Annual Report 2023

REVITALISING OUR HEALTHY PORTFOLIO

Vital HEALTHCARE PROPERTY TRUST
Managed by Northwest

Contents

FY23 HIGHLIGHTS

~NZ$155m

DIVESTMENTS COMPLETED OR TRANSACTED

~NZ$192m

SPENT ON DEVELOPMENT AND CAPITAL WORKS

$2.96

NTA PER UNIT

NZ$65m

DISTRIBUTIONS PAID TO UNIT HOLDERS

As part of its sustainability efforts, hard copy Annual Reports will no longer be mailed unless specifically requested by Unit Holders. As with previous results, the full Annual Report will be emailed to Unit Holders and will be available on the NZX and be posted on Vital's website: https://www.vitalhealthcareproperty.co.nz/financial-results/. This initiative will save approximately 252,000 pages of printing per annum and reduce our greenhouse gas emissions both through reducing printing and mailing.

Investors who would like to receive a printed Annual Report can request one by calling 0800 225 264 (toll free from within NZ), emailing enquiry@vhpt.co.nz or mailing a request to: Northwest Healthcare Properties Management Limited, PO Box 6945, Victoria Street West, Auckland.

AWARDS & RECOGNITION

SECOND PLACE

SECOND PLACE FOR LISTED HEALTHCARE (GLOBALLY) 2022

FINALIST

FINALIST 2023 AWARDS

FINALIST SILVER

SILVER AND FINALIST COMMUNICATIONS AWARD 2023

Vital HEALTHCARE PROPERTY TRUST

NZX listed property trust which owns ~$3.4 billion of healthcare property in New Zealand and Australia.

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

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

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

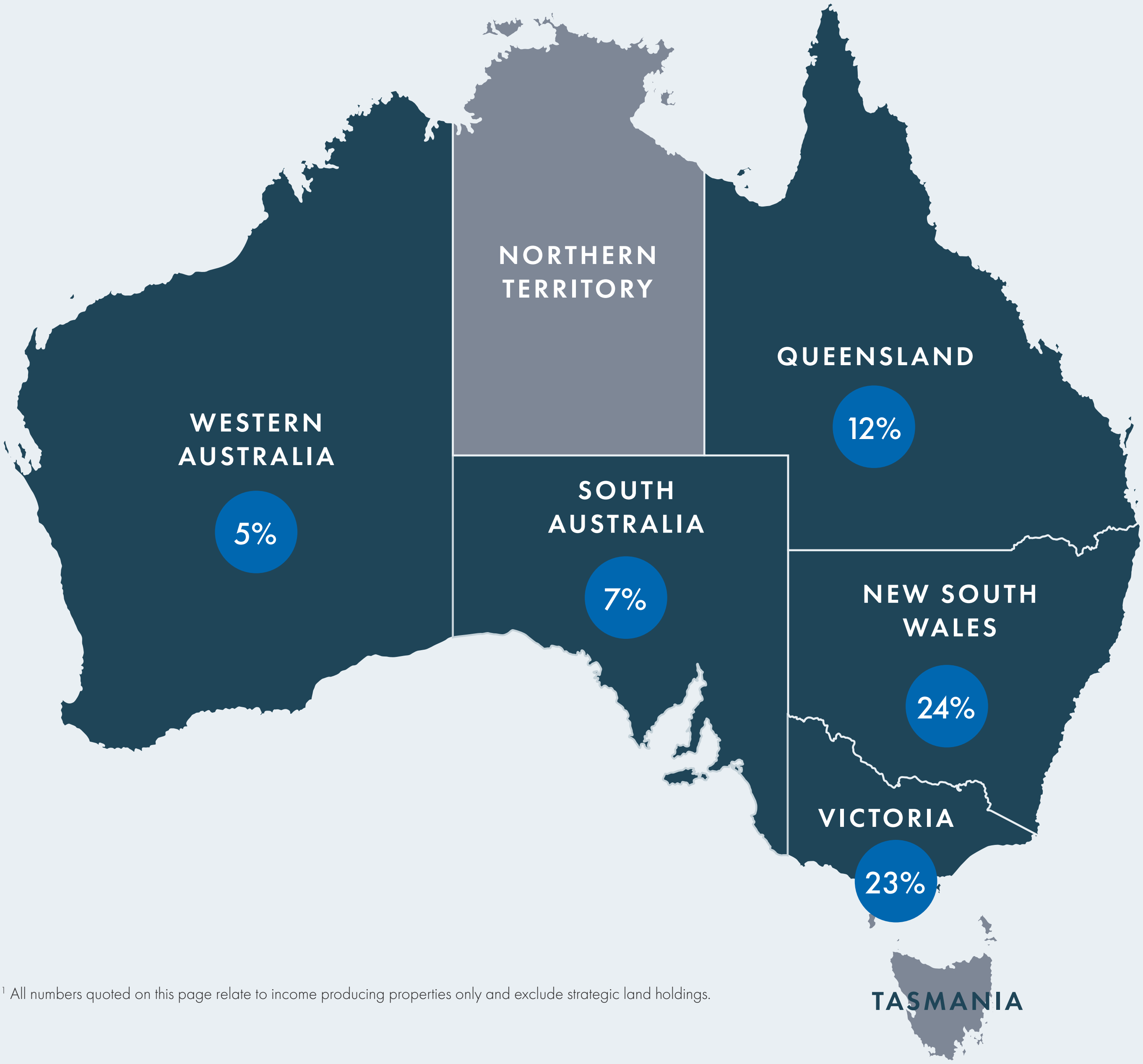
INTEGRITY

Doing what's right

PARTNERSHIP

Succeeding together

Overview of Vital[1]



[1] All numbers quoted on this page relate to income producing properties only and exclude strategic land holdings.

