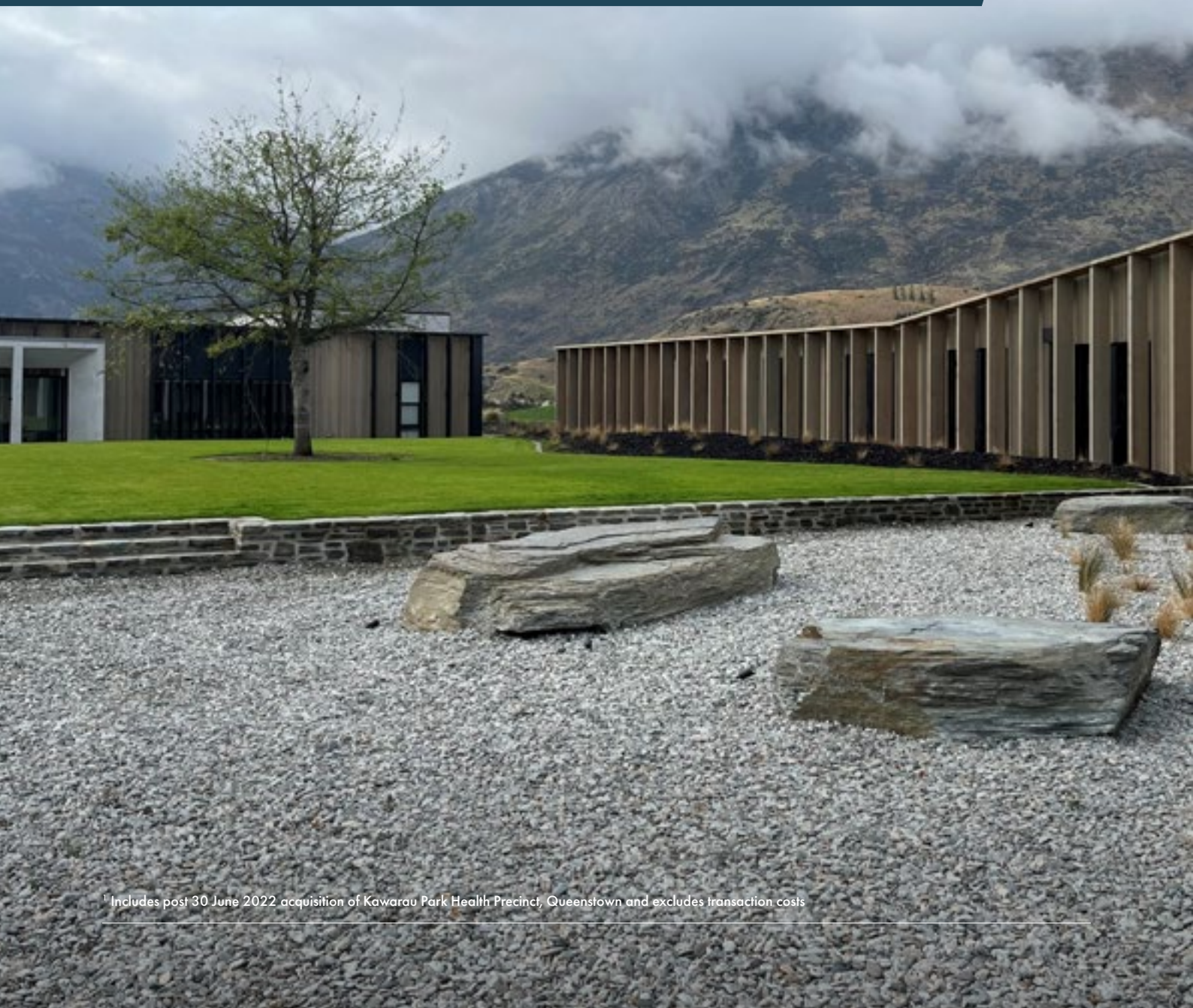
# Acquisitions

During FY22, Vital acquired five income producing healthcare properties in Adelaide, Auckland, Christchurch, Queenstown and Wellington; all with significant development potential.

Vital has also acquired development sites in Melbourne, Auckland, Hobart, and two in Sydney.



~\$382m<sup>1</sup>  
OF ACQUISITIONS  
UNDERTAKEN



<sup>1</sup> Includes post 30 June 2022 acquisition of Kawarau Park Health Precinct, Queenstown and excludes transaction costs

# Kawarau Park Health Precinct

QUEENSTOWN, NZ

## Tenants

A newly developed health precinct comprising six tenanted buildings including Queenstown's only private hospital operated in a joint venture between Southern Cross Healthcare and Central Lakes Trust.

The hospital includes three operating theatres and 13 inpatient rooms.

Other tenants include nationwide providers such as NZX-listed Green Cross Health and Pacific Radiology (subsidiary of NZX-listed Infratil), along with several surgical consulting rooms, childcare and supporting retail and commercial uses.

## Favourable demographics

The hospital is the only private hospital in Queenstown and Central Otago and the precinct benefits from Queenstown's favourable demographics.

## Development potential

The precinct is situated on over 2.3ha of land and has additional development potential of at least 2,000sqm of land.



**\$95m**

purchase price



**~4.5%<sup>1</sup>**

fully let blended yield



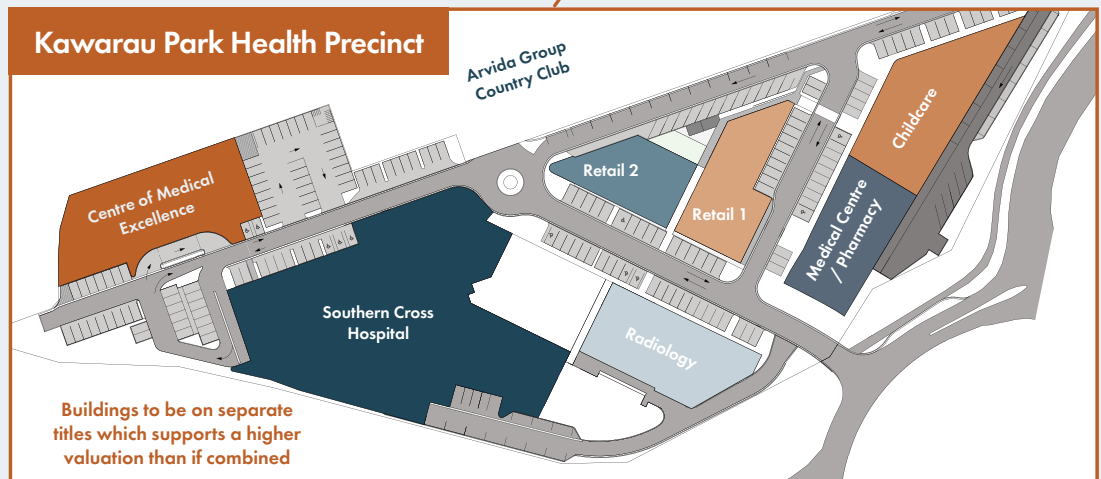
**~40%**

of leases (by income) increase by the greater of market and CPI (uncapped)



**8.7 years**

WALE underpinned by hospital lease of 12 years



<sup>1</sup> Excludes development land of ~\$4m

# New healthcare precinct to be developed

CAMPBELLTOWN, NSW

Vital has acquired a 27.6 hectare site in Campbelltown. The site is well positioned within the rapidly growing south-west Sydney growth corridor and down the road from the newly redeveloped Campbelltown Public Hospital.

Campbelltown Health Precinct will be delivered in stages.

## Stage 1

A fund-through development with GenesisCare to construct a state-of-the-art Comprehensive Cancer Centre (CCC) and wellness centre.

Construction for Stage 1 will commence next week with completion forecast for Q2 2024.

## Stage 2 and 3

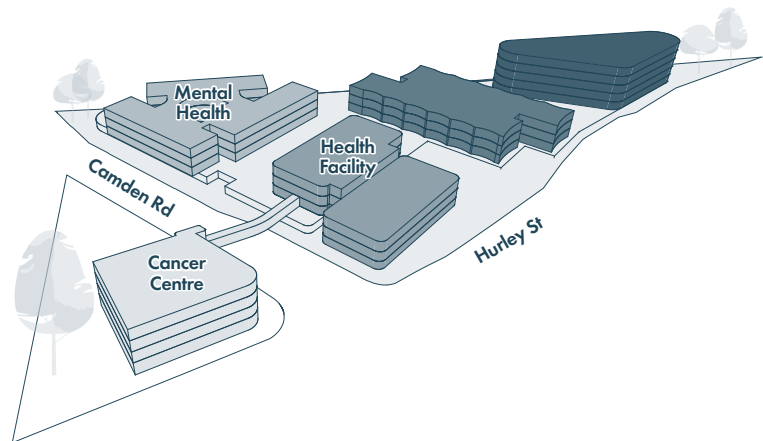
The remaining ~2-3 hectares offers a valuable long term staged precinct opportunity. Masterplanning for the precinct is underway and commercial discussions to anchor Stage 2 are progressing.

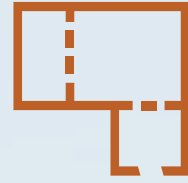
The precinct will deliver a range of services including mental health, day surgery and other services such as specialist consult suites, pharmacy, psychology and allied services. It is anticipated that a State Significant Development Application (SSDA) will be lodged for Stage 2 in 2023.



## Last large land holding

available in Campbelltown for healthcare precinct development





Up to

**40,000sqm**

of potential gross floor area



## Central

Located in the heart of Campbelltown,  
~20kms south-west of Liverpool



## Health precinct

Close to or in the broader health  
precinct that includes Campbelltown  
Hospital and Western Sydney  
University Medical School

# Meadowbrook

## QUEENSLAND

**Vital have acquired 17 residential lots in Meadowbrook co-located with Logan Hospital.**

A DA was lodged in March 2022 for 18,347 square meters of GFA for both public and private health services to support the growing catchment.



*Logan Hospital is undergoing a \$540 million expansion to deliver 688 beds by late 2022.*

The public health services offered include general medical and a broad range of surgical services including obstetrics, paediatrics and psychiatry. The hospital is located in South Brisbane and services a population of >340,000 within one of Queensland's fastest growing areas.



# 80 Ascot Ave

## AUCKLAND, NZ

**In late June, Vital acquired 3,415 square metres of vacant land adjoining Ascot Hospital in Remuera, Auckland for \$16m.**

Work is underway to expand Vital's footprint comprising two existing buildings plus a car park in this leading healthcare precinct.





# Tasman Medical Centre

HOBART, TAS

**In July 2022, Vital agreed terms with Nexus Hospitals to fund-through the development of a new, purpose-built 8,747 square metre day hospital and ambulatory care facility in Hobart, Tasmania.**

The facility will be known as "Tasman Medical Centre". Total costs are expected to be ~A\$98m including A\$9.5m of land which Vital acquired in early July 2022. Construction is expected to complete by the end of 2024. Vital will receive a ~4.5 yield both during construction and from practical completion.



*New development fund-through planned; Vital's first asset in Hobart and its only exposure to Tasmania. The WALE is expected to be 13.3 years from practical completion with annual rent reviews a mixture of CPI (collar of 2.5% and cap of 5%) and fixed rent reviews.*

Tasman Medical Centre is 100% pre-leased from practical completion to a mixture of Nexus (60% of rent) and a mix of healthcare and ancillary tenants. The WALE is expected to be 13.3 years from practical completion with annual rent reviews a mixture of CPI (collar of 2.5% and a cap of 5%) and fixed rent reviews (typically 2.5%). This fund-through is Vital's sole investment in Tasmania after previously selling a small facility in Burnie, Northwest Tasmania in late 2020.

# Mt Eliza

MORNINGTON PENINSULA, VIC

In May 2022, Vital acquired a former 60-bed aged care facility ~7 kilometres from Frankston for ~A\$12m. A process is underway to redevelop this facility.



## Hutt Valley Health Hub

WELLINGTON, NZ

In the second half of FY22, Vital settled its acquisition of the Hutt Valley Health Hub, a purpose-built seismically resilient medical office building and out-patient facility for \$46.5m. The existing Hutt Valley Health Hub was completed in late 2019 consistent with the Manager's focus on developing and acquiring new and recently constructed buildings.

The property adjoins Vital's existing asset, Boulcott Hospital, as well as the main public hospital for the region, Hutt Hospital. The acquisition has increased Vital's future expansion land holding to ~3,200 square metres in the precinct to meet both public and private healthcare demand.

## The Hills Clinic

SYDNEY, NSW

In February 2022, Vital acquired 4,340 square metres of land in north-west Sydney, approximately 28 kilometres from the CBD and adjacent to an existing Vital asset, The Hills Clinic. The Hills Clinic a specialist mental health hospital 100% leased to Aurora Healthcare Australia, Australia's largest specialty private mental health provider with 1,000 beds across 16 facilities.

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. Total development costs, inclusive of the land, are expected to be ~\$50m 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.

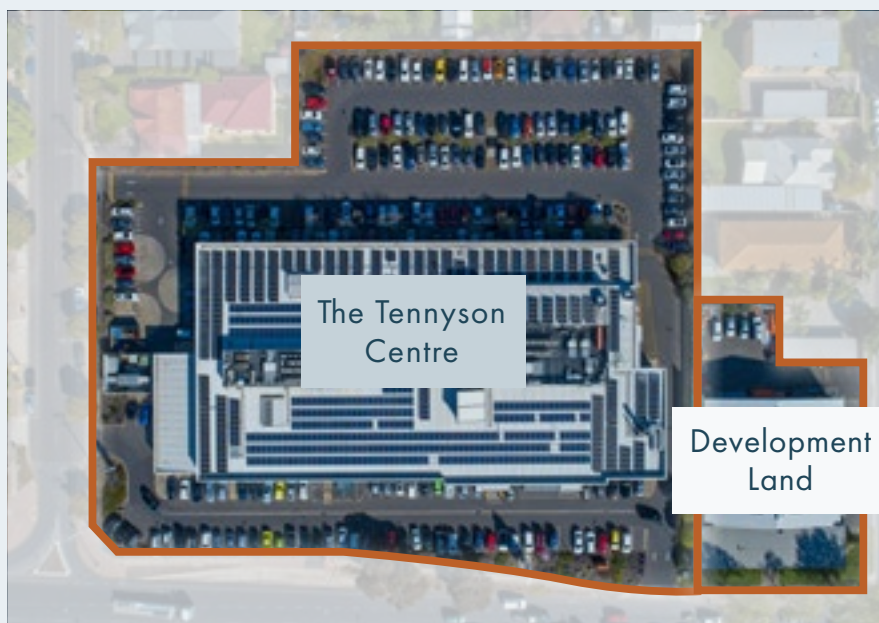


## The Tennyson Centre

### ADELAIDE, SA

In late 2021, Vital acquired the Tennyson Centre in Adelaide for ~A\$93m providing an initial yield of 4.7%. The Tennyson Centre is one of Adelaide's leading "Cancer Centres of Excellence", comprising high quality tenants who operate within the identification, assessment and treatment of cancer through oncology, radiotherapy, imaging and consulting services. Tenants include Nexus, Icon, Sonic, GenesisCare and Dr Jones & Partners. Since acquisition, the WALE has been extended from 2.7 years to 4.5 years with further leasing anticipated.

The transaction included 1,920 square metres of adjoining land for future development.



*Skilled asset management has resulted in a significant WALE extension and progression of planned development.*



## 68 Saint Asaph St

### CHRISTCHURCH, NZ

This large, modern ambulatory care (maternity) and life sciences site is located 300 metres from Christchurch Hospital, New Zealand's second largest hospital. It was acquired by Vital for \$50.7 million in April 2022 on an initial yield of ~5.1%. Existing tenants include the Canterbury District Health Board and life sciences corporate Syft Technologies. ~30% of net lettable area is available for lease and subject to a 24-month vendor rental underwrite. The building has a WALE of 8.5 years (including the vendor underwrite).

The acquisition includes 1,600 square metres of expansion land.



## Endoscopy Auckland

### AUCKLAND, NZ

In June, Vital settled the acquisition of the majority of the land and buildings at 148 Gillies Avenue and 22-24 Kipling Avenue, Epsom<sup>1</sup> for \$22.2 million providing an initial yield of ~4.75%. Currently, the properties comprise an existing endoscopy facility and residential units on ~4,000 square metres of land. The hospital business is jointly owned by Healthcare Holdings and Evolution Healthcare.

Terms have been agreed to utilise the vacant land at 22 Kipling Ave and develop a new day surgery and endoscopy facility, with the existing facility expanding surgery capacity for a total development cost of ~\$21.6 million increasing the property yield to ~5.1%. The existing buildings have a 20 year WALE and the new hospital will be pre-leased for 20 years from completion.

<sup>1</sup> The balance of the development land remains subject to Overseas Investment Office approval

# Sustainability

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NorthWest is on a journey to connect more people and places with enduring possibilities, rooted in a deep commitment to a sustainable future. This journey includes all of the investment platforms it manages including Vital.

NorthWest remains steadfast in our dedication to drive value for every stakeholder, leading with our focus on partnering with our tenants as we work with them to achieve better outcomes for their patients as sustainably as possible.

By formalising our sustainability commitment, we will amplify our collective impact - empowering the growing ambitions of our partners, enabling the next generation of the workforce, and engaging in the sustainable evolution of healthcare.

## Vital's sustainability achievements

In August 2021, Vital released its first sustainability report. Vital's achievements against set targets are on page 46 of this report.



**Ehara tāku toa I te toa takitahi,  
engari he toa takitini.**

*My strength is not as an individual,  
but as a collective.*

**Whakataukī  
Māori proverb**

# Vital's FY22 sustainability targets and achievements

## People

- ✓ **Continue to improve diversity on the Board and in Management<sup>1</sup>**  
 Women in management 48%.  
 Angela Bull appointed as Independent Director to the Vital Board
- ✓ **Focus on mentoring and career progression**  
 20% of our staff have moved to new roles or been promoted to the next level role this year so far
- ✓ **Encourage greater community involvement**  
 Volunteering policy formalised providing employees with two days of paid time off designated for volunteering
- ✓ **Continue existing professional development**  
 through the launch of LinkedIn Learning 2022, in addition to targeted and general employee personal development, diversity equity and inclusion training provided to all employees, and personal and professional coaching through Careerbase

## Practice

- ✓ **Establish baseline environmental reporting**  
 Underway across energy, water and waste
- ✓ **Meet distribution guidance and AFFO target**  
 Upgraded guidance met
- ✓ **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, with applications open as at the date of this report
- ✓ **Extend and diversify debt**  
 Debt extended and debt funders increased

## Places

- ✓ **Participate in third-party assessments through GRESB and CDP**  
 Vital has submitted to GRESB and CDP with results expected in Q2 FY23
- ✓ **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 FY22
- ✓ **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 both the Green Building Council of Australia and the New Zealand Green Building Council. We have 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 has undertaken desktop sustainability audits of all Vital assets to better understand environmental impacts and opportunities and has now commenced level 2 audits for all landlord-controlled assets. Sustainable tenant fit-out and tenant sustainability guides launched and currently being piloted at nominated assets

<sup>1</sup> As part of wider renewal/recruitment processes.

# Sustainability framework

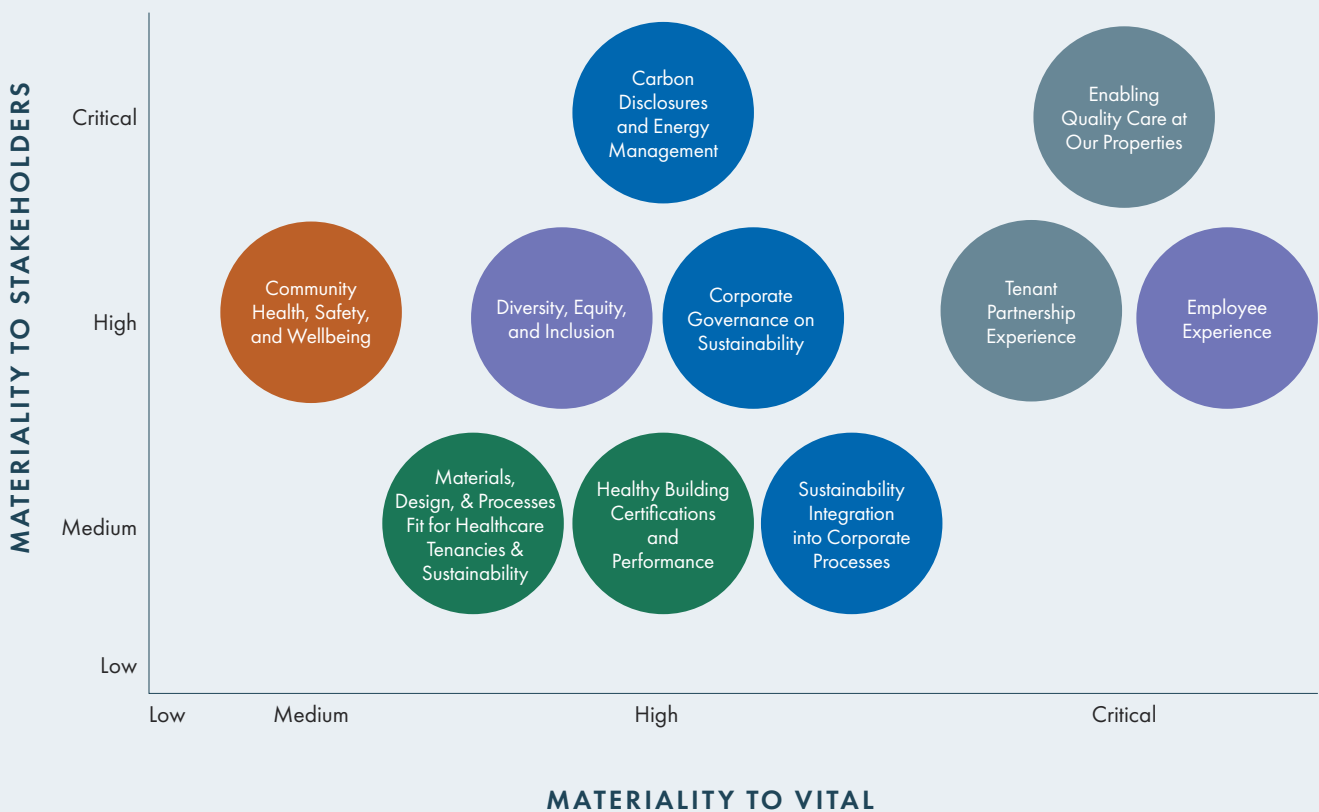
In December 2021, NorthWest released its first sustainability report covering all of its operations including Vital which it manages. As a result, Vital's sustainability framework has now been updated to align with the NorthWest framework as outlined below.



