

# FMCA Compliance Annual Report 2022

**Vital** HEALTHCARE  
PROPERTY TRUST

Managed by NorthWest Healthcare  
Properties Management Ltd

[www.vhpt.co.nz](http://www.vhpt.co.nz)

## DETAILS OF THE SCHEME

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

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

The offer of interests in the Scheme was originally made under the Unit Trust Act 1960.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

Vital's latest financial statements and the auditor's report for those statements were lodged with the Disclose Register on 11 August 2022.

## DESCRIPTION OF THE SCHEME

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

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

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

## INFORMATION ON COMPOSITION OF THE SCHEME

This Annual Report covers the accounting period from 1 July 2021 to 30 June 2022.

The number of managed investment products, being units in the Scheme (**Units**) on issue at the start of the accounting period was 519,752,625. The number of Units on issue at the end of the accounting period was 649,155,196.

## CHANGES RELATING TO THE SCHEME

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

### TRUST DEED

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

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

### TERMS OF THE OFFER OF UNITS

Vital continues to be a closed ended fund and does not continuously offer units for subscription. Vital offers units for subscription from time to time to raise equity capital. During the period 1 July 2021 to 30 June 2022, the following offers were made:

- an underwritten 1 for 8.54 pro rata accelerated entitlement offer launched on 28 April 2022 that raised gross proceeds of approximately \$200 million;
- an underwritten placement and non-underwritten unit purchase plan launched on 13 October 2021 that raised gross proceeds of \$115 million and \$27.8 million respectively; and
- an active dividend reinvestment plan, the terms of which remained unchanged during the current accounting period.

### STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (SIPO)

The SIPO was lodged on the Disclose Register on 9 August 2018 and amended and lodged on 6 December 2021. The material amendments made to the SIPO lodged on 6 December 2021 were to ensure financial strategies currently or potentially used by Vital for foreign exchange and interest rate risks were referenced and to include social infrastructure and ancillary healthcare assets as potential asset classes.

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

### RELATED PARTY TRANSACTIONS

During the period 1 July 2021 to 30 June 2022 there were no changes to the nature and scale of related party transactions.

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

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

## VALUATION AND PRICING METHODOLOGIES

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

## FINANCIAL CONDITION AND PERFORMANCE OF THE SCHEME

Despite increased economic uncertainty and rising debt costs, the Manager 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 Manager and Vital.

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 despite 12 months passing reflecting acquisitions, disposals, leasing, development and other portfolio improvements.

Vital has continued to deliver on its strategies to develop and grow its unique healthcare portfolio in Australia and New Zealand, while providing significant growth in returns for its Unit Holders.

### FY22 Highlights

- 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 8.875 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;
- \$287 million of property acquisitions and \$15 million of disposals undertaken (before transaction costs);
- \$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%; and
- Appointment of Angela Bull as an Independent Director, completing a two-year process of Board renewal.

As at 30 June 2022 Vital had net assets of \$2,165.9 million (2021: \$1,503.5 million), comprising total current assets of \$40.0 million (2021: \$21.5 million), total non-current assets of \$3,359.9 million (2021: \$2,641.1 million) and total liabilities of \$1,234.0 million (2021: \$1,159.1 million).

Total comprehensive income for the 12 month period to 30 June 2022 was \$340.4 million (2021: \$280.5 million), and total distributions relating to the period to Unit Holders were \$55.2 million (2021: \$44.4 million), representing 9.625 cents per Unit (2021: 8.875 cents per Unit).

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

## FEES

The following fees and expenses were charged in respect of the Scheme in dollars and as a percentage of the Scheme's property for the 12 month period to 30 June 2022.

	2022 \$000s	Percentage of Scheme's Property <sup>1</sup>
<b>Total fees and expenses incurred</b>		
Management fees	15,737	0.46%
Manager's incentive fee	15,914	0.47%
Leasing / Licencing fees	157	0.00%
Property management fees	1,541	0.05%
AFSL fee	1,210	0.04%
	<b>34,559</b>	<b>1.02%</b>
<b>Service fees capitalised</b>		
Acquisition fees	7,864	0.23%
Leasing / Licencing fees	3,136	0.09%
Project management fees	157	0.00%
Development management fees	4,356	0.13%
<b>Total fees charged by the Manager and associated persons</b>	<b>50,072</b>	<b>1.47%</b>
Auditor's remuneration	200	0.01%
Supervisor's fees	532	0.02%
Other operating income/expenses	4,072	0.12%
<b>Total fees &amp; expenses</b>	<b>54,876</b>	<b>1.61%</b>

<sup>1</sup>: Totals may not add due to rounding

## MANAGER'S FEES

### Remuneration of the Manager

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

### Current Fee Arrangements

#### Base Fee

The Base Fee structure is as follows:

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

#### Incentive Fee

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

#### Activity Fees

The Activity Fee structure is as follows:

a) Leases or licences

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

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

b) Property management

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

c) Facilities management

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

d) Project management

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

### **Additional Costs**

The Additional Costs structure is as follows:

a) Acquisitions

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

b) Disposals

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

c) Development Management

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

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

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

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

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

## SCHEME PROPERTY

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

	2022 \$000s	2021 \$000s
<b>Non-current assets</b>		
Investment Properties	3,339,169	2,634,588
Derivative financial instruments	20,692	-
Other non-current assets	-	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	22,055	6,880
Trade and other receivables	2,442	1,634
Other current assets	15,451	12,736
Derivative financial instruments	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>

## CHANGES TO PERSONS INVOLVED IN THE SCHEME

Andrew Evans resigned as director of the Manager effective 30 June 2022. The Manager appointed Angela Bull as a Director of the Manager effective 26 April 2022.

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

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

## HOW TO FIND FURTHER INFORMATION

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

You have the right, free of charge and during normal office hours, to inspect that part of the Unit register that relates to your Units on giving 5 working days' notice to the Manager.

You also have the right, free of charge, on giving 5 working days' notice and during normal office hours, to inspect a copy of the Trust Deed, SIPO and annual financial statements at the Manager's registered office, which is located at: HSBC Tower, Level 17, 188 Quay Street, Auckland Central. Alternatively, you can obtain a copy free of charge by writing to us at: PO Box 6945, Victoria Street West, Auckland 1142.

## **CONTACT DETAILS AND COMPLAINTS**

### **Manager**

NorthWest Healthcare Properties Management Limited  
PO Box 6945, Victoria Street West, Auckland 1142  
Attn: Company Secretary  
Telephone: 0800 225 264  
Email: [enquiries@vhpt.co.nz](mailto:enquiries@vhpt.co.nz)  
Website: [www.vhpt.co.nz](http://www.vhpt.co.nz)

### **Trustee and Supervisor**

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

### **Registrar**

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

### **Complaints**

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

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

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

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