$145m

ANNUAL NET PROPERTY INCOME

5.05%

WEIGHTED AVE CAP RATE

98.9%

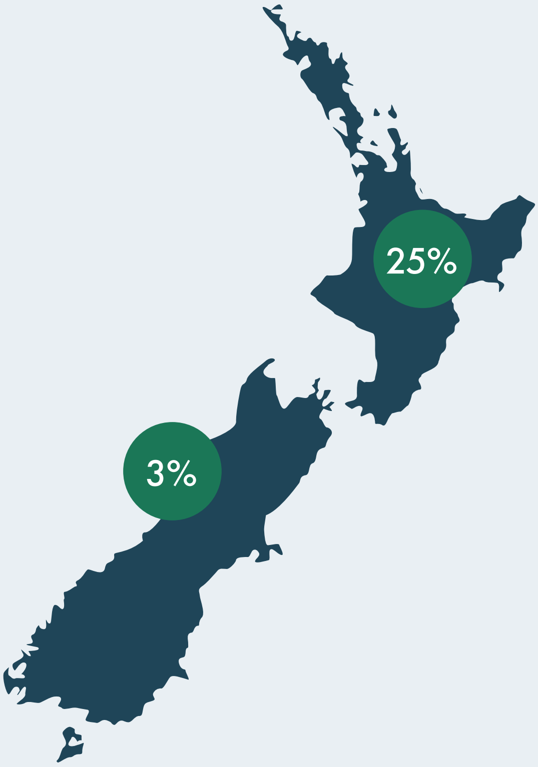
PORTFOLIO OCCUPANCY

9.9 years

AVERAGE BUILDING AGE

17.8 years

WALE



FY23 Key Numbers

8.1%

AFFO (CASH EARNINGS) GROWTH[1]

18.1%

NET PROPERTY INCOME GROWTH

~$2.4bn

COMMITTED AND POTENTIAL DEVELOPMENT PIPELINE

27%

GROWTH IN DISTRIBUTIONS OVER 10 YRS (2.7%P.A.)

$154m

ACQUISITIONS COMPLETED

36.3%

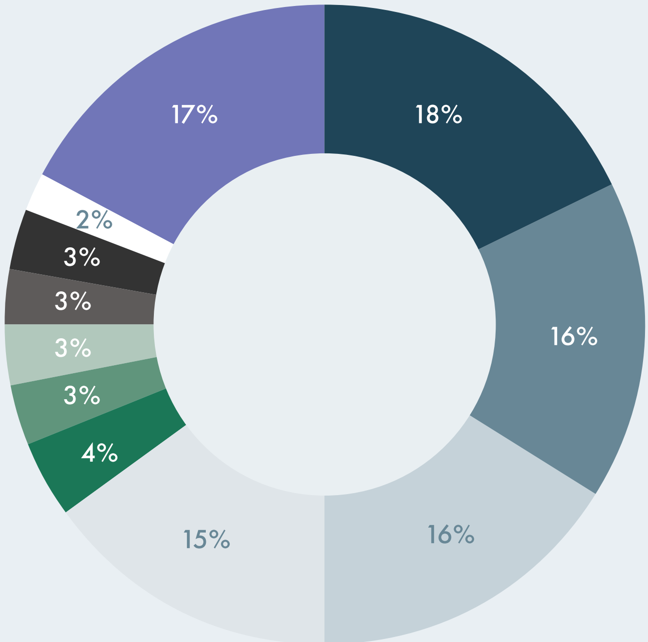
BALANCE SHEET GEARING

[1] Refer Financial Statements (Note 10) for the reconciliation to statutory operating profit.

Tenant Diversification[1]

% of Rent

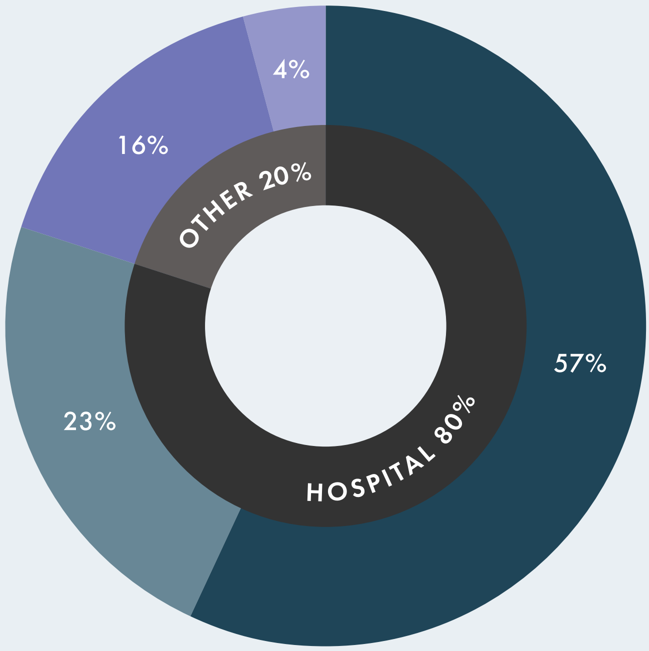
Aurora Healthcare	18%
Healthe Care Surgical	16%
Epworth Foundation	16%
Evolution Group (NZ)	15%
Hall & Prior	4%
Southern Cross (NZ)	3%
Sportsmed	3%
Bolton Clarke	3%
Mercy Ascot (NZ)	3%
Te Whatu Ora (NZ)	2%
Other	17%