# Vitals material matters and stakeholder engagement

During FY22, management undertook material matters workshops for key stakeholders.

These workshops were facilitated by an external consultant, Proxima, and were designed to identify the key risks for Vital as an entity across all areas of sustainability. The workshops identified the following:



The above matrix was provided to Vital's key internal and external stakeholders to ensure there was alignment and to elicit any additional discussion points or focus areas. These stakeholders included:

- Key NorthWest executives notably NorthWest's President and Chief Administrative Officer
- Vital's six largest institutional Unit Holders
- Representatives of retail Unit Holders notably the CEO of the NZSA and brokers from Forsyth Barr
- Key tenants (New Zealand and Australia)
- Largest debt providers in New Zealand





# Thriving partners

Vital recognises the importance of fostering and strengthening our relationships with our healthcare tenant partners. Through providing consistent interactions and prioritising improvements to our facilities we seek to improve the user experience and provide infrastructure that allows for our tenants to deliver improved patient outcomes.

## Tenant engagement and interaction

### Tenant engagement survey

Formalising our commitment to provide consistent interactions and partner to improve our facilities we will be undertaking a tenant engagement survey with an ambition to achieve top quartile performance on tenant Net Promoter Score (NPS) relative to our peers.

### Tenant engagement programme

We continue to support and educate our partners about the benefits of sustainable practices, including during our new development phases and retrofit activities and are working with a number of our tenants to formalise ESG strategic alliances to further enhance our facilities for quality care.

As a region we are supporting the global approach in establishing working groups locally with our stakeholders. While this will be driven by the broader business, we will be engaging directly with our tenants for the sharing of our experiences in the sustainability space and our journey and ambition to reduce our carbon emissions in line with our net-zero commitments.

Towards the end of 2022, we aim to host a workshop with our key tenants with guest speakers and activities encouraging active engagement in our sustainability efforts.

### Strategic tenant alliances and tenant advisory boards

Vital have established strategic tenant alliances that allow for the sharing of information and collaboration with our healthcare partners to identify some of the key opportunities and challenges at the intersection of healthcare and sustainability. In the Australia and New Zealand region, NorthWest have entered an ESG alliance agreement with Epworth Healthcare and Evolution Healthcare to facilitate active collaboration, information-sharing, and improved sustainable outcomes at both the property and operating levels.

The alliance's steering committee's roles are to identify opportunities, establish and deliver against shared goals and targets that are aligned with each organisation's vision.

We recognise the challenge of establishing a baseline, tracking and transparently reporting against Scope 3 GHG emissions in the healthcare sector. Vital will prioritise our efforts through these strategic alliances to tackle this challenge in partnership with our healthcare tenant operators.

Vital will seek to further expand these strategic alliances moving forward with an ambition to identify and address key sector challenges in the future in partnership with our healthcare tenants.

We are looking to further prioritise and develop our ESG alliance with Epworth Healthcare and Evolution Healthcare and explore opportunities to scale up and implement similar ESG alliances with other key operators such as Healthscope and HealthCare.

### Inaugural tenant forum

Fostering a network of healthcare experts to further deliver differentiated value to our tenants, we will launch a series of initiatives to connect our tenants and promote knowledge sharing across the industry, leveraging our unique position at the intersection of healthcare and sustainability. Through a multi-pronged engagement approach, our tenants and other stakeholders can participate and engage in ways that could offer mutual benefit and positively impact the healthcare real estate sector as a whole.

Once pandemic complications clear, we plan to convene select tenant partners on relevant topics in an inaugural forum, establishing and formalising a network of healthcare experts. This will further promote idea generation, best practices sharing, and innovation across the healthcare industry. We will also expand and formalise our global communication strategy in order to activate and engage with the network experts. Topics might include GHG emissions and renewable energy procurement, energy, water and waste efficiency, community development, and health and wellbeing initiatives.



## Optimising spaces for patient wellness

As the largest NZX-listed landlord of healthcare real estate in Australia and New Zealand and with a development pipeline of ~NZ\$2.1bn, our spaces are designed with our tenants and their patients needs at the centre. Through intentional design we create spaces for patient wellness by enhancing the indoor environment and facilitating connections to the outdoors where possible.

All our properties undergo region-specific indoor air quality assessments to ensure the facilities meet industry standards and adopted guidelines (ie Green Star, WELL health and safety ratings).

This ensures that our spaces support quality environments for patients and other building visitors; maintaining comfort through key areas such as noise, temperature, humidity and most importantly protecting against any potential indoor environmental hazards.

In 2022/23, Vital will continue to undertake air quality testing with 100% of our managed and controlled properties to be assessed against wellness dimensions, including air quality and accessibility, with one-third of these assessments to occur within the reporting year.

## Memberships and industry leaderships

During FY22, Vital and NorthWest joined the New Zealand Green Building Council and the Green Building Council of Australia.

Membership of these green building councils has provided a range of benefits including sustainability training for all asset managers, development managers, facilities managers and the sustainability team across Australia and New Zealand in June 2022 (Foundations in Greenstar Performance).

Also during FY22, Vital and NorthWest joined the Property Council of Australia in addition to its long-standing membership as an industry leader of the Property Council of New Zealand. NorthWest employees are regular attendees at property council events in Australia and New Zealand including the annual conference, ESG training, market updates and women in property events.



Women In Property Annual Lunch, NSW





# Inclusive company

Preparing lasting tenant spaces for health and healing.

As a global business, NorthWest creates an inclusive environment that encourages all people to bring their unique self and passion to work, allowing them to feel safe in doing so.



## Intentional culture

**NorthWest must attract, retain, and support our talent to ensure sustainable success in an equitable culture.**

NorthWest aspires to create a workforce that reflects the diverse communities in which it operates. This includes Australia and New Zealand where Vital is managed.

## FY22 highlights include:

- Regional staff conference held in northern New South Wales.
- Appointment of Angela Bull as an additional Independent Director on Vital's Board. Angela is a highly experienced property executive and has served on several boards.
- Diversity Policy established in April to support our focus on diversity and inclusion including gender equity.
- Parental Leave Policy which grants paid leave to a primary carer following the birth or adoption of a child.
- Volunteerism Policy established offering all full-time and part-time employees paid time off to further assist the communities in which we operate with community and charitable efforts.
- Regular team social activities for each regional office as well as Property Council training sessions, sporting activities.
- A range of health and wellbeing benefits being provided for staff including flu vaccines, executive level health check-ups, fruit provided in all offices and flexible working arrangements.



Angela Bull was appointed as replacement Independent Director



## Learning and development

Globally, NorthWest has launched access for all permanent employees to LinkedIn Learning – an online learning experience platform that offers engaging video content, typically instructional in nature driving personalised suggestions based on topics of interest across business, technology-related and professional development delivered through experts in the field.

Following a successful pilot of Careerbase in 2021, NorthWest rolled out the personalised learning and development platform to all permanent and contract staff, including new staff once they have completed probation. This offer to staff in A/NZ which gave points to source vendors and activities to build knowledge and skills aligned to identified personal development needs, with uptake in courses with the Australian Property Council to personality diagnostics and 1:1 coaching sessions.



## Cyber security and upgrades

**During the past 12 months, NorthWest IT has undertaken five significant initiatives to harden our cyber security and protect our digital assets.**

The upgrades were in response to new requirements from our cyber security insurer and the general increase in cyber threats from the global pandemic and the war in Russia.



### Firewall fleet upgrade

The upgrade gives us better visibility into security threats across our offices, and a more automated tool for ensuring that all firewalls are up to date and correctly configured to block cyber threats.



### Upgrade to Veeam

We moved our primary backup infrastructure to the highest-rated platform in the industry to provide more recovery options along with easier and faster recovery options.



### Ransomware protection

To ensure a layer of impermeable data protection against ransomware, we added WASABI backup solution. This solution is an immutable backup store that would be incorruptible by ransomware. It is a cloud solution and a third layer of backup replication.



### KnowBe4

Knowbe4 is a cyber security training and testing platform. We use the software to send out email phishing simulations to help us identify which of our staff requires cyber security training. We provide onboarding cyber security training for new employees and use Knowbe4 for testing and quarterly training updates. Our goal is to ensure that our employees have the skills to help protect our organisation against a cyber attack.



### Duo MFA

We now use a best-in-class Multi-Factor Authentication (MFA) platform called DUO from Cisco for externally facing services. MFA double checks each user's identity so cyber attackers cannot use lost or compromised passwords to access our network.







## All-staff conference

Our team of healthcare real estate professionals attended an A/NZ staff conference in Kingscliff, NSW for three days of learning opportunities, future-focused workshops and brainstorming, beach walks and adrenalin pumping exercise, plus thought-provoking addresses from both internal and external speakers.

Innovation, ESG and a strong network of personal relationships will continue to define how NorthWest does business, underpinned by a dedicated and capable team leading us into the future.

## Career progression

There has been significant growth within the team, with an increase in headcount from 45 in January to 61 in July 2022 across all areas; finance, corporate support, development and asset management teams.

A focus of 2022 has been to identify and further support enhanced development and growth opportunities including promotions and new roles for those at NorthWest with further potential. This included identifying talent for new roles, extending the scope of roles or identifying opportunities for talent to work in other global offices. 20% of our staff have moved to new roles or been promoted to the next level role this year so far.



**LIZ INGRAM**  
SUSTAINABILITY ASSOCIATE

**How many years have you been with NorthWest?** 2 years in October.

**What attracted you to NorthWest?** The team! Team culture is really important to me because I am with my colleagues for more hours in a day that I am with my own family. It doesn't feel like work when you are with your friends all day.

**Where are you located?** Auckland, New Zealand.

**What has the transition been like to your new role?** Eyeopening! I didn't realise how passionate I was or how invigorated I am by the sustainability space until I made the leap. Having encouragement from great mentors within the team has also made the change easier.

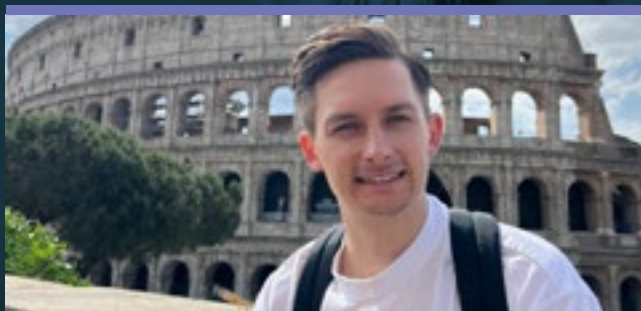
**What has been the greatest aha moment?** Realising how intertwined ESG is across every area of our business. Also realising the privilege of being part of a team that can help facilitate initiatives that will have a positive impact on our planet and future generations.

**What has surprised you?** The amount of acronyms in the ESG space!!

**What has been the greatest challenge?** Relinquishing the parts of my old role that I loved.

**What are you thankful for?** The opportunity to transition to a completely different role with a global reach, while maintaining relationships with the local team.

**What would your advice be for someone looking for a new opportunity or challenge?** Take the leap and do it! I have no regrets and love what I do.



**JOEL SMART**  
SENIOR ANALYST, INVESTMENT AND ASSET  
MANAGEMENT, UK REAL ESTATE

**How many years have you been with NorthWest?** 2.5 years. I joined the Auckland office in January 2020, and transferred to the UK office in April this year.

**What attracted you to NorthWest?** The opportunity to learn from great people within a global company and work on an NZX listed fund.

**Where are you located?** London, UK.

**What has the transition been like to a new country?** There's been a bit more rain than the 'summer' I'm used to.

**What has been the greatest aha moment?** A small clause in an agreement can have a big impact.

**What has surprised you?** That the fundamentals of real estate are still similar across very different regions.

**What has been the greatest challenge?** Learning to connect with people and build relationships remotely.

**What are you thankful for?** I'm thankful for the opportunities I've been given to learn and to have job security when moving to the other side of the world.

**What would your advice be for someone looking for a new opportunity or challenge?** Speak up and let others know what you're looking for. People are often willing to help if you reach out to them.



**GEORGIE HUXLEY**  
VICE PRESIDENT, LEASING

**How many years have you been with NorthWest?** 5 years at the end of this year.

**What attracted you to NorthWest?** The people! Even though it was only a team of four at the time. I could tell it was a great work environment, with people who genuinely cared, both about their work but also about each other. We all still work here today! I also felt huge alignment with the social infrastructure nature of our properties and the sense that we are giving back to the community through our product delivery.

**Where are you located?** Melbourne, Australia.

**What has the transition been like leading a new function?**

Change is always an adjustment. I was lucky in that I was already doing quite a bit of strategic leasing as part of my previous role – a quasi trial run of the new job! The most challenging part is probably having to navigate priorities as we have so many large scale projects on the go.

**What has been the greatest aha moment?** I'd be lying if I didn't acknowledge that each day brings a new learning. With healthcare real estate, you are naturally entwined with the success of your partner operators' businesses. It's important to keep on top of pressures and challenges that your operators may be facing, whether that be at a workforce level, competition, technological or economic factors.

**What has surprised you?** Not exactly work related but the standout of the last 2 years to me has been the resilience of the healthcare sector, in particular the front line workers. Just outstanding.

**What has been the greatest challenge?** Starting in a new role and not being able to travel was quite difficult. I always prefer to meet in person if possible as it's a great way to get to know people and understand them both professionally and personally which is so important. Delivering Stage 1 of Playford Health Hub completely remotely and hitting practical completion without having stepped foot onsite during construction was a huge effort from the team.

**What are you thankful for?** The team. The leasing environment can be very fast paced and a rollercoaster of emotions sometimes. It's the team that sits behind and alongside me that helps ride the wave, support the vision and ultimately deliver the projects.

**What would your advice be for someone looking for a new opportunity or challenge?** Say yes to the challenges. Push yourself out of your comfort zone. You never know how much you might enjoy it.



**CLARE SOLOMON**  
VICE PRESIDENT, SUSTAINABILITY AND DEVELOPMENT

**How many years have you been with NorthWest?** Just over 8 years.

**What attracted you to NorthWest?** Since commencing my career in development I have been fortunate enough to work in the health and aged care sector. It is an incredibly rewarding sector to be in with opportunity to deliver infrastructure that can directly impact and improve patient outcomes and the health of the broader community. NorthWest commitment, vision and ambition in this sector is what attracted me initially to NorthWest.

**Where are you located?** Melbourne, Australia.

**What has the transition been like to your new role?** My transition indirectly commenced prior to formalisation of the appointment of my new role through my involvement with the global team in the development of the NorthWest Sustainability framework, strategy and commitments released at the end of 2021. My involvement in this, under the guidance of Boston Consulting Group has allowed me to make a smooth transition into my new role, grounded with enthusiasm to deliver against our ESG strategy.

**What has been the greatest aha moment?** To be successful and drive change ESG must be integrated into our core business strategy – every member of every part of our business has a role to play!

**What has been the greatest challenge?** I don't think I have faced my greatest challenge in my new role – but it is coming! Realising the opportunities where healthcare and sustainability meet is both exciting and challenging with a portfolio that is heavily reliant of combatting scope three emissions in a challenged sector! This is an exciting challenge that I look forward to partnering with our tenant operators and industry experts moving forward!

**What are you thankful for?** The commitment NorthWest and particularly the Global Leadership Team have to realising the vision and ambition for the business and the critical role ESG has to play in achieving this vision moving forward.

## Indigenous workgroup and RAP initiative

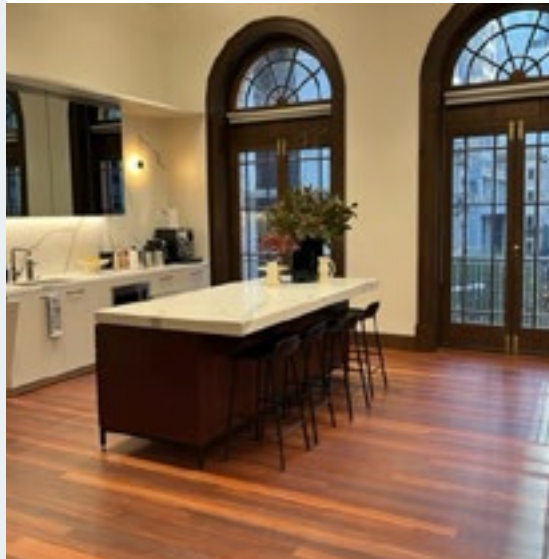
**Together we create value through people, place and community and this extends to our first placemakers – the First National people of Australia, and Māori in New Zealand.**

With this in mind an indigenous workgroup has been created to lift our focus and commit our good intention to improved actions in 2022. We have committed to two priorities; deliver online training for all our staff in A/NZ to ensure a baseline understanding of indigenous matters across Māori, Aboriginal and Torres Strait Islander cultures and the development of a Reconciliation Action Plan (RAP).

These two priorities, together with sponsorship of our indigenous workgroup by our leadership team help us to focus and start our journey of reconciliation with the intention in the medium term we will go deeper and focus on improved outcomes in the health industry as well as partners with other like minded organisations to continue to advance and learn.



In April, the Auckland team joined Ngarimu Blair of Ngati Whatua ki Tāmaki for an insightful Walking Wānanga (guided walk) to gain a deeper understanding of Tāmaki Makaurau (Auckland) and Māori history.



## New spaces for our growing team

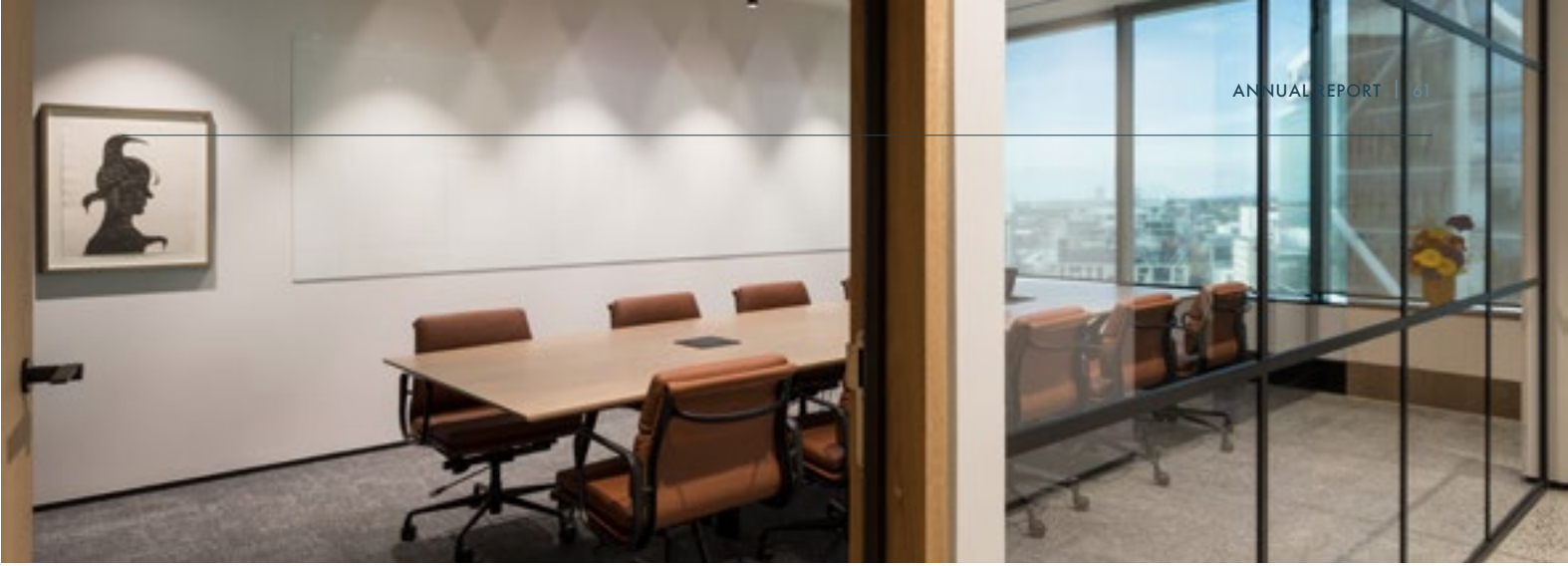
**Just as we engage our tenants, we engage our people to ensure their needs are met and their voices are heard.**

Our employees' positive experiences as part of the NorthWest team strengthen who we are as an organisation and the values that drive us forward. With a need now more than ever to attract and retain top talent, as well as creating space for the growing team across the A/NZ region, Sydney and Auckland offices have moved into new offices.

### Sydney office

**We are proud to announce the opening of our Sydney office at 285 George Street, Brookfield Place.**

Designed by award-winning Hammond Studio, the interior of the Peapes Building offers a contemporary and highly functional transformation of a heritage building. The Sydney team selected the artwork together from Artbank, including a highly notable Ginger Riley painting. Through the partnership with Artbank, the office is providing direct support to Australian contemporary artists and are promoting the value of Australian contemporary art to our visitors as they join our space.



## Auckland office

NorthWest opened a new Auckland office in the Commercial Bay precinct at the start of 2022 with the goal of creating a collaborative space conducive to the approach we bring to our stakeholders.

Chosen for its alignment with NorthWest's ESG strategy, the building boasts initiatives such as worm farms, low energy fittings and group wellness classes for tenant use. Designed with a focus on sustainability, people and place the new office appoints art curated purposefully with local New Zealand artists, including works by Bill Hammond to its both functional breakout spaces and open plan areas used for celebrating NorthWest's successes. The office incorporates considered design such as recycling the existing concrete slab, grinding and polishing as needed and locally sourced products and suppliers where possible.





## Strong communities

We are committed to enhancing the communities where we operate by sharing our time, research and resources and amplifying the healthcare objectives of our partners. Giving back to our communities is ingrained in who we are and we align our community investment efforts to those of our tenants.



## Keystone Trust

Building on our existing support and sponsorship of the Keystone New Zealand Property Education Trust, Vital has committed to a three year Key Scholarship Partner programme through an annual scholarship, mentoring and support to a student from the University of Auckland.

The Keystone Trust provides education and career support for students with financial and circumstantial needs who are working towards a qualification in the property and construction sectors.



## NorthWest supports five key international days including

- International Womens Day
- World Health Day
- Earth Day
- World Mental Health Day
- Human Rights Day





## Charitable giving and community involvement

To strengthen the places where we operate, Vital and NorthWest partners with our tenants and local communities through charitable giving, working with organisations to improve the social determinants of health in our communities and supporting our communities during times of crisis.



**C\$5m**

Contributed to form the NorthWest REIT International Policy Network

### Investing in healthcare research

At the NorthWest group level, one of our 2022 sustainability initiatives is to support research into the response of healthcare systems in pandemics.