Sub-sector Diversification[1]

% of Value

Acute Hospitals	57%
Specialty Hospitals (mental health & rehabilitation)	23%
Ambulatory Care	16%
Aged Care	4%



[1] Reflects the portfolio post divestment of assets currently contracted but not yet settled.

Key Events of FY23

Q1

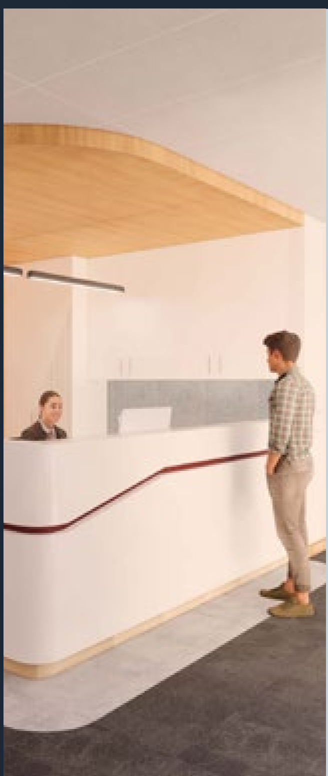
JULY 2022

- A$47.1m[1] Playford Hub (Stage 2) commenced construction.

SEPTEMBER 2022

- 2.4375 cpu distribution paid
- joined Green Building Councils NZ & Australia

JULY 2022



Q2

OCTOBER 2022

- NZ$42.9[1] Ormiston Hospital expansion commenced main works construction
- GRESB 5-Star rating

NOVEMBER 2022

- A$2.4m South Eastern Private Hospital refurbishment commenced construction
- B- result for CDP (up from C in 2021)

DECEMBER 2022

- 2.4375 cpu distribution paid
- A$140.7m[1] 6-star Green Star RDX Bldg received Development Approval
- A$96.5 Epworth Eastern reached final Practical Completion (Consulting Suites)
- A$22.6m Belmont Private Hospital expansion received Certificate of Occupancy

[1] including land

Q3

FEBRUARY 2023

- A$140m[1] RDX commenced construction

MARCH 2023

- 2.4375 cpu distribution paid
- Completion of refinancing increases facility limit by A$100m and WA expiry of facilities resulting in no expiries until early 2025

JUNE 2023

Q4

MAY 2023

- Finalist for INFINZ Equity Market Transaction of the year

JUNE 2023

- 2.4375 cpu distribution paid
- Silver medal and finalist for the Communication special award in the Australasian Reporting Awards
- Royston Day Surgery a finalist in the Property Council of New Zealand Awards

Short, medium and longer term progression

	FY13	FY20	FY23	
Total property value	~$0.57bn (AUS: 71%, NZ: 29%)	~$2.09bn (AUS: 76%, NZ: 24%)	$3.38bn (AUS: 72%, NZ: 28%)	**493%** growth (FY12-FY23)
WALE	11.9 years	18.1 years	17.8 years	Maintenance of market leading WALE
Average Building Age[2]	Data not availabile	13.5 years	9.9 years	Younger buildings reduce maintenance capex requirements
Net Property Income (annual)	$48m	$100m	$145m	**216%** increase (FY12 - FY23)
Development pipeline	~$60m	$410m	$2.4bn[3]	Enhance earnings and valuation growth and support portfolio development
Largest single tenant exposure	40%	47%	18%	Concentration risk reduced
Sector split	Hospital: 88% Ambulatory care: 12% Aged care 0%	Hospital: 82% Ambulatory care: 12% Aged care 6%	Hospital: 80% Ambulatory care: 16% Aged care: 4%	Diversity of assets reduces risk and enhances earnings
Weighted average cap rate	9.30%	5.54%	5.05%	Reduction demonstrates: (1) quality of assets and tenants; and (2) value added by leasing and development undertaken

[1] 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.
[2] Average building age = the later of the date of construction or the last significant capital works
[3] Includes $336.6m of committed development spend remaining including fund-through developments and ~$2.0bn of developments being considered. Development timing and therefore spend expected to be over a staged and lengthy period (at least 10 years)

Portfolio enhancements including sale of non-core assets and development of new healthcare facilities in core healthcare precincts with strong green credentials support our target of growing AFFO and distributions by 2–3% per unit per annum.

	FY13	FY20	FY23	
Balance sheet gearing	42.3%	38.7%	36.3%	No debt expiring until March 2025
Average debt maturity	3.8 years	1.8 years	3.8 years	Significantly expanded
NTA per unit	$0.98	$2.38	$2.96	**202%** growth (FY12-FY23)
AFFO per unit (cpu)	8.0c[4]	10.45c	11.18c	**40%** growth (FY12-FY23)
Distributions per unit (cpu)	7.7c	8.75c	9.75c	**27%** growth (FY12-FY23)

NO DEBT EXPIRING UNTIL MARCH 2025

[4] Net Distributable Income per unit (AFFO not reported)


Main Entry
Nau Mai, Haere Mai
MOJO

Manager's report

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

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 2023 (FY23).

The sales and development programme is expected to enhance the age, diversity, quality and resilience of Vital's existing portfolio. It is consistent with Vital's previously announced strategies particularly of focusing on newer buildings with high green credentials in core or emerging healthcare precincts.

FY23 highlights included:

- 1.3% increase in distributions per unit from 9.625 cpu to 9.75 cpu (consistent with guidance) on a prudent 87% AFFO pay-out ratio.
- NZ$100m of disposals undertaken (including one property which settled in July 2023) with a further NZ$55m contracted for sale.
- NZ$192m of capital expenditure undertaken comprising NZ$187m for developments, ~NZ$5m for value-add works and ~NZ$0.6m for maintenance and tenant incentive related works.
- Commencement of ~NZ$257m of new developments including:
  - Vital's first life sciences investment, RDX on the Gold Coast, which is expected to cost A$140m (including land);
  - Stage 1 of the Macarthur Health Precinct in Campbelltown, New South Wales, being a A$64m cancer centre (including amortising fit-out loan); and
  - A$29m aged care conversion works at Mt Eliza, Victoria.
- 5-Star rating for developments received from independent standards organisation GRESB (formerly the Global Real Estate Sustainability Benchmark) as well as second place for listed healthcare entities globally, third place for standing investments against peers globally and being ranked in the top quartile for developments for all listed entities in Oceania.
- Extension of amount and tenor of debt facilities to reduce future net income volatility for Unit Holders and fund part of Vital's development pipeline.

Our commitment to sustainability

Vital has continued significant Environmental, Social and Governance efforts over the last financial year. These efforts have aligned with the Northwest overarching Sustainability Framework cultivating healthy and sustainable places through Thriving Partners, Healthy Planet, Strong Communities, and an Inclusive Company along with a variety of Enablers to support this.

Key sustainability achievements:

- Establishing a Data Baseline Year for Emissions Reporting
  - We are required to set a predetermined baseline year for data that our emissions targets are assessed against. 2022 was agreed as our most robust and complete set of annual utility and greenhouse gas relating data. This effort was achieved through collaboration and partnership with our key tenants in understanding the requirements of utility data collection. Through these relationships we achieved a 100% data collection rate for all utilities at landlord-controlled properties and 97% electricity data collection at tenant-controlled properties.
- Advancing our commitment to Net Zero by 2050
  - Net Zero emissions refer to reducing CO_{2e} emissions as close to zero as possible, with any remaining emissions neutralised through carbon removal projects.
  - Vital remains steadfast to our emissions target and is actively engaging in setting a SBTi (Science Based Target Initiative) aligned short-term 2030

8.1%

INCREASE IN AFFO (CASH IN EARNINGS)

18.1%

INCREASE IN NET PROPERTY INCOME

NZ$3.4b

PROPERTY PORTFOLIO

6.2%

DECREASE IN AFFO PER UNIT

interim target covering Scope 1 (direct CO_{2e} emissions), Scope 2 (indirect CO_{2e} emissions from the purchase of electricity) and a minimum of 67% of Scope 3 (indirect CO_{2e} emissions occurring in the value chain) emissions.

- To further understand our current business operations we have conducted Level 2 Energy Audits at all landlord-controlled properties leading to detailed roadmaps of energy conservation measures as opportunities to enact against our emission target.

- Commitment to cultural acknowledgement
  - Northwest recognises a social responsibility to not only achieve better health outcomes in communities we serve but also to improve reconciliation outcomes with Australia's First Nations peoples. Northwest has commenced their reconciliation journey to develop a Reflect Reconciliation Action Plan (RAP) to integrate and prioritise reconciliation across the business.
  - A Reflect RAP is a 12 month commitment that steps out actions we will take for reconciliation initiatives in a meaningful, mutually beneficial and sustainable way. As outlined in Reconciliation Australia's RAP Framework, there are four different types of RAP that are each designed to suit varying stages of an organisations reconciliation journey. These are Reflect, Innovate, Stretch & Elevate.
  - Established a Cultural Working Group to further cultural competency of Māori culture through an understanding of language, history and practice of customs.

- Increased scoring in ESG reporting frameworks
  - Vital's GRESB score increased last year as noted in highlights above.
  - Vital's CDP (formerly Carbon Disclosure Project) score increased from a C in 2021 to a B- in 2022.
  - This increase in score placed the entity in the 'Management' category in progress towards environmental stewardship. The Management score indicates that Vital is showing evidence of managing our environmental impact.