NorthWest has pledged a contribution of C\$5m over five years to form the NorthWest REIT International Policy Network. As part of this initiative, the University of Toronto, will work with its first partners, the University of Melbourne School of Population and Global Health and the University of Sydney School of Public Health, to examine pressing issues in health policy and health systems in Canada and Australia.

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*“This gift will provide a strong foundation for better healthcare systems here and around the world. The NorthWest International Policy Network will provide invaluable opportunities to learn what works best to create sustainable and high-performing healthcare systems.”*

#### **Adalsteinn Brown**

Dean and Professor  
at the University of Toronto  
Dalla Lana School of Public Health

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## A\$5,000 +

Donated to Baby Give Back

### Baby Give Back

CEO and founder of Queensland charity Baby Give Back, Carly Fradgley, addressed the team at the A/NZ staff conference, on the important work they do in the local communities of south-east Queensland to support vulnerable babies, children and families by recycling essential children's items.

The work Carly and her team do is a timely reminder of the value in sustainable re-use, alongside the immense impact sustainable re-use can have for people in need.



Donations totaling in excess of ~\$60,000<sup>1</sup> were made to various charities and community organisations over the course of the year. Some of these include:

## A\$7,230

Beyond Blue



## A\$8,900

Epworth Medical Foundation



## A\$10,000 +

Donated to  
St Vincent de Paul Society

### QLD and NSW flood donations

Many individuals and communities were affected by the devastating floods in New South Wales and Queensland this year.

The damage and destruction that they faced is unprecedented and recovery efforts will take years of support and hard work.

NorthWest committed to supporting the flood-affected communities and donated A\$5,000 over and above any by NorthWest staff donations which it also matched dollar for dollar. We partnered with St. Vincent's Health Australia and Vinnies Australia to maximise donations. St Vincent's Health pledged to dollar match any contributions made by their staff or the public via the St. Vincent's Health Australia Flood Appeal.



## NZ\$15,000

Mercy Hospice Auckland



## NZ\$3,840

Mental Health Foundation of NZ



## NZ\$3,000

Starship Foundation



## NZ\$2,600

Te Kura Kaupapa  
Māori o Hoani Waititi



<sup>1</sup> Figure does not include the C\$5m donated to research in healthcare



# Healthy planet

Vital recognises the importance of minimising our impact on the planet and are committed to further bringing sustainability into the core of our business including our approach to asset management, development and precincts.

## Asset management and standing assets

As a leader in healthcare real estate, NorthWest supports our tenants by collaborating with them on ways to reduce the environmental impact of their operations and continues to pilot and test innovative ideas at the intersection of healthcare and sustainability.

### Green Star training

All asset managers, property managers and development managers have undertaken Green Star - Foundations training demonstrating our commitment to improve our capabilities and our approach to reducing the environmental impact of our properties and development projects.

### Green Star Performance

We have undertaken Green Star - Performance v1.2 (Energy and water) ratings on across the Vital portfolio and are exploring opportunities for Green Star certification on a number of the landlord-controlled assets within the portfolio.

## Commitment to building audits

Following desktop audits for all assets, we have now commenced level 1 and level 2 analysis providing detailed energy calculations with the added financial analysis of proposed energy measures for each site which will assist in determining a targeted roadmap for delivering on sustainable business initiatives at an individual property level.

## Sustainable fitout guide

As a trusted partner to healthcare operators, we are working with industry experts and collaborating with our tenants to create a sector appropriate sustainability guideline. This will provide a reference for our healthcare operators to reduce and manage resources through sustainable materials, processes, and design. This is currently being piloted and will be extended to all tenants moving forward.

The tenant sustainability guide includes topics such as:

- connectivity to communities and public transportation
- fit-out/renovations recommendation as appropriate
- best practices for the management and reduction of energy and water consumption as well as waste production
- additional building processes promoting a healthy indoor environment

## Development

In line with this goal and our sustainability strategy, these Ecologically Sustainable Development (ESD) guidelines have been developed to ensure that all new developments and major redevelopments have a consistent reference for embedding ESD principles and initiatives into projects. The guidelines support various scales of developments and provide a framework that facilitates improved outcomes and opportunities for us to pursue certified sustainability ratings aligned with industry leadership.

The following key ESD priorities are prioritised across all projects:

- **Net-zero emissions:** In line with international and national commitments, net-zero emissions are a priority to mitigate the impacts of climate change. All new projects must be net-zero emissions ready and enable a transition to 100% renewable energy powered buildings, with zero onsite fossil fuels.
- **Embodied emissions and life cycle assessments:** Embodied carbon emissions are a significant driver of increasing greenhouse gas (GHG) emissions and reducing upfront carbon emissions is a key requirement for all new building projects and redevelopments.
- **Health and wellbeing:** To improve health and wellbeing, prioritise wellness factors and reduce environmental impacts, sustainable and healthy designs and sustainably procured building materials will be incorporated on all projects where possible, including increased daylight, improved fresh air provisions and sustainable materials.
- **Climate resilience:** All projects must be climate resilient with climate change risks identified and design responses incorporated that mitigate and adapt to a changing climate.
- **Certified outcomes:** To demonstrate leadership, ensure transparency, and celebrate sustainability initiatives, all major projects will achieve a certified rating. This includes building and community certifications for major developments and performance ratings for existing assets. The guidelines incorporate a range of ESD requirements and best practice provisions to embed ESD into developments and enable a holistic approach for projects to improve environmental, social and economic performance. The guidelines have been structured to provide minimum ESD requirements that all projects must incorporate and a number of flexible pathways for projects to achieve a certified rating.

## Renewable energy

**We are currently exploring sustainability opportunities within the Vital portfolio by undertaking detailed energy audits to explore opportunities for installation of solar, thermal storage, electrification, current equipment efficiency calculations and other sustainable outcomes.**

Stage 1 of this process includes assets within the portfolio that are landlord-controlled, enabling us to formulate a sustainability roadmap to carbon neutrality at an individual asset level. Stage 2 expands this out to the remainder of the portfolio, to assist providing our partners with sustainable opportunities, working together to become carbon neutral.

Vital have further partnered with Veolia to create an energy dashboard for the purpose of automating the collection of data into a centralised database. The system has been created to collect, track, compare and report Vital's emissions usage in real time.

In line with this approach, the following sites are currently undergoing energy audits, and are part of our pilot programme with the new hubgrade dashboard system:

- Tennyson Centre
- 120 Thames St
- Playford Health Hub
- Ormiston Hospital
- Mons Road Medical Centre
- Epworth Eastern Medical Centre
- Ekeru Medical Centre
- Ascot Hospital
- Ascot Central
- Apollo Health and Wellness Centre
- Hutt Valley Health Hub

The hubgrade system is designed to capture utility data including already installed solar energy, giving us the ability to accurately report on our green energy production. We are currently in the process of installing solar on a number of our assets to expand to the production of green energy across our portfolio. Sites with solar PV include the South Eastern Private Hospital, Maitland Private Hospital, Tennyson Centre, Epworth Eastern Hospital, Lingard Day Centre and Lingard Private Hospital, The Hills Clinic, Abbotsford Private Hospital, Hurstville Private Hospital, Ekeru Medical Centre, Sportsmed (hospital, clinic and consulting suites), Palm Beach Currumbin Clinics, Eden Rehabilitation and Belmont Private Hospital.



## Net-zero carbon

We recognise the growing need to do more for our planet and are committed to achieving net-zero carbon emissions by 2050, with a focus over the next 18 months on establishing a roadmap for for a science-based interim 2030 reduction target.

Through the comprehensive energy audits currently underway, we can establish a prioritisation roadmap to identify a variety of energy efficiency programmes which will inform our strategy to reach our net-zero ambition by 2050.

Our efforts over the next 18 months include setting a short-term emissions and 100% renewable energy target, and exploring opportunities to phase out fossil fuels from our existing portfolio.

We understand that emissions from our partners and tenants (Scope 3 emissions) are a significant portion of our carbon footprint and we will continue to work with our tenants to improve energy and water efficiencies and increase renewable energy procurement where possible.

ESD guidelines set out stringent requirements for all new developments to permit net-zero carbon operation and minimise upfront emissions from the design construction process.

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## Understanding our climate risks

Physical climate risks such as drought, wildfires, flooding, earthquakes and rising sea levels have the potential to pose major threat to our portfolio. By understanding and pre-empting these physical climate risks across all our assets, we can ensure we have a resilient portfolio.

Through Measurabl, we have undertaken risk assessments of each asset and are analysing the results to identify which buildings are facing the greatest risk to help us recognise the impact climate change will have across the portfolio. Following this analysis, we will establish a framework of measures to take preventative action to ensure the portfolio is resilient to climate change and our healthcare providers are not impacted during a time of crisis when they are needed most.

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## Certifications for sustainable excellence

Vital and NorthWest continue to pursue opportunities that enhance the experience for our tenants and their patients, through the integration of sustainability practices into our existing facilities and new developments.

In an explicit effort to demonstrate our commitment to sustainability as well as ensure long-term value creation for our stakeholders, we will have undertaken Green Star – Performance certifications across the Vital portfolio and will review and identify opportunities for enhancements and retrofits to improve certification levels. We are also exploring other certifications such as NABERS, Energy Star and WELL, among others relevant to each property and location.

For our new developments, we integrate certification considerations into our processes where applicable and have registered the below development projects for Green Star – Design & As Built certifications: Coomera Health Precinct, Logan Private Hospital and Playford Health Hub Medical Precinct.

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## Seismic resilience

As part of the recent lease extension to the Hawkes Bay DHB, management agreed to upgrade the seismic resilience of the Napier Health Centre to >67%NBS in line with the government's strategy to house their workers in well performing buildings. In coordination with the DHB, the build methodology proposed excludes excessive odour and noise producing activities and ensures full and continual care is provided to Hawkes Bay patients throughout the 10-month programme of works.

Design and procurement is now complete to improve the NBS rating of the Apollo Health and Wellness Centre with work to progress in Q1FY23. Work to create sliding structural connections between levels 2 and 3 of the centre is isolated to the 4x stairwells on site and will not impact our tenant's ability to provide care to patients.

Vital has committed to carrying out seismic strengthening of 68 Saint Asaph St to achieve a 100% IL3 rating, which is designed for a 1/1000 year event. This is in line with the DHB requirements for the seismic rating of any buildings they occupy and will provide safety and continuity for our healthcare tenants. The design works to achieve this rating are underway with work expected to commence in the last quarter of 2022.

**WAKEFIELD HOSPITAL**  
WELLINGTON



**68 SAINT ASAPH STREET**  
CHRISTCHURCH



**NAPIER HEALTH CENTRE**  
HAWKE'S BAY



**APOLLO HEALTH & WELLNESS CENTRE**  
AUCKLAND





CASE STUDY

# Hutt Valley Health Hub, Wellington, NZ

Hutt Valley Health Hub is a near new, purpose built medical office building located immediately adjacent to Vital’s existing Boulcott Hospital and the region’s Public Hospital – Hutt Hospital.

Ropata Health

The safety of the staff and patients onsite is of critical importance to Vital, and we also understand the importance that these community services can have in the recovery of a seismic event. Hutt Valley Health Hub was designed and constructed to meet importance level 4 (IL4), which is a very high level of seismic resilience, almost 2x the minimum code requirements.

The building itself is located close to several bus stops and within 10 minutes walking distance of the Epunui train station.



 *Finalist in the 2022 Property Council Property Industry Awards*





CASE STUDY

# Kawarau Park, Queenstown, NZ

The hospital operated by Southern Cross aims to create an environment where wellness is at the foundation of the patient experience. It has been designed to set a new benchmark for energy use in New Zealand for both public and private hospitals.



## The Hospital

Patients and visitors alike are immersed in sustainable design in this facility. From high levels of insulation throughout, maximised use of natural light and the choice of natural ventilation in ward rooms occupants receive the benefit of wellness-in-design while simultaneously maintaining control standards expected of a medical facility. Building system technology addresses regulation of traditional boiler usage in cooler months in favour of more efficient heatpump systems to warm the facility, in addition to control of daylight and CO2 to ensure energy is only consumed where required.



*Southern Cross Central Lakes Hospital designed by Warren and Mahoney Architects is shortlisted in the Southern Architecture Awards 2022*

## Kawarau Park Precinct

Construction of a health precinct enables patients to attend to a set of harmonised specialists in one location, minimising time spent traveling to receive care. Each building within the Kawarau Park Health Hub features NZ manufactured building products and utilised local labour in its construction. The precinct grounds feature native planting and overall design reflects the surroundings to minimise the visual impact of the site on the community.





## Enablers

We must evolve our ways of working and ensure the integration of sustainability throughout our operations, strategy and decision-making to deliver on our sustainability commitments for our healthcare tenants, Unit Holders and broader stakeholders.





## Governance and team

A sustainability governance model has been adopted to lead and oversee the effective execution of our sustainability efforts in order to drive accountability throughout NorthWest. We recognise that effective sustainability governance requires executive and Board-level oversight, leadership, strong central support, and integration into lines of business to effectively achieve our goals. In 2021, we established a sustainability committee to guide progress towards our ambition.

The committee regularly engages with the Board of Trustees on priority topics including sustainability risks and opportunities, targets, and alignment to our overall organisational strategy and vision. We have established working groups to convene relevant cross-functional stakeholders to coordinate and drive the implementation of our sustainability initiatives, and facilitate sharing of best practices across our global organisation.



## ESG and the investment process

We are committed to integrating sustainability across the building lifecycle, including our investment process, enabling us to support our commitments in achieving net-zero and providing high-quality spaces for our healthcare tenant partners.

As part of our current acquisition due diligence process, we already include select sustainability dimensions that align to GRESB guidelines, such as building safety, land contamination, compliance, energy supply, flooding, infrastructure and water supply. We will continue to integrate sustainability into our standard investment process by using Moody's Four Twenty Seven modelling software to measure the physical climate risks of each acquisition target through Measurabl. This process will allow us to mitigate risks that could impact the long-term value of our portfolio.

## Green leases

NorthWest have committed to embed a green lease clause within all new leases in recognition of the importance of having the right mechanisms in place to ensure we are able to measure the environmental impact of our buildings and tenants, but also guide tenants towards taking a more sustainable approach to their operations and initial fit-out. The green lease clause should be in all new leases going forward and all tenants will receive a copy of the landlords fit-out guide.

## Reporting and disclosures

### TCFD Framework

Vital is required to provide Climate-related disclosures under Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 with the first report likely to be required for the year ended 30 June 2024. The External Reporting Board (XRB) is currently developing the Aotearoa New Zealand Climate Standards that will apply to this reporting. We have engaged Deloitte to provide gap analysis activities based on current exposure drafts of the standards to assist us in our development of a roadmap for compliance that is informed by market experts and understood by our Board and executive team.

Through our partnership with Measurabl and the integration with Moody's Four Twenty Seven modelling software, we have measured the physical climate risks of each of our assets which will form part of our strategy to implement various sustainability initiatives and manage our climate risks and opportunities.

The below timeline outlines our objectives which will support the rapid adoption of TCFD, in line with our reporting capabilities and expectations.



### GHG emissions tracking, GRESB & CDP

As part of our GHG emissions tracking, NorthWest and Vital have participated in the Global Real Estate Sustainability Benchmark (GRESB) survey and will disclose our score in Q2 FY23. Alongside increased efforts to track environmental and social data, we have also incorporated GRESB management guidelines into our corporate processes and policies.



Vital has also participated in the Carbon Disclosure Project (CDP) as a commitment to tracking Scope 1 and Scope 2 emissions in line with GHG Protocol definitions. By understanding our complete carbon footprint we can identify ways to actively reduce our emissions, positioning us to reach our net-zero goals. We will publicly release our CDP score later this year.



# Our Board

The Board (as at the date of this report) 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  
(65, 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 Chairman of EROAD Limited and an Independent Director and Chair of the Audit Committee at Tower, and an Independent Director of Metro Performance Glass. He served for 7 years as the Chief Executive Officer of Sealord Group and prior to that was Director, Strategy and Growth and Chief Financial Officer of Fonterra Co-operative Group.

Graham is a Fellow of Chartered Accountants Australia & New Zealand (CAANZ). Graham has a Masters of Science from Massachusetts Institute of Technology and a Bachelor of Commerce with first class honours from the University of Otago



**Angela Bull**  
Independent Director and  
Member of the Audit Committee  
(47, Auckland)

Angela Bull is the Chief Executive of Tramco Group, a large New Zealand owned property investment company which specialises in large scale land holdings, notably the Viaduct Harbour precinct in Auckland and Wairakei Estate in the Waikato. She holds a Bachelor of Laws and a Bachelor of Arts (Political Science) and practised property and environmental law prior to her executive career. Previously, Angela held a number of senior positions over a 10-year period with Foodstuffs Auckland and Foodstuffs North Island Ltd, most recently being General Manager Property Development for Foodstuffs North Island.

Angela is an independent director of the Real Estate Institute of New Zealand, realestate.co.nz, Foodstuffs South Island Ltd and Foodstuffs NZ Ltd.



**Paul Dalla Lana**  
Director and Member  
of the Audit Committee  
(56, Toronto)

Paul Dalla Lana is the founder and Chief Executive Officer 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 \$7.0 billion worth of real estate transactions, with a significant focus on healthcare properties.

Prior to founding NorthWest, Paul was a professional in the Real Estate Capital Markets Group of Citibank, N.A. and an economist with B.C. Central Credit Union. Paul received his BA (Economics) and his MBA (Finance and Real Estate) from The University of British Columbia.

Paul serves as Chairman of the Board of NorthWest Healthcare Properties REIT. Additionally, he is actively involved in addressing public health and education issues in Canada and around the world. He is an Advisory Board member of the Dalla Lana School of Public Health and on the President's Advisory Council at the University of Toronto.

Directors are based in Auckland, Toronto, Sydney and Melbourne. Their current and prior executive experience includes healthcare, property and finance.



### 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 40 real estate professionals.

Craig has a Master of Business Administration (Executive) from the Australian Graduate School of Management, a Bachelor of Commerce and is a Fellow of CPA Australia. He has also completed the Advanced Management Program at Harvard University, Boston



### Dr Michael Stanford AM

**Independent Director and Chair of the Audit Committee** (63, 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:HSCO), Australia's second largest hospital operator; and Virtus Health (ASX:VRT), one of the world's top five providers of Assisted Reproductive Services.

Michael was the Group CEO of St John of God Healthcare, Australasia's third largest private hospital provider, for 16 years during which time the company increased revenue fivefold through organic and M&A growth plus more than A\$1 billion greenfield and brownfield developments. Michael's other Managing Director roles included the ASX listed Australian Hospital Care and two public hospital Networks in Victoria. Michael holds an MBA from Macquarie University and Bachelor of Medicine and Bachelor of Surgery from UNSW. He is a Fellow of the Australian Institute of Company Directors.

In 2018 Michael was awarded a Member of the Order of Australia for significant service to the health sector through executive roles, to tertiary education and the WA community. In 2010 he received the WA Citizen of the Year Award – Industry and Commerce category.



### Andrew Evans

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

Andrew Evans has over 25 years' experience in commercial real estate and asset management, previously holding executive positions in listed and unlisted real estate investment businesses.

Andrew is Chairperson of Accessible Properties NZ Limited and Infinity Investment Group Holdings Limited, is a Director of Holmes Group Limited, Holmes GP Fire Limited and Trust Investments Management Limited, and is a former director of Argosy Property Limited.

In addition, Andrew is a past National President of the Property Council of New Zealand, a fellow of the New Zealand Property Institute, and a government appointee to the Land Valuation Tribunal (Waikato No.1). He is a Chartered Fellow of the Institute of Directors of New Zealand and is on the Auckland Branch Committee.

Andrew has a Bachelor of Business Studies and MBA (with distinctions) from Massey University and a Diploma in Finance from Auckland University.

**After 15 years on the board of Vital's Manager Andrew Evans retired from the board on 30 June 2022.**

# 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  
(44, Auckland)

Aaron Hockly returned to New Zealand in 2018 after 17 years in senior management and advisory roles in Australia. He has an extensive property, funds management and legal background with his last role in Australia being the Chief Operating Officer for Growthpoint Properties Australia. Growthpoint is a A\$4.1bn ASX listed real estate investment trust with a portfolio of quality office and industrial properties. At Growthpoint Aaron had direct management responsibility 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).

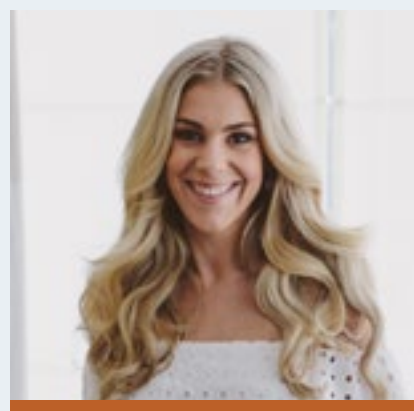


**Chris Adams**  
Executive Director – Projects  
(52, Melbourne)

Chris Adams has extensive experience in the property industry in Australia, New Zealand 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. Chris was one of the founding Executives at Generation Healthcare REIT (now NorthWest Healthcare Properties Australia REIT).

Prior to joining Generation, Chris established Vital Health Care's presence in Australia in 1999 and served as General Manager – Australia following various roles with the group in New Zealand. Chris holds a Bachelor of Property from Auckland University.



**Alex Belcastro**  
Senior Vice President –  
Medical Precincts  
(34, 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.

Alex holds a Master of Construction Management, and a Bachelor of Planning and Design (Property and Construction) from the University of Melbourne. Alex has undertaken executive education at Harvard Business School.



**Vanessa Flax**  
**Regional General Counsel**  
**A/NZ 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 and New Zealand, including acting (for approximately 15 years) for Vital and NorthWest. Vanessa's experience covers all aspects of real property transactions, including acquisitions, divestments and sales, leasing and Crown leasing, development transactions and due diligence.



**Michael Groth**  
**Chief Financial Officer – A/NZ Region**  
 (48, Melbourne)

Michael Groth is a qualified Chartered Accountant, has over thirteen years' experience in senior finance roles in the listed and unlisted property funds and funds management industry.

His most recent role has been as the Group Chief Financial Officer of the Melbourne based and ASX listed APN Property Group Limited (APN). APN is a specialist real estate investment manager currently managing 2 ASX listed and 10 unlisted funds, with total Funds under Management of A\$2.8bn.

Michael has over 5 years' experience in healthcare property funds management through his involvement with Generation Healthcare REIT, which was in the APN stable of funds before it was privatised and delisted from the ASX.



**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.

# Corporate governance

Vital Healthcare Property Trust and NorthWest Healthcare Properties Management Limited.  
Dated as at 30 June 2022

## Joint Investment Policy

Under the terms of the Joint Investment Policy, which applies to NWH REIT and its owned and controlled entities (including the Manager), an Investment Committee has been established to avoid, manage and resolve actual or perceived conflicts of interests between members of the NWH REIT group in a manner which complies with any relevant legal obligations and is equitable to each party. The Joint Investment Policy can be found on Vital's website [www.vhpt.co.nz](http://www.vhpt.co.nz).

## The Board of Directors

The role of the Board of Directors is to set the strategic direction of Vital and to support management in monitoring the delivery of this against specific performance objectives. The Board also ensures all business risks are appropriately identified and managed and compliance with all applicable regulatory, statutory, financial, health and safety and social responsibilities of the Manager.

## Board composition

The Manager is committed to having an effective Board providing a balance of independent skills, knowledge, experience and perspectives.

All Directors bring a significant breadth and depth of expertise and have the composite skills to optimise the financial and portfolio performance of Vital and returns to Unit Holders.

Attendance at Board meetings	Attended / Eligible to attend	Date of appointment
Paul Dalla Lana	6/6	16 January 2012
Andrew Evans*	6/6	20 August 2007
Craig Mitchell	6/6	29 June 2021
Michael Stanford	6/6	19 November 2019
Graham Stuart	6/6	12 November 2018 (Appointed Chair 17 November 2020)
Angela Bull	1/1	26 April 2022

\* Retired 30 June 2022

The Board does not impose a restriction on the tenure of any Director as it considers such a restriction may lead to the loss of experience and expertise.

The table below shows all relevant interests of Directors and Officers in units, which include legal and beneficial interests in Vital units as at 30 June 2022.

Directors	Holdings (number of units) non-beneficial	Holdings (number of units) beneficial
Paul Dalla Lana <sup>1</sup>	-	179,415,788
Andrew Evans	78,234	686,381
Graham Stuart	-	50,629
Officers		
Aaron Hockly <sup>2</sup>	-	76,113

<sup>1</sup> Paul Dalla Lana is the founder, Chairman, CEO, Trustee and largest Unit Holder of NorthWest Healthcare Properties Real Estate Investment Trust (a trust organised under the laws of Ontario, Canada, Corporation). NorthWest Healthcare Properties Real Estate Investment Trust directly or indirectly holds approximately 179,415,788 units in Vital Healthcare Property Trust, in respect of which Mr Dalla Lana is considered to have a relevant interest.

<sup>2</sup> Aaron Hockly makes a voluntary disclosure that members of his immediate family own an additional 104,777 units in Vital.

## Independent Directors

The Manager recognises that Independent Directors are important in assuring Unit Holders that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance. The procedures in place for determining independence is whether the director is independent of management and free of any business or other relationship which might materially interfere with, or might reasonably be perceived to materially interfere with, the exercise of their independent judgement. Biographies of each Board member including their skills, experience and expertise are included in the Board of Directors section on pages 77-78.

## Audit Committee

The Audit Committee is responsible for overseeing the financial and reporting practices of Vital.

At financial year end and at the date of this report, the Audit Committee assists the Board in fulfilling its corporate governance and disclosure responsibilities with particular reference to financial matters, and internal and external audit, and is specifically responsible for:

- Recommending to the Board the appointment / removal of Vital's external auditor; and
- Reviewing the performance of the external auditor.



Attendance at Audit Committee meetings	Attended / Eligible to attend	Date of appointment
Paul Dalla Lana	4/4	6 October 2020
Andrew Evans*	4/4	14 November 2011
Craig Mitchell	4/4	29 June 2021
Michael Stanford	4/4	6 October 2020
Graham Stuart	4/4	9 May 2019
Angela Bull	0/1	26 April 2022

\* Retired 30 June 2022

## Management contract

NorthWest manages Vital in accordance with Vital's Trust Deed in return for which NorthWest receives management fees. From these management fees, NorthWest pays salaries and other people related costs (including taxes, rent, IT, travel and training) to its employees approximately 30 of whom are solely or majority engaged with managing Vital, as well as the Directors not appointed by all Unit Holders (four at the date of this report). As a result, the details in this section relate to NorthWest's employees rather than Vital's employees (as there are none).

## Remuneration

As noted above, Vital does not have any direct employees. Instead, NorthWest receives management fees to manage Vital from which it provides remuneration to employees. As a result, there is no reporting on individual employee salaries.

Notwithstanding the above, the following is provided to enhance transparency:

1. Details of the holdings in Vital by Directors and officers as at 30 June 2022 is provided on the previous page.
2. As at the date of this report, all New Zealand based Directors and executives own units. Currently the tax regime for Vital makes it uneconomic for the offshore based Directors and officers to hold units in Vital.
3. As at the date of this report, Vital's most senior executive officer, Fund Manager Aaron Hockly, holds units in Vital equivalent to more than 50% of his base salary.
4. Details of the costs of Independent Directors appointed by Unit Holders and, as a result, paid for from Vital are included in note 22 to the accounts in this report.
5. Over two thirds of the Fund Manager's annual potential bonus, and over 1/6th of other key personnel, directly relates to the performance of Vital. In addition, all NorthWest's executive bonuses globally are linked to NorthWest's unit price as 100% of these bonuses are paid in NorthWest units. Vital represents approximately 27% of NorthWest's assets under management and 10% of its assets on balance sheet (accounting for its 26% stake in Vital). As a result, NorthWest REIT's investment in Vital is material to the REIT and, accordingly all executive remuneration is aligned with Vital's success.

6. The following clawback / malus provisions are included in the bonus plans for all NorthWest executives globally (including Vital's Fund Manager, CFO and other key personnel):

- Where the Participant (i) has been terminated for cause, or (ii) voluntarily resigns from his or her position with the Trust then any Deferred Units granted on a discretionary basis pursuant to Section 7.04 of the NorthWest Healthcare Properties Real Estate Investment Trust Deferred Unit Plan (2018) which have not yet vested at the time of the termination for cause or voluntary resignation, shall be immediately forfeited by such Participant.

## Directors' remuneration

Paid in FY22\*

Director	Base	Audit Committee Member	Chair	Total
<b>Andrew Evans**</b> Independent Director and Audit Committee member	NZ\$80K	NZ\$10K	-	NZ\$90K
<b>Angela Bull</b> Independent Director and Audit Committee member <sup>1,3</sup>	NZ\$90K	NZ\$10K	-	NZ\$100K
<b>Craig Mitchell</b> Director and Audit Committee member	N/A <sup>2</sup>	-	-	-
<b>Graham Stuart</b> Independent Director, Board Chair and Audit Committee member	NZ\$90K	NZ\$10K	NZ\$70K (Board)	NZ\$170K
<b>Michael Stanford</b> Independent Director and Audit Committee Chair <sup>3</sup>	A\$90K	-	A\$20K (Audit Committee)	A\$110K
<b>Paul Dalla Lana</b> Director and Audit Committee member	N/A <sup>2</sup>	-	-	-
<b>Total</b>	NZ\$470K	(NZ\$260K paid by Unit Holders, and \$210K paid by the Manager)		

\* Fees are pro rata

\*\* Retired 30 June 2022

<sup>1</sup> Appointed 26 April 2022.

<sup>2</sup> Executive of NorthWest paid by the Manager. Accordingly, no separate directors' fees are payable.

<sup>3</sup> Paid by the Manager from management fees. All other amounts listed are paid by the Trust.

### a) Leasing

Vital pays the Manager leasing fees where the Manager has negotiated leases instead of or alongside a real estate agent. Consistent with general market rates, these fees are charged at 11% of the annual rental for terms of three years or less (to a minimum of \$2,500).

12% of the annual rental for terms of three years, and 12% plus an additional 1% for each year greater than three years (to a maximum of 20%).

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

Structured rent reviews or market reviews which do not result in a rental increase are charged an administration fee of \$1,000. Open market reviews are charged at 10% of the rental increase achieved in the first year.

Leasing fees are capitalised to the respective investment or development property in the Statement of Financial Position and amortised over the term of the life of the lease.

### b) Property management

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

#### Incentive fee

The incentive fee is an amount equal to 10% of the average annual increase in the Net Tangible Assets of Vital over the relevant financial year and two preceding financial years subject to a three year high-water mark. The Manager and the Supervisor are both entitled to be reimbursed out of the Trust Fund for all expenses, costs or liabilities incurred by them respectively in acting as Manager and Supervisor.

#### Insurance and indemnities

In accordance with the Board Charter, the Manager has provided insurance and indemnities to its Directors and officers for any liability / losses arising in respect of actions or omissions occurring during the normal carrying out of their duties.

### Health and safety

The Directors and Manager are committed to ensuring that as far as practical, a safe and healthy working environment is provided for all employees, tenants, contractors and others who may visit our properties.

The Trust's Health and Safety policy aims to reflect this commitment. Vital and the Manager have implemented site specific hazard registers in New Zealand which can be updated in real time and similar processes apply in Australia. The Manager has implemented

an Operational Risk and Compliance Committee which meets on a regular basis and a standing agenda item is Health and Safety.

### Board diversity and relevant skills

At a Board level, diversity of experience is critical to ensure a healthy exchange of ideas and opinions to deliver higher quality decision making and outcomes. All Board appointments are always based on merit and diversity (including gender and ethnicity).

A majority of the Directors are members of professional organisations such as the Institute of Directors (or equivalent) or other industry specific and relevant organisations which support the ongoing education and training of professional directors.

Healthcare real estate is a specialised sector and the Board believes it is important to have members with a diverse range of backgrounds, skills and experience to ensure robust discussion. It is also important to balance skills and knowledge gained through length of tenure and the value of fresh ideas in decision making. The table below summarises the skills, experience and length of service of the current Board.

### Modern slavery

In FY21, the Australian manager of the Vital trusts, NorthWest Healthcare Australian Property Limited again published a statement under the Australian Modern Slavery Act 2018, which underpinned Vital's philosophical approach and commitment to ensuring our operations have sufficient risk mitigation strategies to address supply-chain risks. Vital committed to training employees to identify these risks.

Our entire organisation has engaged with tenants and suppliers to conduct further and ongoing due diligence to identify possible modern slavery supply chain risks. Vital will continue to assess the potential modern slavery risks in our operations and develop and review company policies on these possible impacts.

We have also committed to reviewing supplier contracts to ensure they contain terms consistent with the principles underlying the Act.

Skills & Experience	Graham Stuart	Angela Bull	Paul Dalla Lana	Andrew Evans <sup>1</sup>	Craig Mitchell	Michael Stanford
Accounting/finance/economics	•		•	•	•	•
Commercial real estate /asset management/valuation	•	•	•	•	•	
Corporate governance	•	•	•	•	•	•
Legal / regulatory		•	•		•	•
Healthcare practitioner						•
Tenure (years)	4	<1	11	15	1	3

<sup>1</sup> Retired on 30 June 2022

## NZX Corporate Governance Code

The NZX Corporate Governance Code (NZX Code) applies to all issuers of Equity Securities listed on the NZX Main Board. The NZX Corporate Governance Code does not apply to Vital Healthcare Properties Trust (Vital), as it is an Issuer of Fund Securities under the NZX Listing Rules.

Notwithstanding the foregoing, the Board of NorthWest Healthcare Properties Management Limited (Manager) considers it important

from a governance perspective to identify how, as at 30 June 2022, Vital and the Manager comply with the NZX Code dated 10 December 2020.

The NZX Code is structured around eight principles. The table sets out each principle and an explanation as to if, and how, Vital and the Manager comply with the recommendations in the NZX Code.

Reference	Recommendation	Approach
<b>Principle 1 – Code of ethical behaviour</b>		
1.1	<p>The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).</p> <p>The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy.</p> <p>The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:</p> <ul style="list-style-type: none"> <li>a. acts honestly and with personal integrity in all actions;</li> <li>b. declares conflicts of interest and proactively advises of any potential conflicts;</li> <li>c. undertakes proper receipt and use of corporate information, assets and property;</li> <li>d. in the case of directors, gives proper attention to the matters before them;</li> <li>e. acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;</li> <li>f. adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted);</li> <li>g. adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and</li> <li>h. manages breaches of the code</li> </ul>	<p>In recognition of Vital's role in the communities in which we operate, and where our investors live, we continue to implement and refine policies and practices which encourage responsible investment practices and compliance with all legal and regulatory requirements.</p> <p>All Vital Directors and employees must abide by Vital's Code of Conduct and Business Ethics (refreshed in August 2021), which documents policies on conflicts of interest, fair dealing, compliance with applicable laws and regulations, maintaining confidentiality of information, dealing with Vital's assets and use of Vital's information.</p> <p>The Code recognises the importance of a work environment which actively promotes best practice and does not compromise business ethics or principles, and the Code's purpose is to uphold the highest ethical standards, acting in good faith and in the best interests of Unit Holders at all times.</p> <p>Employees, where appropriate, are provided with regular training, updates and insights in relation to governance.</p> <p>The Code of Conduct and Business Ethics is supplemented by a number of other policies including the Joint Investment Policy and Whistleblower Policy which are available on the website at <a href="https://www.vitalhealthcareproperty.co.nz/governance/">https://www.vitalhealthcareproperty.co.nz/governance/</a>.</p>
1.2	<p>An issuer should have a financial product dealing policy which applies to employees and directors</p>	<p>The Manager's Directors, officers and employees, their families and related parties must comply with the Security Trading Policy. The Manager is committed to ensuring compliance with legal and regulatory requirements with respect to insider trading and restricted persons trading. To assist with such compliance, the Manager's Security Trading Policy identifies circumstances where directors, officers and other restricted persons are permitted to trade or are prohibited from trading units in Vital. Compliance with these policies is monitored by the Board. In addition, all trading by Directors and officers of the Manager is required to be reported to NZX in accordance with the Financial Markets Conduct Act 2013. The holdings of Directors of the Manager are disclosed on page 80.</p> <p>Before trading of Vital units a restricted person must get consent in writing from the Fund Manager or the Chief Financial Officer of the Manager. Vital has set black-out periods for directors and staff throughout the year. Also, blackout periods can be invoked when specific events occur.</p> <p>Emails are periodically sent to directors and employees providing information as to the status of the trading window in relation to the blackout periods.</p> <p>The Security Trading Policy can be found on Vital's website at <a href="https://www.vitalhealthcareproperty.co.nz/governance/">https://www.vitalhealthcareproperty.co.nz/governance/</a>.</p>

Reference	Recommendation	Approach
<b>Principle 2 – Board composition and performance</b>		
2.1	The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.	The Board has adopted a formal Board Charter which is available on Vital's website at <a href="https://www.vitalhealthcareproperty.co.nz/governance/">https://www.vitalhealthcareproperty.co.nz/governance/</a> . The Charter sets out the roles and responsibilities of the Board, including in relation to distinguishing between the respective roles and responsibilities of the Board and management. The terms of a Director's appointment are contained in the Board Charter. The Charter reaffirms Directors must comply with their duties as set out in the Companies Act 1993, including to act in good faith, together with other duties which include (but are not limited to) conducting themselves in an appropriate manner. The Board's specific responsibilities include approving the Manager's strategic objectives, including those applicable to Vital and ensuring that effective risk management procedures for the Manager and Vital are in place and are being observed.
2.2	Every issuer should have a procedure for the nomination and appointment of directors to the board.	Vital partially complies with this recommendation as the process for appointment of directors is different for a listed managed investment scheme. Vital is a trust and does not have directors. Its supervisor is Trustees Executors Limited, which is also the trustee of the Vital Healthcare Property Trust. The Manager has a Board of Directors, which, subject to the below, is appointed by its sole shareholder, NWI Healthcare Properties LP. Two Independent Directors are appointed to the Manager's Board by Unit Holders in the manner described in the Trust Deed. A copy of the Trust Deed is available on Vital's website and also on the Disclose Register through the Companies Office <a href="https://companies-register.companiesoffice.govt.nz/">https://companies-register.companiesoffice.govt.nz/</a> . Unit Holders have the opportunity to appoint two of the Independent Directors of the Manager. Unit Holders are able to nominate and vote on one Independent Director of the Manager each year. The nominee receiving the most votes will be approved as a Director of the Manager by the Manager's shareholders.
2.3	An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.	The Manager enters into a written agreement with each newly appointed director setting out the terms of their appointment, including expectations of the director in his or her role, remuneration entitlements and indemnity and insurance arrangements.
2.4	Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.	Vital's Annual Report includes a profile of experience, length of service, independence and ownership interest of each director.
2.5	An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.	A breakdown of the Manager's staff specific diversity is included in the Annual Report.
2.6	Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.	Directors are encouraged to maintain and enhance their skills and capabilities through ongoing professional development to be undertaken to satisfy the membership requirements of their respective institutes, including the Institute of Directors, New Zealand. The Manager also seeks to provide additional appropriate training relevant to their role as a Director of Vital.
2.7	The board should have a procedure to regularly assess director, board and committee performance.	Assessment of the Board and each director's performance is determined by the Chair and takes into account overall attendance, contribution, training and experience of each member concerned. In 2021 the Manager conducted a director self-assessment process and proposes conducting an externally managed self-assessment process in 2022.
2.8	A majority of the board should be independent directors.	The Board of the Manager is comprised of a majority of independent directors.
2.9	An issuer should have an independent chair of the board. If the chair is not independent, the chair and the CEO should be different people.	The Board of the Manager is chaired by an Independent Director.
<b>Principle 3 – Board committees</b>		
3.1	An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should not also be the chair of the board.	The Board has adopted a formal written Audit Committee Charter which is available on Vital's website at <a href="https://www.vitalhealthcareproperty.co.nz/governance/">https://www.vitalhealthcareproperty.co.nz/governance/</a> . The minimum number of members on the Audit Committee is three members who must be Directors and at least one member must have an accounting or financial background. The audit committee of the Manager is majority independent but otherwise comprises the whole Board. The Chair of the audit committee is an independent director and is not the same person as the Chair of the Board.
3.2	Employees should only attend audit committee meetings at the invitation of the audit committee.	Management and other employees may attend an audit committee meeting on invitation.

Reference	Recommendation	Approach
3.3	An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.	A key feature of the external management structure under which Vital operates is that remuneration of management is the responsibility of the Manager, not Vital. As Vital Unit Holders are not economically exposed to employment remuneration costs, a remuneration committee is not considered necessary by the Board at this time.
3.4	An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.	Vital does not have a nomination committee and does not comply with this recommendation. Given its structure and the terms of the Trust Deed, the process for nomination of directors to the Board of the Manager is not the same as for a listed company.
3.5	An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.	From time to time the Board establishes Due Diligence Committees (DDC) to report on the due diligence process in relation to any potential transaction for Vital of material size or complexity. An example would be the recent capital raisings undertaken by Vital. A DDC will normally comprise an independent director, executive director, relevant management staff and external consultants appropriate for the transaction.
3.6	The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.	The Takeovers Code does not apply to Vital, as a listed managed investment scheme. Vital's Trust Deed includes some provisions which would regulate takeover-like transactions relating to units in Vital.  As a result of the above, the Board of the Manager has not established protocols that set out the procedure to be followed if a takeover offer is received.

#### Principle 4 – Reporting and disclosure

4.1	An issuer's board should have a written continuous disclosure policy.	It is important that the market and investors feel confident in the timing or manner of any buying or selling of Vital units. As a NZX issuer, the Manager is acutely aware of the need to ensure the market, investors and regulators remain fully informed of any material or price sensitive information relevant to Vital. The Board and all management employees are aware of the NZX Continuous Disclosure requirements and Vital has internal procedures in place to ensure compliance.  The Continuous Disclosure Policy can be found on Vital's website at <a href="https://www.vitalhealthcareproperty.co.nz/app/uploads/2021/09/210927-Continuous-Disclosure-Policy.pdf">https://www.vitalhealthcareproperty.co.nz/app/uploads/2021/09/210927-Continuous-Disclosure-Policy.pdf</a> .
4.2	An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.	A copy of all relevant policies noted in this document can be viewed on Vital's website.
4.3	Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.	Vital's Annual Report includes non-financial disclosures, including environmental, economic and social sustainability factors and practices. The Manager maintains and regularly reviews a risk management framework as part of its compliance assurance programme. Reports are provided to both the Audit Committee and Board along with an annual risk assessment.

#### Principle 5 – Remuneration

5.1	An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.	Vital is a trust and does not have directors. Subject to the below, the remuneration costs of the Manager's directors are borne by the Manager. As a result, Vital Unit Holders are not economically exposed to those costs.  Vital's Trust Deed provides that the costs associated with the two Independent Directors appointed to the Board of the Manager by Unit Holders are reimbursed out of the trust fund. Refer to page 81 of this Annual Report for details of Director remuneration.
5.2	An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.	As noted above, all officers and some Directors' remuneration is paid by the Manager not Vital. Any Directors paid by Vital are paid a flat fee for each service provided (currently a base director fee and additional fees for being the Chair, Audit Committee Chair and / or Audit Committee Member. Such fees are market based by reference to other NZX listed entities; this is assessed annually. Accordingly, the Board considers that it is unnecessary for Vital to maintain a remuneration policy. As a result, Vital does not comply with this recommendation.

Reference	Recommendation	Approach
5.3	An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.	Vital does not have any employees as it is externally managed by the Manager. The remuneration of the Fund Manager (CEO equivalent) is not paid by Vital. The remuneration is paid by the Manager or its related parties. Accordingly, Vital does not comply with this recommendation.

#### Principle 6 – Risk management

6.1	An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed	<p>The Board of Directors maintains a sound understanding of key risks faced by Vital. Effective management of all financial and nonfinancial risks is fundamental to the delivery of the Board's strategy. In addition, the Manager will engage other external advisers as appropriate to deal with specific risks.</p> <p>The Manager has a risk management framework that is integrated into day-to-day operations. As part of this framework, the Board and Audit Committee work closely with management and external auditors to support the identification, management and reporting of risks.</p> <p>This risk management framework is part of Vital's compliance assurance requirements under the FMCA. Higher risk groups are reviewed yearly with lower risk groups reviewed biennially. The risk management framework/Compliance Assurance Programme is reviewed on an annual basis and approved by the Board.</p>
6.2	An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management	The Manager has implemented a site-specific hazard register which can be updated in real time. The Manager works alongside tenants, suppliers and contractors to assist in providing a safe working environment. The Manager has implemented an Operational Risk Committee that meets once a month to review health and safety and risk management systems. Health and safety is a standing item on the agenda for Board meetings.