- Ongoing commitment to tenant partnership and engagement
  - In FY22, Northwest conducted a global tenant engagement survey through external consultants, Grace Hill | Kingsley Surveys using comprehensive survey tools and benchmarked against their reputable Kingsley Index. The Kinglsey Index is one of the most extensive real estate benchmarks surveying over 7.3million participants annually. Our tenants were invited to participate through answering a 15minute survey on a variety of tenant satisfaction matters, including ESG.
  - Using this information we have established a baseline of tenant satisfaction scores and comments, we seek to improve these scores through a variety of actions including tenant engagement events and succinct communication between our asset managers.

- Launch of Sustainable Development Guidelines
  - Due to the nature of Vital operations, consolidated targets specific to development processes have been established in line with Green Star requirements and to further emissions targets, including embodied carbon.

- Commitment to the Task Force for Climate-Related Financial Disclosures
  - Under New Zealand legislation, Vital will submit a disclosure aligning to the XRB Aotearoa New Zealand Climate Standards (CS1, CS2 and CS3). This will include information covering Governance, Strategy, Risk Management and Metrics and Targets. We will release this prior to October 2024.

Vital remains passionately committed to achieving sustainability targets and our work will continue in concentrated efforts to see these through.

Portfolio overview

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

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

The average building age has been maintained at a young 9.9 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.

Net property income

Net property income increased by 16.1% from FY22 (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 18.1%.

~86% of Vital's rent is linked to CPI. 76% of this having a weighted average annual limit of ~3.6% 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 3.6% over FY23 on a same currency basis.

Acquisitions

No material new acquisitions were undertaken during FY23 reflecting a large shift in Vital's cost of capital and a strategy of focusing on new developments ahead of acquisitions.

Divestments

During FY23, the Manager announced a process of selling >NZ$200m of non-core assets to fund Vital's development pipeline. Consistent with this announcement, $100m of divestments were undertaken during FY23 (including one asset which settled in July 2023) at a weighted 8.4% discount to previous book value. A further NZ$55m of assets have been contracted for sale and are expected to settle over the coming months. An additional NZ$100m of non-core assets are being targeted for sale in FY24.

These sales, coupled with Vital's development programme, is expected to enhance the age, diversity, quality and resilience of Vital's existing portfolio. Among other enhancements, a greater percentage of Vital's portfolio will be green buildings located in core or emerging healthcare precincts.

Developments

In addition to asset enhancing and maintenance capital expenditure, Vital has ~$425m of development projects underway in New Zealand and Australia with ~$282m remaining to spend excluding land costs. In addition, ~$101m of fund-through (developments where Vital is funding through the development rather than acting as developer) developments have been committed to with ~$55m remaining to spend.

Further details of specific developments are available on pages 32-37 of this report.

Financial results

Cash from operations available to Unit Holders, measured by AFFO, increased 8.1% to $73.3m. AFFO per unit was 11.18c; a 6.2% decrease from FY22, reflecting the deployment of equity raised in FY22 not yet fully producing income for the fund during the period.

Expenses were $75.8m, 14.5% higher than FY22 reflecting 30% higher borrowings cost due to the increased interest rate environment coupled with higher borrowings compared to FY22.

Vital's NTA per unit decreased by 11.4% to $2.96 primarily due to $208.6m of property revaluation losses driven by market forces. The revaluation losses recognised due to the softening cap rate across the portfolio by 46bps were offset somewhat by ~$26m gains from development margins and ~$140m due to rental increases and leasing.

Capital management

During the year Vital's debt facilities were increased by ~A$100m along with a renegotiation of expiring facilities. The next debt facility expiries now occur early 2025. Vital has a weighted average debt maturity at 30 June 2023 of 3.8 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 2023 was 4.93% (30 June 2022: 3.73%) reflecting a challenging cost of debt environment.

$30m (before costs) of equity was raised primarily via the Distribution Reinvestment Plan (DRP) offered to unitholders.

The debt to total assets ratio was 36.3% at 30 June 2023 (30 June 2022: 30.0%). Vital currently has approximately A$180m of headroom under its debt facilities and considers that along with the divestment programme underway there is enough headroom available to facilitate the development pipeline reported in this Annual Report.

FY24 guidance

The Board and management are pleased to provide FY24 distribution guidance of at least 9.75 cpu (payable quarterly) at a minim consistent with FY23 distributions. The payout ratio is expected to be ~90% of AFFO.

Refer to disclaimer on back page of this report for limitations to this guidance.

Outlook

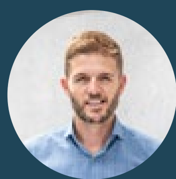
Despite recent heightened market volatility, healthcare property remains a defensive asset class, underpinned by a high level of government support and non-discretionary spending. This has been demonstrated by recent sales in the sector notably in Australia.