#### Principle 7 – Auditors

7.1	<p>The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures:</p> <ul style="list-style-type: none"> <li>(a) for sustaining communication with the issuer's external auditors;</li> <li>(b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;</li> <li>(c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and</li> <li>(d) to provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.</li> </ul>	<p>The Board has established an Audit Committee with a majority of independent directors. A copy of the Audit Committee Charter can be found on Vital's website <a href="https://www.vitalhealthcareproperty.co.nz/governance/">https://www.vitalhealthcareproperty.co.nz/governance/</a>.</p> <p>The Audit Committee Charter sets out the procedures to be followed to ensure the independence of the Trust's external auditor. The Audit Committee is responsible for recommending the appointment of the external auditor and maintaining procedures for the rotation of the external audit engagement partner.</p> <p>Under the Audit Committee Charter, the external audit engagement partner must be rotated at least every five years.</p> <p>The Audit Committee Charter covers provision of non-audit services with the general principle being that the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived to be auditing their own work.</p> <p>The Board facilitates regular and full dialogue between its Audit Committee, the external auditors and management as reflected in the Audit Committee charter.</p>
7.2	The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.	<p>To maximise the effectiveness of communication at the Annual Meeting, the Manager also requires its external auditors to attend the meeting and be prepared to answer Unit Holders' questions about the conduct of the audit, as well as the preparation and content of the independent auditor's report.</p> <p>Vital undertakes an annual audit engagement with its external auditor. As part of the process the Audit Committee identifies any key areas of focus and reporting required of the auditors. Management is required to attend the meeting to discuss the findings of the report and respond to queries. Any recommendations for improvement are discussed and management is required to agree a timetable for the implementation of the changes.</p>
7.3	Internal audit functions should be disclosed.	<p>Following careful consideration and recommendation from the Audit Committee, the Board appointed the firm of Deloitte as the Trust's statutory external auditor. The firm of KPMG has been appointed as the auditor of the Manager. Ernst &amp; Young has been appointed as the global internal auditor by the Manager's ultimate parent.</p> <p>No separate internal audit function is currently in place noting that Vital has a Supervisor in place who undertake assurance functions on behalf of Unit Holders including in relation to management fees and conduct and the Manager is audited by KPMG.</p>

Reference	Recommendation	Approach
<b>Principle 8 – Shareholder rights and relations</b>		
8.1	An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.	Vital's website <a href="http://www.vhpt.co.nz">www.vhpt.co.nz</a> enables Unit Holders to access financial and operational information and key corporate governance information about Vital. The website allows key stakeholders to access and navigate important information with ease.
8.2	An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.	<p>A key focus of investor relations is to ensure the market and investors are informed of all details necessary to assess their investment and Vital's performance as specified by NZX Listing Rules. The Board aims to foster constructive communications and encourages all stakeholders to engage with Vital.</p> <p>A key element of corporate communication is the Trust's website at <a href="http://www.vhpt.co.nz">www.vhpt.co.nz</a>. Vital's website was recently refreshed and updated to make it easier for Unit Holders to locate and understand key information. The website enables all existing and potential Unit Holder to view information including: an overview of the business and corporate structure, a history of financial and investment performance, key calendar dates and the ability to access and download all NZX announcements, presentations and investor forms.</p> <p>The website also includes key corporate governance documents including the Board Charter, Statement of Investment Policies and Objectives (SIPO) and other key policy documentation.</p> <p>The Manager also actively encourages engagement through a communication strategy which includes:</p> <ul style="list-style-type: none"> <li>• The Annual Meeting for the Unit Holders to meet with and ask questions of the Board, the Supervisor, management and external auditors;</li> <li>• Any other meetings called to obtain approval for the Manager's action as appropriate;</li> <li>• Results webcasting providing all investors with the ability to listen and ask questions of Management; and</li> <li>• Various investor communications including Annual and Interim Reports.</li> </ul> <p>Through Vital's external registrar investors have the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically. There is a NZ toll free number 0800 225 264 and email address <a href="mailto:enquiry@vhpt.co.nz">enquiry@vhpt.co.nz</a> to which general enquiries can be directed.</p>
8.3	Quoted equity security holders should have the right to vote on any major decisions which may change the nature of the issuer in which they are invested.	<p>Terms of Vital's Trust Deed and the FMCA set out requirements under which the Manager must obtain the approval of Unit Holders.</p> <p>As a managed investment scheme regulated by the FMCA, investment objectives, investment philosophy, investment strategy and categories of authorised investments are required to be set out in a Statement of Investment Policy and Objectives (SIPO). A copy of Vital's SIPO is available here: <a href="https://www.vitalhealthcareproperty.co.nz/app/uploads/2021/02/SIPO_Vital_New.pdf">https://www.vitalhealthcareproperty.co.nz/app/uploads/2021/02/SIPO_Vital_New.pdf</a></p> <p>Changes to the SIPO may only be made in accordance with section 165 of the FMCA after having given written notice to Vital's supervisor, Trustees Executors Limited.</p>
8.4	If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holder of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.	<p>Vital's most recent equity capital raising was implemented in April and May 2022 as an accelerated entitlement offer. Eligible Unit Holders were entitled to subscribe for 1 new unit for every 8.54 units held at the record date. This structure allowed existing Unit Holders to participate on a pro rata basis, on no less favourable terms (subject to certain exceptions, like for Unit Holders outside New Zealand).</p> <p>Previous equity capital raisings completed in 2020 and 2021 were structured as a combination of a non-pro rata placement and a Unit Holder purchase plan and were undertaken as close to a pro-rata structure as practicable in accordance with the Board approved allocation policy. The Board of the Manager considers a range of factors when assessing capital raising options. Those factors include the interests of existing Unit Holders, cost of capital and register composition.</p>
8.5	The board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 days prior to the meeting.	Under Vital's Trust Deed at least 14 days' notice is required for notices of meeting to be sent by post. Vital will continue to follow the Trust Deed when determining the period of notice to be given. Having said that, the Notices of Meeting for Vital's annual meeting in 2020 and 2021 were provided at least 20 days prior to the meeting, as was the Notice of Meeting for the special meeting of Unit Holders held in 2021. The notice of meeting is released on the NZX and included on our website.

# Financial statements

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# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 \$000s	2021 \$000s
Gross property income from rentals		127,397	113,622
Gross property income from expense recoveries		16,236	12,522
Property expenses		(20,615)	(16,481)
<b>Net property income</b>	4	<b>123,018</b>	109,663
Other expenses	7	(37,235)	(30,915)
Strategic transaction expenses		(283)	-
Finance income		212	35
Finance expense	11.b	(29,195)	(27,719)
<b>Operating profit</b>		<b>56,517</b>	51,064
<b>Other gains/(losses)</b>			
Revaluation gain on investment property	6.a	244,239	235,383
Net gain/(loss) on disposal of investment property	6.a	700	11,310
Fair value gain/(loss) on foreign exchange derivatives		(664)	280
Fair value gain/(loss) on interest rate derivatives		61,468	22,375
Realised gain/(loss) on foreign exchange		(11)	(4,399)
Unrealised gain/(loss) on foreign exchange		26	2,454
		<b>305,758</b>	267,403
<b>Profit before income tax</b>		<b>362,275</b>	318,467
Taxation expense	5	(58,753)	(40,075)
<b>Profit for the year attributable to unit holders of the Trust</b>		<b>303,522</b>	278,392
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Movement in foreign currency translation reserve		36,556	1,711
Realised foreign exchange gain/(loss) on hedges	14.e	-	46,613
Current taxation (expense)/credit		338	(6,921)
Fair value gain/(loss) on net investment hedges	14.e	-	(46,352)
Deferred taxation (expense)/credit		-	7,074
<b>Total other comprehensive income/(loss) after tax</b>		<b>36,894</b>	2,125
<b>Total comprehensive income after tax</b>		<b>340,416</b>	280,517
<b>Earnings per unit</b>			
Basic and diluted earnings per unit (cents)	9	53.33	55.91

The notes on pages 94 to 131 form part of and are to be read in conjunction with these financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 \$000s	2021 \$000s
<b>Non-current assets</b>			
Investment properties	6	3,339,169	2,634,588
Derivative financial instruments	13	20,692	-
Deferred tax	5	-	6,477
<b>Total non-current assets</b>		<b>3,359,861</b>	<b>2,641,065</b>
<b>Current assets</b>			
Cash and cash equivalents	16	22,055	6,880
Trade and other receivables	17	2,442	1,634
Other current assets	18	15,451	12,736
Derivative financial instruments	13	25	245
<b>Total current assets</b>		<b>39,973</b>	<b>21,495</b>
<b>Total assets</b>		<b>3,399,834</b>	<b>2,662,560</b>
<b>Unit holders' funds</b>			
Units on issue	8	1,150,881	777,199
Reserves		44,590	4,208
Retained earnings		970,405	722,044
<b>Total unit holders' funds</b>		<b>2,165,876</b>	<b>1,503,451</b>
<b>Non-current liabilities</b>			
Borrowings	11	1,012,952	814,895
Lease liability - ground lease	12	3,903	4,094
Derivative financial instruments	13	150	40,379
Deferred tax	5	178,316	129,361
<b>Total non-current liabilities</b>		<b>1,195,321</b>	<b>988,729</b>
<b>Current liabilities</b>			
Trade and other payables	19	31,946	41,005
Income in advance		621	854
Derivative financial instruments	13	535	640
Lease liability - ground lease	12	170	142
Taxation payable		5,365	13,334
Borrowings	11	-	114,405
<b>Total current liabilities</b>		<b>38,637</b>	<b>170,380</b>
<b>Total liabilities</b>		<b>1,233,958</b>	<b>1,159,109</b>
<b>Total unit holders' funds and liabilities</b>		<b>3,399,834</b>	<b>2,662,560</b>

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



G Stuart, Independent Chair  
11 August 2022



M Stanford,  
Independent Director

The notes on pages 94 to 131 form part of and are to be read in conjunction with these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Units on issue \$000s	Retained earnings \$000s	Translation of foreign operations \$000s	Foreign exchange hedges \$000s	Share based payments \$000s	Total unit holders' funds \$000s
<b>For the year ended 30 June 2021</b>						
Balance at the start of the period	594,752	488,096	(73,003)	62,659	6,475	1,078,979
Changes in unit holders' funds	182,447	-	-	-	(6,475)	175,972
Manager's incentive fee	-	-	-	-	12,427	12,427
Profit for the period	-	278,392	-	-	-	278,392
Distributions to unit holders	-	(44,444)	-	-	-	(44,444)
<b>Other comprehensive income for the period</b>						
Movement in foreign currency translation reserve	-	-	1,711	-	-	1,711
Realised foreign exchange gains on hedges	-	-	-	39,692	-	39,692
Fair value gains on net investment hedges	-	-	-	(39,278)	-	(39,278)
<b>Balance at the end of the year</b>	<b>777,199</b>	<b>722,044</b>	<b>(71,292)</b>	<b>63,073</b>	<b>12,427</b>	<b>1,503,451</b>
<b>For the year ended 30 June 2022</b>						
Balance at the start of the period	777,199	722,044	(71,292)	63,073	12,427	1,503,451
Changes in unit holders' funds	373,682	-	-	-	(12,427)	361,255
Manager's incentive fee	-	-	-	-	15,915	15,915
Profit for the period	-	303,522	-	-	-	303,522
Distributions to unit holders	-	(55,161)	-	-	-	(55,161)
<b>Other comprehensive income for the period</b>						
Movement in foreign currency translation reserve	-	-	36,556	-	-	36,556
Realised foreign exchange gains on hedges	-	-	-	338	-	338
<b>Balance at the end of the year</b>	<b>1,150,881</b>	<b>970,405</b>	<b>(34,736)</b>	<b>63,411</b>	<b>15,915</b>	<b>2,165,876</b>

The notes on pages 94 to 131 form part of and are to be read in conjunction with these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 \$000s	2021 \$000s
<b>Cash flows from operating activities</b>			
Property income		126,517	118,196
Recovery of property expenses		15,934	11,814
Interest received		212	35
Property expenses		(18,762)	(13,139)
Management and trustee fees		(17,478)	(14,610)
Interest paid		(26,514)	(28,089)
Tax paid		(15,849)	(13,776)
Other trust expenses		(3,573)	(3,855)
<b>Net cash provided by/(used in) operating activities</b>	16	<b>60,487</b>	<b>56,576</b>
<b>Cash flows from investing activities</b>			
Receipts from foreign exchange derivatives		504	1,296
Capital additions on investment properties		(137,780)	(147,586)
Purchase of properties		(299,858)	(242,784)
Deposits and acquisition costs paid – Investment Property		(10,178)	(2,539)
Proceeds from disposal of properties		14,355	99,056
Tenant fitout reimbursement proceeds		31,527	-
Payments for foreign exchange derivatives		(506)	(2,026)
Strategic transaction expenses		(283)	(925)
<b>Net cash provided by/(used in) investing activities</b>		<b>(402,219)</b>	<b>(295,508)</b>
<b>Cash flows from financing activities</b>			
Debt drawdown		835,115	1,204,354
Repayment of debt		(780,338)	(1,092,839)
Issue of units		342,817	159,652
Loan issue costs		(3,963)	(2,523)
Costs associated with new equity raised		(5,353)	(2,637)
Distributions paid to unit holders		(31,371)	(25,460)
<b>Net cash from/(used in) financing activities</b>		<b>356,907</b>	<b>240,547</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>15,175</b>	<b>1,615</b>
Cash and cash equivalents at the beginning of the period		6,880	5,265
<b>Cash and cash equivalents at the end of the year</b>		<b>22,055</b>	<b>6,880</b>

The notes on pages 94 to 131 form part of and are to be read in conjunction with these financial statements.

# Notes to the Consolidated Financial Statements

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## 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. The Trust is managed by NorthWest Healthcare Properties Management Limited (the "Manager"), with its registered office at Level 17, HSBC Tower, 188 Quay Street, Auckland Central 1010.

The consolidated financial statements of VHP for the year ended 30 June 2022 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 direct and/or indirect investments in healthcare real estate.

These consolidated financial statements were approved by the Board of Directors of the Manager on 11 August 2022.

### 2. Basis of Preparation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Accordingly these financial statements comply with International Financial Reporting Standards (IFRS).

#### (b) Basis of consolidation

The Group's financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries) as set out in Note 20. 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 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.

In preparing the financial statements, transactions in currencies other than the Trust's functional currency (i.e. a foreign currency transaction) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, foreign currency denominated monetary items are retranslated at the rate of exchange prevailing at that time. Exchange differences are recognised in profit or loss in the period in which they arise, except for exchange differences on transactions entered into to hedge foreign currency exposure.

The assets and liabilities of the Group's foreign operations are translated to New Zealand Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on translation are recognised in other comprehensive income and the foreign currency translation reserve.

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### **(e) Changes in accounting policy and presentation**

All accounting policies have been applied on a basis consistent with the prior year's financial statements.

### **(f) Standards and Interpretations in issue not yet effective**

At the date of authorisation of these financial statements, the Group has not applied new and revised NZ IFRS standards and amendments that have been issued but are not yet effective. It is not expected that the adoption of these standards and amendments will have a material impact on the financial statements of the Group.

### **(g) Other accounting policies**

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the consolidated financial statements are provided throughout the notes to the consolidated financial statements.

### **(h) Impact of COVID-19**

In March 2020 the World Health Organisation declared the outbreak of a novel coronavirus ('COVID-19') as a pandemic, which has now 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.

The widespread uptake of COVID-19 vaccination and booster programs has resulted in the Governments of New Zealand and Australia adopting a strategy of managing COVID-19, within the context of open international borders and minimising cases in the community without introducing on-going restrictions or lock-downs. Periodic outbreaks that directly or indirectly disrupt normal business as unusual activity persist for the Group's tenants. As at the reporting date, trade receivables and loss allowances related to rent deferral arrangements with tenants impacted by previous lock-downs and trading restrictions remain.

COVID-19 continues to create transactional market uncertainty in the evidence used by a small number of independent professionally qualified valuers to inform their assumptions and opinions that determine the fair value of investment property in the markets the Group operates (refer Note 6.g for further details).

Currently there remains the potential for further community transmission outbreaks caused by a more transmissible and/or virulent COVID-19 mutation. Should this occur the viability of the Group's tenants and therefore potentially the operating performance and the financial position of the Group may be adversely impacted if the Governments of New Zealand and Australia were forced to respond with prolonged lock-downs and business trading restrictions to protect the community and manage the demand of the health systems.

### **(i) 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 material and relevant 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.

# Notes to the Consolidated Financial Statements

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## 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 22	Related party transactions

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## 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
<b>Segment profit/(loss) for the year ended 30 June 2022:</b>			
Gross property income from rentals	91,792	35,605	127,397
Gross property income from expense recoveries	6,658	9,578	16,236
Property expenses	(10,200)	(10,415)	(20,615)
<b>Net property income</b>	<b>88,250</b>	<b>34,768</b>	<b>123,018</b>
Other expenses	(14,888)	(22,347)	(37,235)
Strategic transaction expenses	-	(283)	(283)
Net finance expense	(14,991)	(13,992)	(28,983)
<b>Operating profit</b>	<b>58,371</b>	<b>(1,854)</b>	<b>56,517</b>
Fair value gain/(loss) on interest rate derivatives	-	61,468	61,468
Revaluation gains on investment properties	188,648	55,591	244,239
Net gain/(loss) on disposal of investment property	700	-	700
Other foreign exchange gains/(losses)	(11)	(638)	(649)
<b>Total segment profit before income tax</b>	<b>247,708</b>	<b>114,567</b>	<b>362,275</b>
Taxation expense			(58,753)
<b>Profit for the year</b>			<b>303,522</b>
<b>Segment profit/(loss) for the year ended 30 June 2021:</b>			
Gross property income from rentals	83,605	30,017	113,622
Gross property income from expense recoveries	6,305	6,217	12,522
Property expenses	(9,325)	(7,156)	(16,481)
<b>Net property income</b>	<b>80,585</b>	<b>29,078</b>	<b>109,663</b>
Other expenses	(12,607)	(18,308)	(30,915)
Net finance expense	(8,297)	(19,387)	(27,684)
<b>Operating Profit</b>	<b>59,681</b>	<b>(8,617)</b>	<b>51,064</b>
Fair value gain/(loss) on interest rate derivatives	-	22,375	22,375
Revaluation gains on investment properties	162,647	72,736	235,383
Net gain/(loss) on disposal of investment property	11,310	-	11,310
Other foreign exchange gains/(losses)	(3)	(1,662)	(1,665)
<b>Total segment profit before income tax</b>	<b>233,635</b>	<b>84,832</b>	<b>318,467</b>
Taxation expense			(40,075)
<b>Profit for the year</b>			<b>278,392</b>

# Notes to the Consolidated Financial Statements

Net property income comprises rental income and expense recoveries from tenants less property expenses. The Group has three Australian tenants that contributed \$72.5m of gross property income (2021: four Australian tenants that contributed \$77.4m).

There were no inter-segment sales during the year (2021: nil).

	Australia \$000s	New Zealand \$000s	Total \$000s
<b>Segment assets at 30 June 2022:</b>			
Investment properties	2,391,228	947,941	3,339,169
Other non-current assets	-	20,692	20,692
Current assets	18,782	21,191	39,973
<b>Consolidated assets</b>	<b>2,410,010</b>	<b>989,824</b>	<b>3,399,834</b>
<b>Segment assets at 30 June 2021:</b>			
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
<b>Consolidated assets</b>	<b>1,949,871</b>	<b>712,689</b>	<b>2,662,560</b>
<b>Segment liabilities at 30 June 2022:</b>			
Borrowings	993,234	19,718	1,012,952
Other liabilities	190,106	30,900	221,006
<b>Consolidated liabilities</b>	<b>1,183,340</b>	<b>50,618</b>	<b>1,233,958</b>
<b>Segment liabilities at 30 June 2021:</b>			
Borrowings	800,950	128,350	929,300
Other liabilities	173,313	56,496	229,809
<b>Consolidated liabilities</b>	<b>974,263</b>	<b>184,846</b>	<b>1,159,109</b>

All assets and liabilities have been allocated to reportable segments.

## 5. Taxation

### Income tax recognised in the consolidated statement of comprehensive income

	2022 \$000s	2021 \$000s
Profit/(loss) before tax for the period	362,275	318,467
Taxation (charge)/credit - 28% on profit before income tax	(101,437)	(89,171)
Effect of different tax rates in foreign jurisdictions	32,203	30,393
Tax exempt income	16,748	21,899
Tax impact of leasing deals	191	4,653
Tax impact of profit on property sales	-	(1,880)
Foreign tax credits	4,753	9,890
Tax charges on overseas investments	(11,500)	(13,494)
Over/(under) provided in prior periods	449	(470)
Other adjustments	(160)	(1,895)
<b>Taxation expense</b>	<b>(58,753)</b>	<b>(40,075)</b>
The taxation (charge)/credit is made up as follows:		
Current taxation	(8,280)	(7,858)
Deferred taxation	(50,473)	(32,217)
<b>Total taxation expense</b>	<b>(58,753)</b>	<b>(40,075)</b>

The key assumptions used in the preparation of the Group's tax calculation are as follows:

#### **Tax rate:**

The Group's New Zealand entities are subject to New Zealand tax on assessable income at a rate of 28% while its Australian subsidiary trusts are subject to Australian withholding tax on assessable income at a rate of 10% for interest income or 15% for 'fund payment' amounts as they are Australian Managed Investment Trusts (MIT).

# Notes to the Consolidated Financial Statements

## Deferred Tax balances

	Interest rate swaps \$000s	Revaluation of investment properties \$000s	Borrowings \$000s	Other \$000s	Total \$000s
<b>At 1 July 2020</b>	17,750	(108,221)	(7,074)	187	(97,358)
Charge to profit and loss for the year	(6,265)	(25,899)	(38)	(15)	(32,217)
Change in exchange rate	-	(383)	-	-	(383)
Charge to other comprehensive income	-	-	7,074	-	7,074
<b>At 30 June 2021</b>	11,485	(134,503)	(38)	172	(122,884)
<b>At 1 July 2021</b>	11,485	(134,503)	(38)	172	(122,884)
Charge to profit and loss for the year	(17,211)	(33,274)	(48)	60	(50,473)
Change in exchange rate	-	(5,112)	-	153	(4,959)
<b>At 30 June 2022</b>	(5,726)	(172,889)	(86)	385	(178,316)

	2022 \$000s	2021 \$000s
Deferred tax asset	-	6,477
Deferred tax liability	(178,316)	(129,361)
<b>Total deferred tax</b>	<b>(178,316)</b>	<b>(122,884)</b>

## Imputation credits

	2022 \$000s	2021 \$000s
Imputation (deficit)/credits at end of year	(410)	(2,534)

## Recognition and measurement

Income tax comprises current and deferred tax. It is recognised in the consolidated profit or loss unless it relates to items recognised in other comprehensive income, in which case the current or deferred tax is recognised in other comprehensive income.

### Current tax

Current tax is the expected tax payable on the taxable income for the financial year, determined using tax rates enacted or substantively enacted at the reporting date in the countries where the Group operates, and any adjustments to tax payable in respect of previous financial years. Management periodically evaluates positions taken in tax returns where the applicable tax regulation is subject to interpretation and establishes appropriate provisions on the basis of amounts expected to be paid to the tax authorities.

### Deferred tax

Deferred tax is provided using the balance sheet liability method, recognising temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their amounts for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and carried forward tax losses, to the extent that it is probable that taxable profit will be available to utilise them.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilise them.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset or liability giving rise to them is realised or settled, based on the tax rates and laws enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off, they relate to the same taxation authority, and the Group intends to settle its obligations on a net basis.

## Significant estimates and judgements

Significant estimates and judgements made in the determination of deferred tax include:

- Deferred tax on depreciation: Deferred tax is provided in respect of New Zealand based properties for the depreciation expected to be recovered on the sale of investment property.
- Deferred tax on changes in fair value of investment properties: Deferred tax for Australian based properties is provided on the capital gain expected to be assessable on the land and building component from the sale of investment properties at fair value.
- Deferred tax on fixtures and fittings: It is assumed that all fixtures and fittings will be sold at their tax book value.
- Deferred tax positions are based on an estimated split between land and buildings as determined by registered valuers

# 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.

### (6.a) Reconciliation of Carrying Amounts

	2022 \$000s	2021 \$000s
<b>Carrying value of investment property at the beginning of the year</b>	<b>2,634,588</b>	2,086,309
Acquisition of properties	298,745	237,072
Capitalised costs	94,549	121,642
Capitalised interest costs	5,921	4,852
Net capitalised incentives <sup>1</sup>	(382)	31,631
Disposal of properties	(13,186)	(87,771)
Foreign exchange translation difference	74,695	4,901
Revaluation gain on investment property	244,239	235,383
Right of use asset recognised	-	569
<b>Carrying value of investment property at the end of the year</b>	<b>3,339,169</b>	2,634,588

<sup>1</sup> 2021: Includes payments associated with the Belmont Private Hospital rent being rebased to market and lease extension.

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 16.8 years (2021: 17.8 years). As at reporting date the fair value of this right-of-use asset totals \$8.1m (2021: \$7.9m).

### (6.b) Acquisition of Property

During the year 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, Kurralt 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 an ambulatory care facility 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 (refer Note 19).
- acquired residential properties throughout the year to be held for future development in Meadowbrook, Queensland, Australia for A\$10.2 million (excluding transaction costs).
- acquired Hutt Valley Health Hub, an ambulatory care facility at 135 Witako Street, Lower Hutt, New Zealand for NZ\$46.5 million (excluding transaction costs) on 1 February 2022.
- acquired a development site of 4,340 square metres adjacent to The Hills Clinic in north-west Sydney, Australia for an acquisition price of A\$13.5 million (excluding transaction costs) on 8 February 2022.
- acquired 68 Saint Asaph Street, a medical office building in Christchurch, New Zealand for NZ\$50.7million (excluding transaction costs) on 1 April 2022.
- acquired Endoscopy Auckland, an endoscopy centre at 148 Gillies Ave, Auckland, New Zealand for NZ\$13.0 million and development land at 22 Kipling Ave, Auckland, New Zealand for NZ\$6.3 million (both excluding transaction costs) on 13 May 2022.
- acquired a development / repositioning site at 2 Mount Eliza Way and 1 St Johns Lane, Mt Eliza, Victoria, Australia for A\$11.0 million (excluding transaction costs) on 30 May 2022.

- acquired a development site of 3,415 square metres at 80 Ascot Ave, Auckland, New Zealand adjacent to Ascot Hospital and Ascot Central for an acquisition price of NZ\$16.0 million (excluding transaction costs) on 30 June 2022.

### (6.c) 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.
- sold a development site at 4 Pearl St, Hurstville, NSW for A\$1.4 million on 7 March 2022.

### (6.d) Leasing Arrangements

The majority of the investment properties are leased to tenants under long term operating leases. Rentals are receivable from tenants monthly. Minimum lease payments to be received under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements as receivable are as follows:

	2022 \$000s	2021 \$000s
Not later than one year	137,989	110,304
Later than one year and not later than five years	482,909	514,869
Later than five years	1,339,253	1,191,333
	<b>1,960,151</b>	<b>1,816,506</b>

### (6.e) Contractual arrangements

The Group was party to contracts to purchase or construct property (including in respect to Epworth Eastern, Victoria and Wakefield Hospital, Wellington) or provide lease incentives to tenants which are not recognised in the financial statements for the following amounts:

	2022 \$000s	2021 \$000s
Capital expenditure commitments	214,878	135,952
Property acquisition commitments	109,701	18,593
Tenant incentive commitments	11,066	10,742

At 30 June 2022 the Group has:

- committed to acquiring Kawarau Park Health Precinct, a newly developed health precinct comprising 6 tenanted buildings including Queenstown's only private hospital, situated in Kawarau Park in Queenstown, New Zealand for NZ\$94m (plus transaction costs). Settlement occurred on 7 July 2022.
- committed to acquiring a 7,693 sqm parcel of land in Newtown, Hobart, Australia for A\$9.5m (plus transaction costs) for future development. Settlement occurred on 6 July 2022.

In addition, excluded from the above property acquisition commitments, the Group has entered into a conditional contract to acquire a multi-stage ground lease development site in Campbelltown, Sydney, Australia, comprising:

- A\$52.0m for the acquisition, tenant incentive and development costs (Stage 1) of a cancer centre of excellence pre-leased to GenesisCare from completion; and
- A\$24.6m for the development rights for Stages 2 and 3 that provide capacity for Vital to develop up to 40,000 square metres of additional gross floor area.

An incentive of A\$10m (plus GST) is payable to Epworth in return for a term extension of 3 years on the 3<sup>rd</sup> anniversary of the commencement of the lease on the Epworth Camberwell property. Following this payment Epworth's tenancy (before extension options) at this property will expire on 30 June 2044.

### (6.f) 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
<b>Australia</b>			
<b>New South Wales</b>			
Lingard Private Hospital	Merewether, New South Wales	Hospital (Acute)	Healthe Care
Maitland Private Hospital	East Maitland, New South Wales	Hospital (Acute/Specialty)	Healthe Care
Hurstville Private Hospital	Hurstville, New South Wales	Hospital (Acute)	Healthe Care
The Hills Clinic	Kellyville, New South Wales	Hospital (Specialty)	Aurora
Toronto Private Hospital	Toronto, New South Wales	Hospital (Acute/Specialty)	Aurora
Mons Road Medical Centre	Westmead, New South Wales	Ambulatory Care	Castlereagh Imaging
Lingard Day Centre	Merewether, New South Wales	Ambulatory Care	Healthe Care
Hirondelle Private Hospital	Chatswood, New South Wales	Hospital (Specialty)	Aurora
Fairfield Aged Care	Fairfield, New South Wales	Aged Care	Hall & Prior
Darlington Aged Care	Banora Point, New South Wales	Aged Care	Bolton Clarke
Clover Lea Aged Care	Burwood Heights, New South Wales	Aged Care	Hall & Prior
Grafton Aged Care	South Grafton, New South Wales	Aged Care	Hall & Prior
<b>Victoria</b>			
Epworth Eastern Hospital	Box Hill, Victoria	Hospital (Acute)	Epworth Foundation
South Eastern Private Hospital	Noble Park, Victoria	Hospital (Specialty)	Aurora
Epworth Camberwell	Camberwell, Victoria	Hospital (Specialty)	Epworth Foundation
Eker Medical Centre	Box Hill, Victoria	Ambulatory Care	Imaging Associates
Epworth Rehabilitation <sup>1</sup>	Brighton, Victoria	Hospital (Specialty)	Epworth Foundation
120 Thames Street	Box Hill, Victoria	Ambulatory Care	Epworth Foundation
<b>Queensland</b>			
Belmont Private Hospital	Carina Heights, Queensland	Hospital (Specialty)	Aurora
Palm Beach Currumbin Clinic	Currumbin, Queensland	Hospital (Specialty)	Aurora
The Southport Private Hospital	Southport, Queensland	Hospital (Acute/Specialty)	Ramsay Health Care
Eden Rehabilitation <sup>1</sup>	Cooroy, Queensland	Hospital (Acute/Specialty)	Aurora
Baycrest Aged Care	Hervey Bay, Queensland	Aged Care	Bolton Clarke
Gold Coast Surgery Centre	Southport, Queensland	Ambulatory Care	South Coast Radiology
Tantula Rise Aged Care	Alexandra Headland, Queensland	Aged Care	Bolton Clarke
<b>Western Australia</b>			
Marian Centre	Wembley, Western Australia	Hospital (Specialty)	Aurora
Abbotsford Private Hospital	West Leederville, Western Australia	Hospital (Specialty)	Aurora
Hammersley Aged Care	Subiaco, Western Australia	Aged Care	Hall & Prior
Rockingham Aged Care	Rockingham, Western Australia	Aged Care	Hall & Prior
<b>South Australia</b>			
Tennyson Centre	Kurralta Park, South Australia	Ambulatory Care	ICON Cancer Care
Sportsmed Hospital, Clinic & Cons.	Stepney, South Australia	Hospital (Acute)	Sportsmed SA
Playford Health - Retail & Carpark	Elizabeth Vale, South Australia	Ambulatory Care	SA Health
<b>Total Australia</b>			

<sup>1</sup> 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



Latest independent valuation	Fair value		Market capitalisation rate		Occupancy		WALE	
	\$M	\$M	%	%	%	%	Years	Years
	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21
Jun-22	224.6	193.9	4.1	4.5	100.0	100.0	23.7	24.7
Jun-22	133.9	118.3	4.8	5.1	100.0	100.0	15.5	16.5
Dec-21	91.3	80.6	5.8	5.8	100.0	100.0	19.8	20.8
Jun-22	64.2	54.4	4.0	4.5	100.0	100.0	25.0	26.0
Jun-22	54.0	47.7	5.0	5.4	100.0	100.0	20.1	21.1
Jun-22	48.7	39.7	4.8	5.4	94.5	94.5	2.9	3.6
Jun-22	47.3	40.6	4.1	4.5	100.0	100.0	23.7	24.7
Jun-22	34.0	30.2	5.0	5.3	100.0	100.0	19.9	20.9
Dec-21	21.6	19.3	6.3	6.3	100.0	100.0	13.7	14.7
Jun-22	19.9	18.3	6.0	6.3	100.0	100.0	14.3	15.3
Dec-21	15.4	14.1	6.3	6.3	100.0	100.0	13.7	14.7
Dec-21	12.8	11.9	7.0	7.0	100.0	100.0	14.8	15.8
Dec-21	448.8	375.2	4.0	4.3	95.0	100.0	20.5	17.8
Jun-22	100.1	86.0	4.3	4.8	100.0	100.0	18.7	19.7
Jun-22	84.7	78.1	4.2	4.3	100.0	100.0	19.0	20.0
Dec-21	36.5	33.3	5.0	5.3	100.0	100.0	2.9	3.3
Jun-22	29.9	29.0	5.3	5.5	100.0	100.0	1.6	2.6
Dec-21	13.3	13.0	5.5	6.5	59.6	100.0	2.5	3.6
Dec-21	161.8	133.5	4.0	4.3	100.0	100.0	23.2	24.2
Jun-22	81.9	69.2	4.3	4.8	100.0	100.0	13.2	14.2
Dec-21	57.5	51.4	4.8	5.0	100.0	100.0	22.7	23.7
Jun-22	35.7	33.0	5.3	5.3	100.0	100.0	15.4	16.4
Jun-22	21.6	19.8	6.0	6.3	100.0	100.0	14.0	15.0
n.a.	-	12.2	-	7.5	-	88.9	-	1.4
Jun-22	26.8	24.7	6.0	6.3	100.0	100.0	14.0	15.0
Dec-21	66.3	57.8	4.4	4.6	100.0	100.0	12.1	13.1
Dec-21	54.7	37.9	4.3	4.5	100.0	100.0	19.6	20.6
Dec-21	14.9	13.5	6.5	6.8	100.0	100.0	13.7	14.7
Dec-21	8.1	7.3	6.8	7.0	100.0	100.0	13.7	14.7
Jun-22	106.8	-	4.5	-	100.0	-	3.8	-
Jun-22	92.4	83.3	5.0	5.3	100.0	100.0	13.6	14.6
Jun-22	24.3	-	5.5	-	53.9	-	9.5	-
	2233.8	1827.0	4.5	4.8	98.6	99.7	17.1	18.2

9 pandemic. Therefore less certainty and a higher degree of caution should be applied to the properties reported value than normally the case.

# Notes to the Consolidated Financial Statements

Properties	Location	Sub sector	Major Tenant
<b>New Zealand</b>			
Ascot Hospital & Clinics	Greenlane, Auckland	Hospital (Acute)	Ascot Hospital and Clinics Limited
Grace Hospital	Tauranga, Bay of Plenty	Hospital (Acute)	Norfolk Southern Cross Limited
Wakefield Hospital	Newtown, Wellington	Hospital (Acute)	Evolution Healthcare
Royston Hospital	Hastings, Hawkes Bay	Hospital (Acute)	Evolution Healthcare
Bowen Hospital	Crofton Downs, Wellington	Hospital (Acute)	Evolution Healthcare
Ormiston Hospital	Flatbush, Auckland	Hospital (Acute)	Ormiston Surgical and Endoscopy Limited
68 Saint Asaph St	Christchurch Central, Christchurch	Ambulatory Care	Syft Technologies Limited
Boulcott Hospital	Lower Hutt, Wellington	Hospital (Acute)	Boulcott Pulse Health Limited
Ascot Central	Greenlane, Auckland	Ambulatory Care	Fertility Associates Limited
Hutt Valley Health Hub	Lower Hutt, Wellington	Ambulatory Care	Ropata Health Limited
Apollo Health & Wellness Centre	Albany, Auckland	Ambulatory Care	Apollo Medical Limited
Kensington Hospital	Whangarei, Northland	Hospital (Acute)	Kensington Hospital Limited
Endoscopy Auckland	Epsom, Auckland	Ambulatory Care	Evolution Healthcare
Napier Health Centre	Napier, Hawkes Bay	Ambulatory Care	Hawke's Bay District Health Board
Ascot Carpark (right of use asset)	Greenlane, Auckland	Hospital (Acute)	Ascot Hospital and Clinics Limited
<b>Total New Zealand</b>			
<b>Properties held for development</b>			
<b>TOTAL FAIR VALUE OF INVESTMENT PROPERTIES</b>			

Latest independent valuation	Fair value		Market capitalisation rate		Occupancy		WALE	
	\$M	\$M	%	%	%	%	Years	Years
	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21
Dec-21	140.5	126.3	4.4	4.6	100.0	99.5	15.8	170
Dec-21	115.5	104.5	4.6	4.8	100.0	100.0	28.5	29.5
Dec-21	128.1	99.6	4.8	4.9	100.0	100.0	25.4	26.4
Dec-21	98.3	81.3	4.8	5.0	100.0	100.0	27.4	28.4
Dec-21	78.2	63.5	4.5	4.8	100.0	100.0	27.4	28.4
Dec-21	52.6	45.4	4.8	5.3	100.0	100.0	1.9	2.6
Jun-22	52.2	-	4.5	-	100.0	-	7.8	-
Dec-21	51.5	47.0	4.8	5.0	100.0	100.0	16.0	170
Dec-21	44.8	43.3	4.8	5.3	100.0	80.9	6.7	6.5
Jun-22	41.7	-	4.3	-	100.0	-	13.7	-
Dec-21	32.3	27.6	5.3	5.8	84.8	84.0	7.2	8.1
Dec-21	27.5	23.2	5.1	5.3	100.0	100.0	24.0	25.0
Jun-22	20.3	-	4.5	-	100.0	-	19.9	-
Dec-21	18.0	16.3	5.9	6.0	100.0	100.0	11.5	12.5
Dec-21	8.1	7.9	8.4	8.8	92.2	89.8	13.5	14.6
	909.6	685.8	4.7	5.0	99.2	97.5	18.7	20.7
	195.8	121.5						
	3339.2	2634.3	4.6	4.9	98.8	99.2	17.6	18.7

# Notes to the Consolidated Financial Statements

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## (6.g) Recognition and Measurement

### Recognition and measurement

#### Investment Property

Investment properties are initially measured at cost, including any related transaction costs. Expenditure is capitalised to a property's carrying value only when its cost can be measured reliably and it is probable that future economic benefits will flow to the Group. All other repairs and maintenance expenditure is charged to the statement of comprehensive income.

Subsequent to initial recognition, investment properties, including investment properties held for sale, are measured at fair value (inclusive of adjustments for straight line rental revenue recognition, unamortised lease incentives and costs, and capital expenditure obligations) with any gains or losses arising on re-measurement recognised in profit or loss.

#### Lessee arrangements and Right-of-Use assets

On inception of a lease arrangement, the lease liability is initially measured as the aggregate of fixed and variable lease payments due (net of incentives receivable), expected residual value guarantees and the exercise price of purchase options (if reasonably certain to be exercised) and expected lease termination payments, discounted using the interest rate implicit in the lease, or if this cannot be determined, the Group's incremental cost of borrowing.

Subsequent to initial recognition, lease payments are allocated between finance costs (which is expensed to the consolidated statement of comprehensive income over the term of the lease using the effective interest rate method) and a reduction of the initial lease liability recognised. Refer to Note 12 for the lease liabilities recognised by the Group.

Right-of-Use assets are initially measured at cost, comprising the aggregate of the initial measurement of the lease liability (net of incentives received), lease payments made before commencement date, initial direct costs and restoration costs and are classified as Investment Property.

Subsequent to initial recognition right-of-use assets are measured at fair value.

#### Development of investment property

Investment property that is being developed is measured at cost until either its fair value becomes reliably measurable or the development reaches practical completion. Borrowing costs are capitalised from when activities to prepare the property for development commence, until the property is substantially ready for use.

#### Rental income

Rental income from investment properties is comprised of lease components (including base rent, recovery of property taxes and insurance) and non-lease components (including property outgoings recoveries). Rental income is recognised at the fair value of consideration receivable (excluding GST).

Rental income relating to lease components is recognised on a straight-line basis over the term of the lease for the period where the rental income is fixed and determinable. For leases where the rental income is determined based on unknown future variables such as inflation, market reviews or other factors, rental income is recognised on an accruals basis in accordance with the terms of the lease.

Rental income from property outgoing recoveries is recognised as the costs are incurred, which is typically when the services are provided.

Rental income not received at reporting date is reflected in the consolidated statement of financial position as a receivable or, if paid in advance, as income in advance.

#### Lease incentives, commissions and other costs

Lease incentives provided to tenants, such as fit-outs or rent free periods, and leasing commissions and other costs incurred when entering into a lease are recognised as a reduction of net property income on a straight-line basis over the non-cancellable term of the lease.

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## Derecognition

An investment property is derecognised upon disposal or when no future economic benefits are expected from use. The gain or loss arising on derecognition of the property is measured as the difference between the net proceeds from disposal and the carrying amount at disposal date and is recognised in the consolidated statement of comprehensive income in the period in which the property is derecognised.

## 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, 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 30 June 2022 was determined through independent professional valuers for approximately 42% of the portfolio 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 30 June 2022 included: Ernst & Young, Colliers International, Jones Lang LaSalle Australia, Valued Care, Absolute Value and CBRE. The properties which have been independently valued at 30 June 2022 are disclosed above in Note 6.f.

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 year. The principal factors that influence a valuation include the market 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 30 June 2022, 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 30 June 2022, some valuers still advise that less certainty and a high degree of caution should be attached to independent property valuations. Directors' valuations at 30 June 2022 have been informed by this recent evidence. Refer to note 6.f.

## Fair Value Hierarchy

Investment properties are classified as Level 3 under the fair value valuation hierarchy. This level 3 classification refers to a valuation technique that uses inputs that are not based on observable market data (i.e. unobservable inputs are used).

## Significant estimates and judgements

Generally, as:

- occupancy and weighted average lease term, 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

## 7. Other Expenses

	2022 \$000s	2021 \$000s
<b>Other Expenses</b>		
<i>Auditor's remuneration:</i>		
Audit and review of financial statements	197	197
AGM scrutineering	3	3
Manager's fees	15,737	13,014
Manager's incentive fee	15,914	12,402
Trustee fees	532	654
Other operating expenses	4,852	4,645
<b>Total other expenses</b>	<b>37,235</b>	<b>30,915</b>

Deloitte has been engaged to provide gap analysis activities as the Group prepares for the Climate-related Disclosures standards.

## 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 unit holders via distributions and earnings per unit.

### 8. Units on Issue

	2022	2021
	\$000s	\$000s
Balance at the beginning of the year	777,199	594,752
Issue of units under Distribution Reinvestment Plan	23,791	18,983
Issue of units under placement and unit purchase plan	142,803	159,650
Issue of units under rights issue	200,014	-
Issue of units to satisfy Manager's incentive fee	12,427	6,450
Issue costs of units	(5,353)	(2,636)
<b>Balance at the end of the year</b>	<b>1,150,881</b>	<b>777,199</b>

	2022	2021
	000s	000s
<b>Reconciliation of number of units</b>		
Balance at the beginning of the year	519,753	453,783
Issue of units under the Distribution Reinvestment Plan	8,109	6,388
Issue of units under placement and unit purchase plan	49,401	57,017
Issue of units under rights issue	67,801	-
Units issued to satisfy Manager's incentive fee	4,091	2,565
<b>Balance at the end of the year</b>	<b>649,155</b>	<b>519,753</b>

Distributions for the financial year were 9.625 cents per unit (2021: 8.875 cents per unit) including the final quarter distribution of 2.4375 cents per unit (2021: 2.25 cents per unit) declared subsequent to the reporting date. Refer Note 21.

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

On 6 May 2022, 37,238,343 units were issued at \$2.95 per unit under an underwritten institutional rights offer and on 19 May 2022, 30,562,909 units were issued at \$2.95 per unit under an underwritten retail rights offer.

### Recognition and measurement

#### Issued capital

Issued and paid up units are recognised at the fair value of the consideration received by the Group, net of directly incurred transaction costs. Fully paid ordinary units carry one vote per unit and carry the right to distributions.

Distributions are recognised as a liability in the Group's financial statements in the period in which the distributions are declared.

# Notes to the Consolidated Financial Statements

## Share based payments (Managers incentive fee)

Subject to the Trust Deed, the Manager is entitled to an incentive fee that is settled in newly issued units (i.e. a share based payment). As such, the incentive fee expense is recognised in the share based payment reserve as the services are provided until such a time as it is settled via the issuance of new units, at which point the amount is reclassified to units on issue.