Our plan for the short to medium term is:

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

Nā māua noa, nā

Graham Stuart
Independent Chair



Aaron Hockly
Fund Manager

10 August 2023
Northwest Healthcare Properties Management Limited, the Manager of Vital Healthcare Property Trust

Financial summary

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

	2019 $000s	2020 $000s	2021 $000s	2022 $000s	2023 $000s
Financial Performance					
Net property income	97,683	100,147	109,663	123,018	145,224
Revaluation gain/(loss) on investment properties	103,556	45,703	235,383	244,239	(208,553)
AFFO and distributions					
Adjusted Funds From Operations (AFFO) [1]	43,897	47,211	57,457	67,824	73,335
AFFO (cpu)	9.90	10.45	11.54	11.92	11.18
Cash distribution to Unit Holders (cpu)	8.75	8.75	8.88	9.63	9.75
Financial Position					
Total assets	1,931,543	2,105,218	2,662,560	3,399,834	3,429,712
Borrowings	734,211	813,515	929,300	1,018,777	1,239,156
Total equity	1,029,745	1,078,979	1,503,451	2,165,876	1,957,383
Debt to total assets ratio (%)	35.3	38.7	35.0	30.0	36.3
Net tangible assets ($ per unit)	2.31	2.38	2.89	3.34	2.96

Portfolio metrics

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

	2019	2020	2021	2022	2023
Investment properties ($m)	1,836	2,086	2,634	3,339	3,381
Number of investment properties[1]	42	44	41	46	45
Occupancy (%)	99.4	99.4	99.2	98.8	98.9
Weighted average lease term to expiry (years)	18.1	18.1	18.7	17.6	17.8
12 month lease expiry (% of income)	1.7	1.4	1.7	1.7	1.8

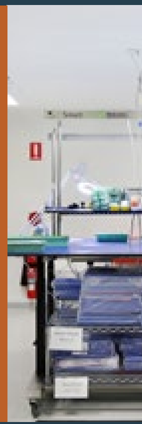
[1] Excludes properties held for development
[2] Disposals include Eden Private Hospital and Apollo Health and Wellness Hub.

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.

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

HOSPITALS



OUT-PATIENT/ AMBULATORY CARE

AGED CARE

LIFE SCIENCES/ RESEARCH

Target Portfolio Weightings

Comprises

Public, private, specialty, rehabilitation and mental health hospitals

Targeting

Government supported or high private health insurance catchments with growing populations

Target portfolio weighting

50 - 70%

(30 June 2023: 80%)

Comprises

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

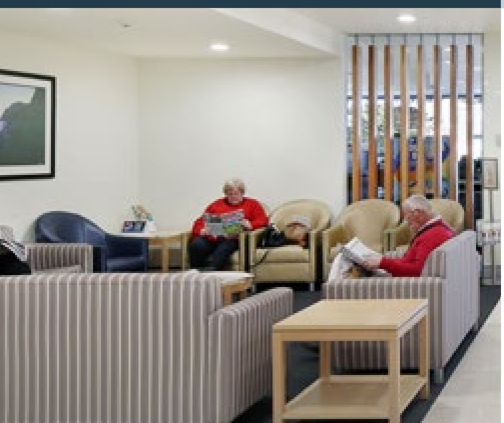
Targeting

Facilities located in a healthcare precinct[1] and/or from where healthcare is delivered

Target portfolio weighting

10 - 20%

(30 June 2023: 16%)



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 2023: 4%)

Comprises

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

Targeting

Specialised facilities and/or facilities located in a healthcare precinct[1]

Target portfolio weighting

5 - 15%

(30 June 2023: 0%. Note- Expected to increase to ~5% on completion of RDX)

[1] 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

Australian portfolio overview

PRIVATE HOSPITALS

- 16 hospitals (acute and specialty – mental health, rehabilitation)
- 4 hospital operators
- 77% of AUS portfolio value; 79% of AUS rent
- WALE: 19.4 years

AMBULATORY CARE

- 6 assets, multiple tenants
- 17% of AUS portfolio value; 12% of AUS rent
- WALE: 6.6 years

AGED CARE

- 8 facilities
- 2 operators
- 6% of AUS portfolio value; 9% of AUS rent
- WALE: 13.0 years

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

QUEENSLAND

- Baycrest Aged Care
- Belmont Private Hospital
- Palm Beach Currumbin Clinic
- Tantula Rise Aged Care
- The Southport Private Hospital (under contract for sale)

NEW SOUTH WALES

- Clover Lea Aged Care
- Darlington Aged Care
- Fairfield Aged Care
- Grafton Aged Care
- Hirondelle Private Hospital
- Hurstville Private Hospital
- Lingard Day Centre
- Lingard Private Hospital
- Maitland Private Hospital
- Mons Road Medical Centre (contracted for sale)
- The Hills Clinic
- Toronto Private Hospital

VICTORIA

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

~$2.4bn

30[1] PROPERTIES (AUS)

[1] Income Producing Property (excludes strategic assets)