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

## Capital risk management

The Manager's objective when managing the capital of the Group is to ensure compliance with the capital requirements under the Trust Deed (i.e. total borrowings do not exceed 50% of the gross value of the Trust Fund) and that the Group will be able to continue as a going concern while maximising the return to investors through the optimisation of the Group's cost of capital. The Manager maintains or adjusts the capital of the Group through various methods including by adjusting the quantum of distributions paid, raising or repaying debt, issuing or buying back units, or buying or selling assets.

As at reporting date, the Group's total borrowings to the Gross Value of the Group (as defined in the Trust Deed) was 30.0% (2021: 35.0%).

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's overall capital risk management strategy during the year.

## 9. Earnings per Unit

	2022	2021
Profit attributable to unit holders of the Trust (\$000s)	303,522	278,392
Weighted average number of units on issue (000's of units)	569,104	497,892
<b>Basic and diluted earnings per unit (cents)</b>	<b>53.33</b>	<b>55.91</b>

## Recognition and measurement

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



## 10. Distributable Income

Statutory profit attributable to unit holders is determined in accordance with NZ GAAP and includes a number of non-cash items including fair value movements, straight line lease accounting adjustments and 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 operating profit 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 AFFO presented by the Group's peers.

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

	2022 \$000s	2021 \$000s
<b>Adjusted funds from operations</b>		
Operating profit before tax and other income	56,517	51,064
<b>Add/(deduct):</b>		
Current tax expense	(8,280)	(7,858)
Incentive fee	15,914	12,402
Strategic transaction expenses	283	-
Current tax on translation of foreign currency funding transactions	98	227
Amortisation of borrowing costs	1,270	878
Amortisation of leasing costs & tenant inducements	2,778	2,421
IFRS 16 Operating lease accounting	(163)	(144)
<b>Funds from operations (FFO)</b>	<b>68,417</b>	<b>58,990</b>
<b>Add/(deduct):</b>		
Actual capex from continuing operations	(593)	(1,533)
<b>Adjusted funds from operations (AFFO)</b>	<b>67,824</b>	<b>57,457</b>
<b>AFFO (cpu)</b>	<b>11.92</b>	<b>11.54</b>
<b>Distribution per unit (cpu)</b>	<b>9.625</b>	<b>8.875</b>
<b>AFFO payout ratio</b>	<b>81%</b>	<b>77%</b>
Units on issue (weighted average, 000s)	569,104	497,892

# Notes to the Consolidated Financial Statements

## 11. Borrowings

	2022 \$000s	2021 \$000s
AUD denominated loans	1,018,777	807,377
NZD denominated loans	-	125,000
Borrowing costs	(5,825)	(3,077)
<b>Total borrowings</b>	<b>1,012,952</b>	<b>929,300</b>
Current liability	-	114,405
Non current liability	1,012,952	814,895
<b>Total borrowings</b>	<b>1,012,952</b>	<b>929,300</b>

	2022 \$000s	2021 \$000s
Total borrowings at the beginning of the year	929,300	813,515
Drawdowns during the year	835,111	1,204,354
Repayments during the year	(780,338)	(1,092,839)
Additional facility refinancing fee	(4,018)	(2,523)
Facility refinancing fee amortised during the year	1,270	878
Foreign exchange movement	31,627	5,915
<b>Total borrowings at the end of the year</b>	<b>1,012,952</b>	<b>929,300</b>

### Recognition and measurement

Borrowings are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Gains and losses on derecognition are recognised in the consolidated statement of comprehensive income in the period in which they arise. The carrying values of these balances are approximately equivalent to their fair values because the loans have floating rates of interest that generally reset every 90 days.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the facility for at least 12 months after the reporting date.

### (11.a) Summary of Borrowing Arrangements

On 25th February 2021 the Group replaced its syndicated revolving multi-currency facility with a club financing arrangement governed by a common terms deed and bi-lateral facility agreements. Currently there are six financiers (2021: 5 financiers) that provide facilities to the Group. The facilities' expiry profile and undrawn limits are as follows:

	Jun-22			Jun-21		
	A\$m Limit	A\$m Undrawn	Expiry	A\$m Limit	A\$m Undrawn	Expiry
<b>Common Terms Deed - AUD</b>						
Facility A1	100.0	-	Oct-28	-	-	n.a.
Facility A2	125.0	-	Oct-23	125.0	-	Oct-23
Facility A4	75.0	75.0	Mar-29	-	-	n.a.
Facility A5	75.0	44.3	Mar-25	-	-	n.a.
Facility B1	100.0	-	Apr-24	-	-	n.a.
Facility C1	62.5	-	Mar-26	62.5	-	Mar-25
Facility C2	62.5	-	Mar-27	62.5	-	Mar-25
Facility C3	125.0	-	Mar-27	-	-	n.a.
Facility D1	125.0	-	Mar-27	125.0	-	Feb-26
Facility D2	75.0	-	Mar-25	-	-	n.a.
Facility K1	70.1	70.1	Mar-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	-	Oct-26	-	-	n.a.
Facility A3	-	-	-	62.5	-	Jul-22
Facility B2	-	-	-	137.5	-	Jul-22
Facility E1	-	-	-	50.0	50.0	Nov-21
Facility E2	-	-	-	50.0	22.8	Nov-21
Facility F1	-	-	-	75.0	70.7	Jan-22
Facility F2	-	-	-	75.0	-	Jan-22
<b>Total AUD Facility</b>	<b>1,110.1</b>	<b>189.4</b>		<b>895.1</b>	<b>143.5</b>	
<b>Common Terms Deed - NZD</b>						
	NZ\$m Limit	NZ\$m Undrawn	Expiry	NZ\$m Limit	NZ\$m Undrawn	Expiry
Facility A	50.0	50.0	Oct-23	50.0	-	Oct-23
Facility B	75.0	75.0	Mar-26	75.0	-	Mar-26
<b>Total NZD Facility</b>	<b>125.0</b>	<b>125.0</b>		<b>125.0</b>	<b>-</b>	

In addition to the above, the Group has available a A\$5.0m (2021: \$Nil) bank guarantee facility of which A\$0.6m (2021: \$Nil) has been utilised at the reporting date.

The facilities provided are governed by the common terms deed and 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:

# Notes to the Consolidated Financial Statements

	Covenant	2022 Actual	2021 Actual
<b>Banking Covenants</b>			
Loan to value ratio	< 55%	32.1%	38.0%
Interest cover	> 2.00x	3.20	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%	3.4%	4.8%

## (11.b) Finance Expense

	2022 \$000s	2021 \$000s
<b>Expenses</b>		
Interest expense	35,116	32,571
Borrowing costs capitalised	(5,921)	(4,852)
Total finance expenses	29,195	27,719

The effective interest rate on borrowings, incorporating interest rate hedges, as at the reporting date was 3.73% per annum (2021: 3.32%).

## Recognition and measurement

Interest expense is recognised in the consolidated statement of comprehensive income using the effective interest rate method except where it is incurred in relation to a qualifying asset, where it is capitalised during the period of time that is required to hold, complete and/or prepare the asset for its intended use. It comprises interest payable on borrowings and interest paid on interest rate hedging instruments.

The effective interest rate method calculates the amount to be recognised over the relevant period at the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount on initial recognition.

## 12. Lease Liabilities

The Group holds a ground lease over the car parks at the rear of Ascot Hospital and Ascot Central that has a weighted average term remaining of 16.8 years (2021: 17.8 years).

## 13. Derivative Financial Instruments

### (13.a) Interest Rate Swaps

The Group has exposure to debt facilities that are subject to floating interest rates. The Group uses derivative financial instruments, on a portfolio basis, to manage its exposure to interest rates such as interest rate swaps (to lock-in fixed interest rates) and/or interest rate caps (to limit exposure to rising floating interest rates). At the reporting date, 44.5% of borrowings were at fixed rates (2021: 49.0%). Refer Note 14.c for further information on the Group's exposure to interest rate risk.

All derivative financial instrument providers receive the benefit of pari-passu security and cross collateralisation rights over the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general 'all assets' security agreement).

Generally, interest rate contracts settle on a quarterly basis coinciding with the dates on which the interest is payable on the underlying debt. The floating rate incurred on the debt is based on New Zealand BKBM or Australian BBSW. The difference between the fixed and floating interest rate is generally settled on a net basis by the relevant counterparty. The interest rate contracts have not been identified as hedging instruments and any movements in their fair value are recognised immediately in the consolidated statement of comprehensive income.

	2022 \$000s	2021 \$000s
<b>Non-current assets</b>		
Interest rate derivative assets	20,692	-
<b>Current liabilities</b>		
Interest rate derivative liabilities	(93)	(640)
<b>Non-current liabilities</b>		
Interest rate derivative liabilities	(149)	(40,379)
<b>Total</b>	<b>20,450</b>	<b>(41,019)</b>

During the period the Group recognised a fair value gain of \$61.5m (2021: \$22.4m gain) on interest rate contracts. The Group's interest rate swaps outstanding at the reporting date are as follows:

	2022 \$000s	2021 \$000s
Nominal value of interest rate swaps - AUD	410,000	425,000
Average fixed interest rate	2.89%	2.94%
Floating rates based on AUD BBSW	1.51%	0.12%

Interest rate derivatives mature over the next eight years and have fixed interest rates ranging from 1.54% to 4.23% (2021: from 1.54% to 4.35%).

## Recognition and measurement

Interest rate 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.

### (13.b) Forward Exchange Contracts

The Group has exposure to foreign currency risk arising from owning investment property in Australia. Derivative financial instruments, such as forward exchange contracts, may be used to reduce its exposure to foreign exchange risk by locking in the conversion of Australian dollar denominated income (transaction hedging) or net assets (translation hedging) to New Zealand dollars. Refer Note 14.c for further details on the Group's exposure to foreign exchange risk.

Transaction hedging arrangements generally settle on a quarterly basis while translation hedging arrangements settle on a periodic basis depending on the term of the contract. At reporting date forward exchange contracts have not been designated as hedging instruments and any movements in the fair value are recognised immediately in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements

	2022 \$000s	2021 \$000s
<b>Current assets</b>		
Foreign exchange derivative assets	25	42
<b>Current liabilities</b>		
Foreign exchange derivative liabilities	(442)	(77)
<b>Non-current liabilities</b>		
Foreign exchange derivative liabilities	(1)	-
<b>Total</b>	<b>(418)</b>	<b>(35)</b>

During the period the Group recognised a fair value loss of \$0.66m (2021: \$0.28m gain) on forward exchange contracts. The Group's forward exchange contracts outstanding at the reporting date are as follows:

	2022 \$000s	2021 \$000s
Nominal value of foreign exchange contracts - AUD	26,500	18,100
Average foreign exchange rate	0.9134	0.9199

## Recognition and measurement

Foreign exchange 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.

### (13.c) Fair value hierarchy

The fair value hierarchy categorises the inputs used in valuation techniques into the following three categories based on the degree to which the inputs used to measure fair value 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 valued using Level 2 inputs (observable prices of similar instruments). There have been no reclassifications between levels in the current year (2021: nil).

## 14. Financial and Risk Management

The Group's activities expose it primarily to credit risk, market risk (interest rate risk and foreign exchange risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial derivatives to manage market risks. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles that are consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

### (14.a) Financial Instruments

The Group has the following financial instruments:

- cash and cash equivalents;
- receivables;
- payables;
- borrowings; and
- derivative financial instruments.

Transactions in these instruments expose the Group to a variety of financial risks including market risk (which includes interest rate risk, foreign exchange risk and other price risks), credit risk and liquidity risks.

### Categories of financial instruments

The Group's financial instruments are classified as:

	Financial assets at amortised cost \$000s	Financial liabilities at amortised cost \$000s	Financial assets at fair value through profit or loss \$000s	Financial liabilities at fair value through profit or loss \$000s
30 June 2022	24,497	(1,048,970)	20,717	(685)
30 June 2021	8,514	(974,542)	245	(41,019)

### Cash, cash equivalents, trade and other receivables, trade and other payables and borrowings

The carrying values of these financial instruments approximate their fair values because of their short terms to maturity or interest reset dates.

### (14.b) Credit Risk

The Group is subject to credit risk (the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group) predominately through its trade and other receivables, derivatives and cash exposures. The maximum exposure to credit risk at a reporting date is the carrying value of each financial asset as disclosed in the applicable note to the financial statements.

Credit risk is managed by:

- ensuring that at the time of entering into a contractual arrangement or acquiring a property, counterparties or tenants are of appropriate credit worthiness, provide appropriate security or other collateral and/or do not show a history of default;
- seeking to optimise tenant mix by actively managing the property portfolio composition and leasing arrangements; and
- only entering into foreign exchange and interest rate derivative transactions and placing cash and deposits with high credit quality financial institutions.

The Group applies an expected credit losses (ECL's) model (simplified approach) that uses historical experience, external indicators and forward looking information to calculate the expected lifetime credit loss for financial assets carried at amortised cost.

The expected lifetime credit loss of trade receivables is assessed on a collective basis (grouped based on days past due), reflecting shared credit characteristics, and is determined based on the forecast shortfalls in contractual cash flows considering the potential for default at any point during the life of the financial instrument. Details of the expected credit loss recognised in relation to trade receivables is disclosed in Note 17.a.

### (14.c) Market Risk

The Group is subject to market risk (the risk that borrowings or derivatives are repriced to different interest rate margins on refinance or renewal arising from changes in the debt markets), interest rate risk (the risk of a change in interest rates may impact the Group's profitability, cashflows and/or financial position) and foreign exchange risk (the risk of a change in foreign exchange rates on translation of foreign

# Notes to the Consolidated Financial Statements

currency denominated assets, liabilities, revenue and expenses) predominantly through its investment property, borrowings, derivatives and cash exposures.

The interest rates applicable to each category of financial instrument are disclosed in the relevant note to the financial statements.

## Interest rate risk

The following table indicates the effective interest rates and the earliest period in which financial instruments reprice. Fixed rate balances are presented with the effect of hedging derivatives:

	Weighted effective interest rate %	Less than 1 year \$000s	1-2 years \$000s	2-3 years \$000s	3+ years \$000s	Total \$000s
<b>30 June 2021</b>						
Cash and cash equivalents (floating rates)	0.12%	6,880	-	-	-	6,880
Borrowings (floating rates)	1.28%	(475,829)	-	-	-	(475,829)
Borrowings (fixed rates)	4.10%	(16,113)	(21,485)	(32,227)	(386,723)	(456,548)
		(485,062)	(21,485)	(32,227)	(386,723)	(925,497)
<b>30 June 2022</b>						
Cash and cash equivalents (floating rates)	1.51%	22,055	-	-	-	22,055
Borrowings (floating rates)	2.39%	(565,087)	-	-	-	(565,087)
Borrowings (fixed rates)	3.77%	(22,131)	(33,197)	(22,131)	(376,231)	(453,690)
		(565,163)	(33,197)	(22,131)	(376,231)	(996,722)

## Interest rate sensitivity

The Group's sensitivity to interest rate risk can be expressed in two ways:

### Fair value sensitivity

A change in interest rates impacts the fair value of the Group's fixed rate financial instruments. Fair value changes impact profit or loss or equity only where the instruments are carried at fair value. Accordingly, the fair value sensitivity to a 100 bps movement in interest rates (based on the financial instruments held at reporting date) is:

	Impact on profit/(loss) 2022 \$000s	Impact on unit holders' funds 2022 \$000s	Impact on profit/(loss) 2021 \$000s	Impact on unit holders' funds 2021 \$000s
If interest rates had been 100 bps higher:	17,429	17,429	24,018	24,018
If interest rates had been 100 bps lower:	(18,423)	(18,423)	(25,591)	(25,591)

### Cash flow sensitivity analysis

A change in interest rates impacts interest income and expense on the Group's interest bearing floating rate financial instruments. Accordingly, the one-year cash flow sensitivity to a 100 bps movement in interest rates (based on the financial instruments held at reporting date) is:



	Impact on profit/(loss) 2022 \$000s	Impact on unit holders' funds 2022 \$000s	Impact on profit/(loss) 2021 \$000s	Impact on unit holders' funds 2021 \$000s
If interest rates had been 100 bps higher:	(5,651)	(5,651)	(3,223)	(3,223)
If interest rates had been 100 bps lower:	5,651	5,651	3,223	3,223

## Foreign exchange risk

The following table presents the foreign currency risk that the Group is exposed to arising from Australian dollar (AUD) denominated assets and liabilities:

	2022 \$000s	2021 \$000s
<b>Non-financial instrument assets and liabilities denominated in Australian dollars</b>		
Investment properties	2,391,227	1,933,502
Other assets	12,660	11,824
Deferred tax	(166,724)	(129,361)
<b>Total non-financial instrument assets and liabilities</b>	<b>2,237,163</b>	<b>1,815,965</b>
<b>Non-derivative financial instruments</b>		
Cash and cash equivalents	4,416	3,208
Trade and other receivables	1,702	1,337
Trade and other payables	(23,370)	(43,953)
Borrowings	(1,018,777)	(807,377)
<b>Total exposure from non-derivative financial instruments</b>	<b>(1,036,029)</b>	<b>(846,785)</b>
<b>Derivative financial instruments</b>		
Foreign exchange derivatives	(418)	245
Interest rate swaps	20,450	(41,019)
<b>Total exposure from derivative instruments</b>	<b>20,032</b>	<b>(40,774)</b>
<b>Net exposure to currency risk</b>	<b>1,221,166</b>	<b>928,406</b>

## Foreign currency sensitivity

A change in the New Zealand dollar (NZD) / AUD exchange rate impacts profit after tax and equity on the conversion of AUD denominated assets, liabilities, revenue and expenses. A 10% change in the exchange rate (2021: 10%), based on year end exposures, has the following effect:

	2022 \$000s	2021 \$000s
If the New Zealand Dollar versus the Australian Dollar was 10% higher for the year:		
Profit and loss	2,864	4,837
Other comprehensive income	(106,633)	(90,198)
Unit Holders' funds	(103,769)	(85,361)
If the New Zealand Dollar versus the Australian Dollar was 10% lower for the year:		
Profit and loss	(3,501)	(5,912)
Other comprehensive income	130,329	110,242
Unit Holders' funds	126,828	104,330

# Notes to the Consolidated Financial Statements

## (14.d) Liquidity Risk

The Group is subject to liquidity risk (the risk that the Group will not be able to meet its contractual or other operating obligations).

Liquidity risk is managed by continuously monitoring forecast and actual cash flows, maintaining appropriate head room under debt facilities and matching the maturity profiles of financial assets and liabilities. To help reduce liquidity risks the Group:

- has readily accessible unutilised credit facilities and other funding arrangements in place;
- seeks a debt maturity profile that limits the total debt maturing in any one 12-month period; and
- seeks to maintain sufficient loan covenant headroom to ensure that the Group can withstand downward movements in investment property valuations, a reduction in revenue and/or an increase in interest rates without breaching loan facility covenants.

### Liquidity risk exposure

The following table details the Group's exposure to liquidity risk based on the contractual undiscounted cash flows relating to financial liabilities, foreign exchange contracts and interest rate derivatives:

	Carrying value \$000s	Contractual cash flows \$000s	Less than 1 year \$000s	1-2 years \$000s	2-3 years \$000s	3+ years \$000s
<b>30 June 2021</b>						
<b>Non-derivative financial instruments</b>						
Borrowings (excluding borrowing costs)	(932,377)	(951,815)	(115,660)	(218,393)	(189,221)	(428,541)
Trade and other payables	(41,006)	(41,006)	(41,006)	-	-	-
Lease liability - ground lease	(4,236)	(4,236)	(163)	(170)	(178)	(3,725)
	(977,619)	(997,057)	(156,829)	(218,563)	(189,399)	(432,266)
<b>Derivative financial instruments</b>						
Interest rate swaps	(41,019)	(43,078)	(12,858)	(10,227)	(7,900)	(12,093)
Foreign exchange derivatives	245	245	245	-	-	-
	(40,774)	(42,833)	(12,613)	(10,227)	(7,900)	(12,093)
<b>30 June 2022</b>						
<b>Non-derivative financial instruments</b>						
Borrowings (excluding borrowing costs)	(1,018,777)	(1,164,084)	(31,947)	(281,961)	(144,008)	(706,168)
Trade and other payables	(31,945)	(31,945)	(31,945)	-	-	-
Lease liability - ground lease	(4,073)	(4,073)	(170)	(178)	(185)	(3,540)
	(1,054,795)	(1,200,102)	(64,062)	(282,139)	(144,193)	(709,708)
<b>Derivative financial instruments</b>						
Interest rate swaps	20,450	22,394	33	4,635	4,252	13,474
Foreign exchange derivatives	(418)	(418)	(418)	-	-	-
	20,032	21,976	(385)	4,635	4,252	13,474

### (14.e) Hedge Accounting

The Group is exposed to foreign exchange risk on its net investment in its AUD functional currency subsidiaries and seeks to hedge this risk using AUD-denominated borrowings and foreign exchange derivatives (net investment hedges).

As a result of the February 2021 refinancing exercise the Group paid down all of its NZ domiciled AUD borrowings which it had designated a portion as net investment hedges.

### Recognition and measurement

For a financial instrument to be classified and accounted for as an effective hedge there must be:

- an economic relationship between the hedged item and the financial instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the financial instrument that the Group actually uses to hedge that quantity of hedged item.

The Group documents its hedging relationships at their inception in accordance with the requirements of NZ IFRS 9 and the Board approved risk management strategy.

Hedge effectiveness is determined by the Group at the inception of the hedge relationship, and through semi-annual prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and the financial instrument. That portion of the foreign exchange differences arising on the financial instruments determined to be an effective hedge is recognised directly in other comprehensive income. Any ineffective portion is recognised in profit or loss.

On disposal of the foreign operation, the cumulative value of such gains or losses recognised in other comprehensive income is reclassified to the profit and loss in the statement of comprehensive income.

## 15. Commitments and Contingencies

Other than the contractual obligations disclosed in Note 6.e and Note 15.a, there are no other commitments and contingencies in effect at the reporting date (2021: nil).

### (15.a) 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 Group for listing on the NZSX is \$50,000.

# Notes to the Consolidated Financial Statements

## Efficiency of Operations

This section presents the Group's working capital position and the efficiency in which it converts operating profits into cash available for unit holders or reinvestment back into the operations of the Group.