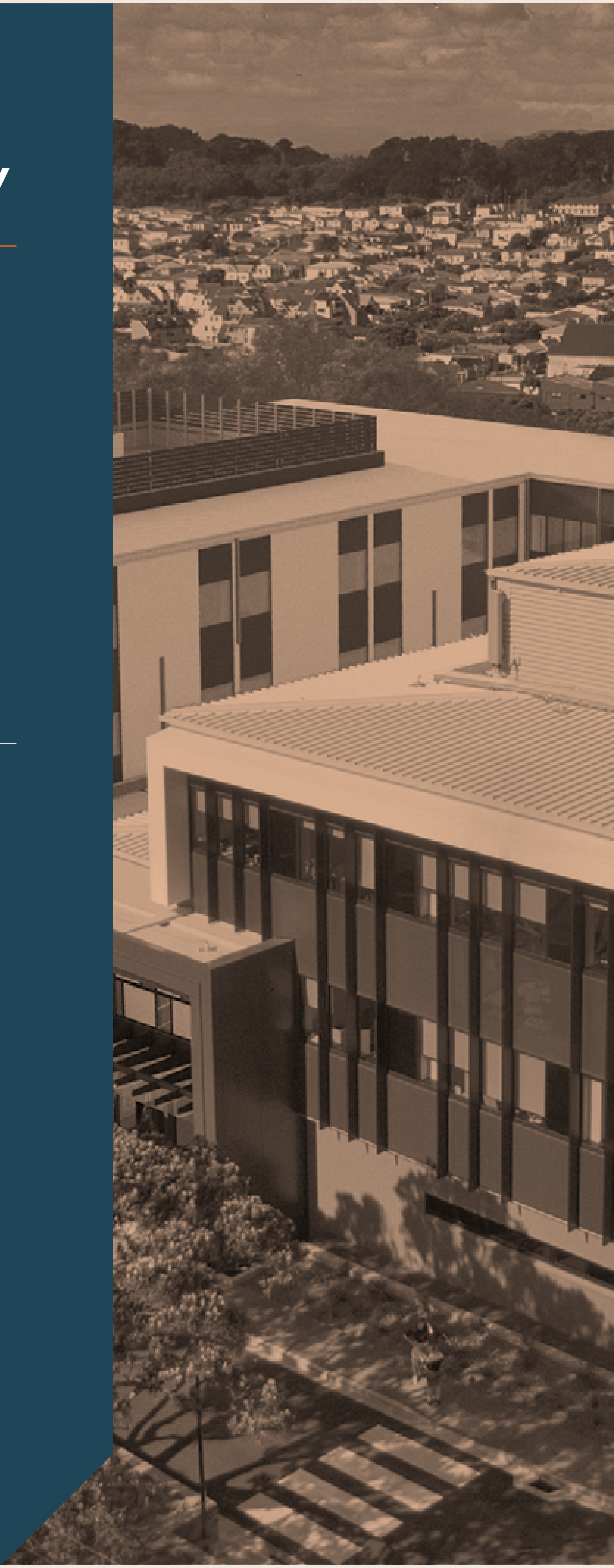
New Zealand portfolio overview

PRIVATE HOSPITALS

- 9 hospitals (all acute)
- 6 hospital operators
- 81% of NZ portfolio value; 83% of NZ rent
- WALE: 20.6 years

AMBULATORY CARE

- 6 assets, multiple tenants
- 19% of NZ portfolio value, 17% of NZ rent
- WALE: 10.6 years



~$1.0bn

15[1] PROPERTIES (NZ)

NORTH ISLAND

- 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

SOUTH ISLAND

- Kawarau Park Health Precinct
- 68 Saint Asaph St

[1] Income Producing Property (excludes strategic assets)

Featured Assets

Valued at $1.32bn and representing 39% 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.

Epworth

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$410m 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

15.8%
% OF VITAL'S PORTFOLIO

1999
YEAR ACQUIRED BY VITAL

A$490m
VALUE

Epworth Eastern Hospital, 17-23 Nelson Rd (development land), Ekera 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 Healthe 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$200m.

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

8.1%
% OF VITAL'S PORTFOLIO

2010
YEAR ACQUIRED BY VITAL

A$252m
VALUE

Lingard Private Hospital, Lingard Day Centre & 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 $127m. It is operated by Mercy Ascot, New Zealand's second largest private hospital operator. Ascot Central is valued at $39m 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

5.5%
% OF VITAL'S PORTFOLIO

1999
YEAR ACQUIRED BY VITAL

$187m
VALUE

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

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 has recently substantially completed a $23m development to add an additional 35 beds, 13 consulting suites and 70 car parks.