### 16. Statement of Cash Flows Reconciliation from Operating Activities

	2022 \$000s	2021 \$000s
<b>Cash and cash equivalents</b>		
Australian financial institutions	4,417	3,208
New Zealand financial institutions	17,638	3,672
<b>Cash at bank</b>	<b>22,055</b>	<b>6,880</b>
<b>Reconciliation of profit after income tax to net cash flows from operating activities</b>		
<b>Profit after tax for the year</b>	<b>303,522</b>	<b>278,392</b>
<i>Adjustments for non-cash items</i>		
Change in fair value of investment properties	(244,239)	(235,383)
Fair value (gain)/loss on derivative financial instruments	(60,804)	(22,655)
Unrealised foreign exchange (gain)/loss	(26)	(2,454)
Realised foreign exchange (gain)/loss	11	4,399
Deferred taxation	50,473	32,217
Income in advance	(233)	(16)
Manager's incentive fee	15,914	12,402
Other	2,173	903
<b>Operating cash flow before changes in working capital</b>	<b>66,791</b>	<b>67,805</b>
Change in trade and other payables	3,532	1,467
Change in taxation payable	(7,969)	2,181
Change in trade and other receivables	(1,450)	(2,876)
Items classified as investing activities	(417)	(12,001)
<b>Net cash from operating activities</b>	<b>60,487</b>	<b>56,576</b>

Excluded from investing and financing activities are distributions paid during the year of \$23.8m (2021: \$19.0m) that have been reinvested under the Distribution Reinvestment Plan (DRP).

### Recognition and measurement

Cash and cash equivalents comprise cash at bank and call deposits, net of outstanding bank overdrafts.

The statement of cash flows is prepared on a GST exclusive basis. The GST component of cash flows arising from investing and financing, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

## 17. Trade and Other Receivables

	2022 \$000s	2021 \$000s
Trade receivables	1,931	968
Loss allowance	(291)	(345)
	1,640	623
Other receivables	802	1,011
<b>Total trade and other receivables</b>	<b>2,442</b>	<b>1,634</b>

### (17.a) Ageing of receivables Past Due

	2022 \$000s	2021 \$000s
0-30 days past due	785	656
31-60 days past due	320	50
61-90 days past due	824	33
	1,929	739

	2022 \$000s	2021 \$000s
<b>Movement in the loss allowance</b>		
Balance at the beginning of the year	345	281
(Decrease)/increase in allowance recognised in profit or loss	(54)	64
<b>Balance at the end of the year</b>	<b>291</b>	<b>345</b>

During the year the Group recognised bad debt write offs of \$0.06m (2021: nil) in the statement of comprehensive income.

The Group holds \$2.5m security or other collateral (2021: \$2.3m) in respect of rent receivables past due. The Group does not have significant credit risk exposure to any single counterparty or counterparties having similar characteristics in respect of rent receivables past due (2021: nil). There are no significant financial assets that have had renegotiated terms that would otherwise have been past due (2021: nil).

### Recognition and measurement

#### Rent receivables

Rent receivables are recorded initially at fair value (including GST) and subsequently at amortised cost in accordance with NZ IFRS 9 Financial Instruments ("NZ IFRS 9").

#### Impairment of financial assets and rent receivables

Loss allowances for rent receivables and other financial assets (other than those measured at fair value through profit and loss) are measured using the simplified approach based on a lifetime expected loss allowance. Refer Note 14.b for further details.

# Notes to the Consolidated Financial Statements

## 18. Other Assets

	2022	2021
	\$000s	\$000s
<b>Current</b>		
Deposits paid on property acquisitions	8,635	2,012
GST refundable	1,003	9,698
Other	5,813	1,026
<b>Total Current</b>	<b>15,451</b>	<b>12,736</b>

## 19. Trade and Other Payables

	2022	2021
	\$000s	\$000s
<b>Current liabilities</b>		
Interest accrued on borrowings	3,620	2,209
Other creditors and accruals	28,326	29,031
Other payables (Thames St)	-	9,765
<b>Total trade and other payables</b>	<b>31,946</b>	<b>41,005</b>

### Recognition and measurement

Trade and other payables are recognised initially at fair value (inclusive of GST) and subsequently measured at amortised cost using the effective interest method. The average credit term on purchases is generally 30 days and they are non-interest bearing. The Group has management policies in place to ensure that all amounts are paid within the applicable credit terms.

## Other Notes

### 20. Investment in Subsidiaries

The Trust has control over the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Holding	
			2022	2021
Vital Healthcare Australian Property Trust	Property investment	Australia	100%	100%
Vital Healthcare Investment Trust	Property investment	Australia	100%	100%
Vital Healthcare Property Limited	Property investment	New Zealand	100%	100%
Colma Services Limited	Holding company	New Zealand	100%	100%

All subsidiaries have the same reporting date as the Trust.

### 21. Subsequent Events

On 11 August 2022 a final cash distribution of 2.4375 cents per unit was announced by the Trust. The Record Date for the final distribution is 8 September 2022 and a payment is scheduled to unit holders on 22 September 2022. Imputation credits of nil cents per unit will be attached to the distribution.

Post 30 June 2022 the Group has:

- settled the acquisition of Kawarau Park Health Precinct, a newly developed health precinct comprising 6 tenanted buildings including Queenstown's only private hospital, situated in Kawarau Park in Queenstown, New Zealand for NZ\$94m (plus transaction costs). Settlement occurred on 7 July 2022.
- settled the acquisition of a 7,693 sqm parcel of land in Newtown, Hobart, Australia for A\$9.5m (plus transaction costs) for future development. Settlement occurred on 6 July 2022, and subsequently agreed terms with Nexus Hospitals to fund through the development of a new day hospital and ambulatory care facility for ~A\$98m (including land).
- unconditionally agreed to acquire a strata lot at 1/173 Chisholm Road, Ashtonfield, NSW Australia for A\$3.97m (plus transaction costs). This property adjoins Vital's East Maitland Private Hospital and is expected to settle in September 2022.
- received approval from Campbelltown City Council to be nominated as the tenant to the multi-stage ground lease development site in Campbelltown, Sydney, Australia (refer note 6.e) on 15 July 2022, resulting in all contractual conditions now being satisfied for the acquisition of this development site.

### 22. Related Party Transactions

The Trust has control over the following subsidiaries:

#### The Manager

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

The ultimate parent of NWI LP is Toronto listed NorthWest Healthcare Properties Real Estate Investment Trust (NWH REIT) that, as at reporting date, holds a 27.6% (2021: 26.0%) 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.

# Notes to the Consolidated Financial Statements

Other related parties by virtue of common 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.

## Current fee arrangements

In accordance with and from the effective date of the amended Trust Deed, the fee arrangements are as follows:

### Base Fee

The Base Fee structure is as follows:

- 65 bps per annum up to \$1bn of GAV;
- 55 bps per annum from \$1bn to \$2bn of GAV;
- 45 bps per annum from \$2bn to \$3bn of GAV; and
- 40 bps per annum over \$3bn 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% for each full year (pro rata for part years) for terms greater than three years (to a maximum of 20%), subject to a minimum fee of \$2,500.

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

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.



**d. Project management**

Vital pays project management fees to the Manager for managing capital expenditure projects where the purpose of the project is to upgrade, repair or otherwise extend the life of the property, including via the replacement or repair of major plant and equipment, structural items and building envelope.

Project management fees for projects with a budget of between \$0.2m and \$2.5m are 2% of the committed spend where the Manager is the project lead and 1% of committed spend where the Manager has an oversight role, increasing to 4% and 2% respectively for projects with a budget greater than \$2.5m.

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.

# Notes to the Consolidated Financial Statements

## Transactions with related parties

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

	30 June 2022 \$000s				30 June 2021 \$000s			
	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	15,737	-	15,737	-	13,014	-	13,014	53
Incentive Fee <sup>1</sup>	15,914	-	15,914	15,914	12,402	-	12,402	12,427
<b>Activity Fees:</b>								
Leasing/licensing <sup>2</sup>	157	3,136	3,293	1,139	147	1,345	1,492	1,375
Property management <sup>3</sup>	1,541	-	1,541	258	1,500	-	1,500	326
Facilities management <sup>3</sup>	-	-	-	-	-	-	-	-
Project management <sup>4</sup>	-	157	157	161	-	158	158	158
AFSL fee	1,210	-	1,210	-	995	-	995	-
	<b>34,559</b>	<b>3,293</b>	<b>37,852</b>	<b>17,472</b>	<b>28,058</b>	<b>1,503</b>	<b>29,561</b>	<b>14,339</b>
<b>Additional Costs:</b>								
Acquisitions <sup>5</sup>	-	7,864	7,864	4,446	-	4,050	4,050	1,852
Disposals	-	-	-	-	1,011	-	1,011	-
Development management <sup>6</sup>	-	4,356	4,356	2,771	-	3,447	3,447	3,709
	-	<b>12,220</b>	<b>12,220</b>	<b>7,217</b>	<b>1,011</b>	<b>7,497</b>	<b>8,508</b>	<b>5,561</b>
<b>Other Amounts:</b>								
Reimbursement of third party expenses:								
Other expenses	141	-	141	-	92	-	92	-
Amounts paid to directors: <sup>7</sup>								
Andrew Evans	90	-	90	-	90	-	90	-
Graham Stuart	171	-	171	-	143	-	143	-
	<b>402</b>	-	<b>402</b>	-	<b>325</b>	-	<b>325</b>	-
	<b>34,961</b>	<b>15,513</b>	<b>50,474</b>	<b>24,689</b>	<b>29,394</b>	<b>9,000</b>	<b>38,394</b>	<b>19,900</b>

1 Manager's incentive fee outstanding at 30 June 2022 of \$15.9m (Jun 20: \$12.4m) is payable to NorthWest Healthcare Properties Management Limited

2 Amounts outstanding at 30 June 2022 are: NorthWest Healthcare Properties Management Limited \$1.0m (Jun 21: \$0.2m); NorthWest Healthcare Australian Property Limited \$0.1m (Jun 21: \$1.2m)

3 Property Management and Facilities Management fees, exclusive of recoveries from tenants, incurred by the Trust totalled \$1.5m and nil respectively for the 30 June 2022 year (Jun 21: \$1.5m and nil respectively).

Amounts outstanding at 30 June 2022 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 30 June 2022 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 30 June 2022 are: NorthWest Healthcare Properties Management Limited \$1.3m (Jun 21: \$0.1m); NorthWest Healthcare Australian Property Limited \$3.1m (Jun 21: \$1.7m)

6 Amounts outstanding at 30 June 2022 are: NorthWest Healthcare Properties Management Limited \$1.6m (Jun 21: \$1.4m); NorthWest Healthcare Australian Property Limited \$1.2m (Jun 21: \$2.3m)

7 Directors' fees for Michael Stanford and Angela Bull are currently paid by the Manager

### **Other Related Parties**

There have been no transactions that occurred during the reporting period or remain outstanding at the reporting date with other related parties.

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

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# Independent auditor's report



## Independent Auditor's Report

### To the Unitholders of Vital Healthcare Property Trust

#### Opinion

We have audited the consolidated financial statements of Vital Healthcare Property Trust and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 92 to 131, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the area of sustainability reporting non-assurance services and as independent AGM vote scrutineer. These services have not impaired our independence as auditor of the Group. The firm has no other relationships with, or interests in, the Group.

#### Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be \$2.8 million.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



#### Key audit matter

##### Valuation of Investment Properties

The Group's investment properties consist of health sector properties totalling \$3,339 million as at 30 June 2022. Revaluation gains on the Group's investment properties for the year ended 30 June 2022 of \$244 million were recognised in profit or loss. Information about the Group's property portfolio and valuation are set out in Note 6.

Investment properties are carried at fair value. Where significant development is in progress at a property, this is carried at cost, until either its fair value becomes reliably measurable or the development reaches practical completion.

The valuation of investment property is highly dependent on forecasts and estimates including a number of unobservable inputs to take into account property-specific attributes.

The Group's policy is to engage external valuers for no more than two years as per the Trust Deed, to perform valuations for each of the properties on an annual basis (either at the interim or annual reporting date). Independent registered valuers determined the fair value of approximately 42 percent of the investment properties at 30 June 2022, and the Board of Directors of the Manager determined the fair value of the remaining properties.

The valuation methods used for assessing the fair value include a combination of direct comparison, discounted cash flow, capitalisation of contract and market income approaches.

The external valuers and the Manager, amongst other matters, take into consideration occupancy rates, weighted average lease term to expiry ('WALE') and capitalisation rates.

COVID-19 continues to cause disruption to economies in which the Group operates. Note 6g discloses information about the ongoing impact of COVID-19 on the valuation of investment properties. operates. Some independent valuations are reported on the basis of significant valuation uncertainty.

The valuation of investment properties is a key audit matter due to the subjective judgements and assumptions in the valuation models, including those that relate to the continued impacts of COVID-19.

#### How our audit addressed the key audit matter

We have evaluated the appropriateness of the valuation of investment property by performing the following:

- Reviewing the external valuers' valuation reports and the valuation reports prepared by the Board of the Manager. We evaluated the key metrics, including capitalisation rate, market rent and contract rent on a property and portfolio basis for year on year movements and assessed whether in our judgement, the movements represented outliers to investigate. We held discussions, on a sample basis, with the valuers and separately, with representatives of the Manager and challenged assumptions, including the possible outliers identified.
- Agreeing property specific information supplied to the external valuer and used in the Manager's valuations, including occupancy data, current rentals, and lease terms, to the underlying records held by the Group.
- Evaluating the objectivity, independence and expertise of the external valuers.
- Evaluating the expertise of the Board of Directors of the Manager.
- With respect to significant property developments:
  - where the Group has determined the development has reached practical completion, obtaining evidence supporting the Group's estimates of the expected future rental cash flows that will apply upon completion and the costs to complete the development;
  - where property developments are carried at cost, testing the cost incurred to date on a sample basis.
- Involving our valuation specialists to consider and challenge, on a sample basis, the reasonableness of the assumptions and valuation methodology applied, including comparing assumptions to market data where available.
- Reviewing valuation reports for continued impacts of COVID-19 and how this was considered in the valuation, including rental deferrals or abatements.
- Reviewing the valuations for any limitations of scope, as a result of the continued COVID-19 pandemic, that would impact the reliability of the valuations.

# Deloitte.

## Other information

The Board of Directors of the Manager are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

## Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors of the Manager are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors of the Manager are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Manager either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1>

This description forms part of our auditor's report.

## Restriction on use

This report is made solely to the Group's unitholders, as a body. Our audit has been undertaken so that we might state to the Group's unitholders those matters we are required to state to them in an auditor's 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 Group's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte Limited*

**Silvio Bruinsma, Partner  
for Deloitte Limited**  
Auckland, New Zealand  
11 August 2022

# Unit Holder statistics

## Analysis of unit holders as at 30 June 2022

Holding Range	Number of unit holders	Total units	% of total units issued
1 - 499	230	42,055	0.01
500 - 999	85	60,232	0.01
1,000 - 1,999	270	394,764	0.06
2,000 - 4,999	810	2,772,850	0.43
5,000 - 9,999	1,049	7,488,772	1.15
10,000 - 49,999	2,050	45,259,687	6.97
50,000 - 99,999	290	19,508,859	3.01
100,000 - 499,999	126	21,868,129	3.37
500,000 - 999,999	9	5,771,995	0.89
1,000,000 Over	17	545,987,853	84.11
<b>Rounding</b>			<b>-0.01</b>
<b>Total</b>	<b>4,936</b>	<b>649,155,196</b>	<b>100</b>

## Substantial unit holders as at 30 June 2022

Unit holders	Date notice of files	Number of units	% of total units issued <sup>1</sup>
NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST	1-Jul-22	179,415,788	27.64
FORSYTH BARR INVESTMENT MANAGEMENT LIMITED	21-Mar-22	40,830,714	7.07
ACCIDENT COMPENSATION CORPORATION	31-Mar-22	29,235,951	5.05
ANZ NEW ZEALAND INVESTMENTS LTD	21-Mar-22	26,304,841	5.06

<sup>1</sup> On date notice filed

## Twenty largest unit holders as at 30 June 2022

Unit holders	Total	% of units
NZGT SECURITY TRUSTEE LIMITED	173,085,625	26.66
FORSYTH BARR CUSTODIANS LIMITED	56,518,639	8.71
CUSTODIAL SERVICES LIMITED	51,147,244	7.88
CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD	33,996,925	5.24
ACCIDENT COMPENSATION CORPORATION - NZCSD	32,870,326	5.06
HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	31,647,510	4.88
HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD	21,059,231	3.24
ANZ WHOLESALE TRANS-TASMAN PROPERTY SECURITIES FUND - NZCSD	18,259,832	2.81
JPMORGAN CHASE BANK NA NZ BRANCH- SEGREGATED CLIENTS ACCT - NZCSD	16,497,427	2.54
NEW ZEALAND DEPOSITORY NOMINEE LIMITED	14,854,569	2.29
JBWERE (NZ) NOMINEES LIMITED	12,495,909	1.92
TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD	10,892,676	1.68
BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	10,463,066	1.61
FNZ CUSTODIANS LIMITED	10,224,446	1.58
INVESTMENT CUSTODIAL SERVICES LIMITED	6,696,960	1.03
ANZ WHOLESALE PROPERTY SECURITIES - NZCSD	5,202,686	0.80
MFL MUTUAL FUND LIMITED - NZCSD <MFLA90>	5,060,184	0.78
NORTHWEST HEALTHCARE PROPERTIES MANAGEMENT LIMITED	4,569,984	0.70
BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD	4,536,322	0.70
FORSYTH BARR CUSTODIANS LIMITED	3,877,863	0.60
<b>Top 20 holders of Units</b>	<b>523,957,424</b>	<b>80.71</b>
<b>Total Remaining Holders Balance</b>	<b>125,197,772</b>	<b>19.29</b>

# Vital's structure

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

## 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 47<sup>1</sup> properties is valued at ~\$3.3 billion with 72% (by value) located in Australia and the balance in New Zealand. The portfolio has over 135 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](http://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 Unit Holders.

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 76 for more details.

Vital's leadership team is led by Aaron Hockly (Fund Manager), and draws on the skills and experience of over 60 real estate professionals across New Zealand and Australia with offices in Auckland, Melbourne, Sydney and the Gold Coast. Refer to page 78 for more details.

## NorthWest

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.

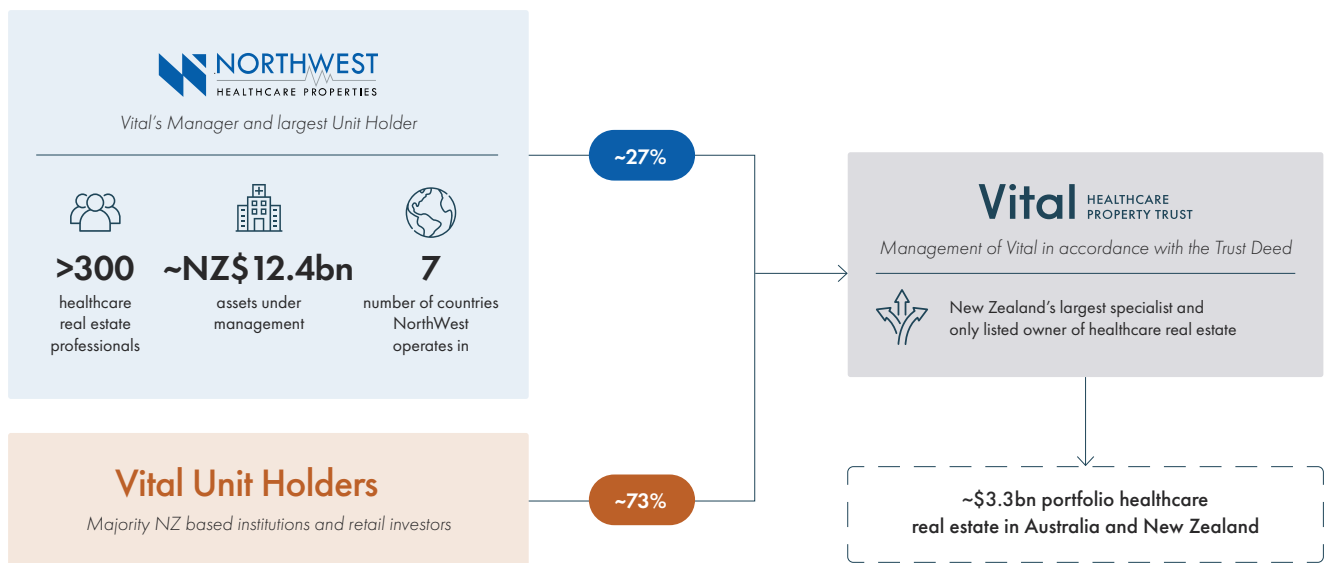
NorthWest REIT has ~NZ\$12.4 billion of assets under management globally and over 300 real estate professionals. In Australia and New Zealand, NorthWest is led by regional CEO and NorthWest REIT President, Craig Mitchell.

<sup>1</sup> Includes post 30 June 2022 acquisition of Kawarua Park Health Precinct, Queenstown





## OUR STRUCTURE – A UNIT TRUST



In Australia and New Zealand, NorthWest has a 60+ team of healthcare property professionals.





Healthy properties  
deliver healthy returns

# Directory

## MANAGER

### NorthWest Healthcare Properties Management Limited

Level 17, HSBC Tower,  
188 Quay Street  
Auckland 1010

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

### Sydney Office

NorthWest Healthcare Properties REIT  
Level 2, 285 George Street  
Sydney, NSW 2000, Australia

### Gold Coast Office

Gold Coast, QLD 4218, AU

## BOARD AND OFFICERS OF THE MANAGER

Graham Stuart – Independent Chair

Angela Bull – Independent Director  
(Appointed 26 April 2022)

Paul Dalla Lana – Director

Andrew Evans – Independent Director  
(retired on 30 June 2022)

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

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Auckland 1010

Private Bag 115-033  
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## LEGAL ADVISERS TO THE TRUST AND THE MANAGER

### Bell Gully

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Auckland 1140

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

### Ashurst Australia

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South Tower,  
GPO Box 4958  
Melbourne, Victoria 3001

Telephone: +61 3 9679 3000

## SUPERVISOR

### Trustees Executors Limited

Level 11/51 Shortland Street  
Auckland 1010  
PO Box 4197  
Auckland 1140

Telephone: 0800 878 783  
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

ANZ Centre Melbourne, Level 9  
833 Collins Street, Docklands  
Victoria 3008, 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

2 Queen Street,  
Auckland CBD,  
Auckland 1010  
New Zealand

### Credit Agricole CIB Australia Limited

Aurora Place  
88 Phillip Street  
Sydney NSW 2000  
Australia

## UNIT REGISTRAR

### Computershare Investor Services Limited

159 Hustmere Road  
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This document has been prepared by NorthWest Healthcare Properties Management Limited (the **Manager**) as manager of the Vital Healthcare Property Trust (the **Trust**). This document provides general information only and is not intended as investment, legal, tax, financial product or financial advice or recommendation to any person and must not be relied on as such. You should obtain independent professional advice prior to making any decision relating to your investment or financial needs.

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](http://www.nzx.com/companies/VHP).