150
PATIENT BEDS

~43,000sqm
LAND AREA

~8,700sqm
NLA

11.0km
PROXIMITY TO PUBLIC HOSPITAL

5.1%
% OF VITAL'S PORTFOLIO

2010
YEAR ACQUIRED BY VITAL

A$158m
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

4.6%
% OF VITAL'S PORTFOLIO

2017
YEAR ACQUIRED BY VITAL

$156m
VALUE

Wakefield Hospital & 678 High St (development land)
ASSETS

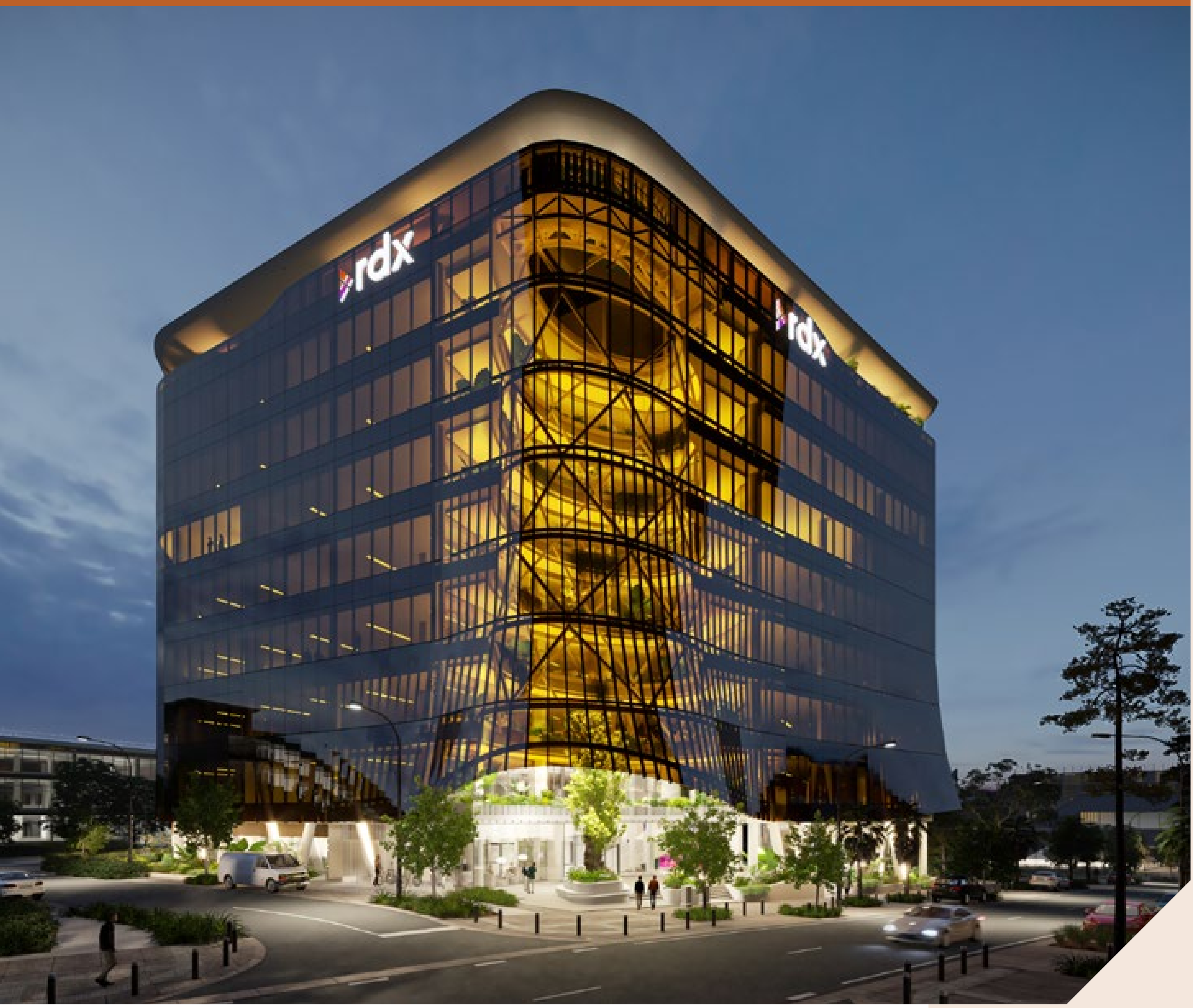
Update on Assets under Development

Vital has 9 committed developments underway at a total projected cost of $425m with $282m remaining to spend. In addition, Vital has $101m of fund-through developments underway and a potential development pipeline of $2.0bn.

Development land worth >$200m is being prepared for future development.

During FY23 $192m was spent on developments & capital expenditure and ~$257m of new developments were commenced.

All images in this section are artists impressions.



RDX

RDX is a nine-story premier health, research and innovation (Life Sciences) building delivering specialised health-orientated uses and is proposed to be connected to Gold Coast Private Hospital via a link bridge, offering a premium proposition for practitioners seeking to provided public and private services.

RDX is targeting a 6 Star Green Star Design and As Built rating, aiming to be the first all-electric, carbon neutral ready healthcare asset to be delivered of its kind in the precinct. Construction has commence on site and forecast for completion in 2025.

A$140m
total cost incl land

~5.6%
fully let blended yield

8.0 years[1]
WALE

June 2025
forecast completion

[1] estimated on practice completion

SUSTAINABILITY FEATURES

- Targeting 6 star green star certification
- Reduced embodied carbon
- End of Trip Facilities and EV charging
- All electric, carbon neutral ready building powered by renewable energy
- Climate scenario analysis and adaptation undertaken

Macarthur Health Precinct

A$64m
total cost incl land and fitout

~4.3%
stabilised net yield

15.0 years
WALE

July 2024
forecast completion

Macarthur Health Precinct is a multi-stage NSW precinct development located in close proximity to the Campbelltown Public Hospital.

Stage one consists of a three storey comprehensive cancer care and wellness centre providing radiation and medical oncology services, diagnostics, theranostics, clinical trials, and research. Stage 1 is registered for 6 Star Green Star Design and As-Built certification. The facility will include ongrade parking. The project is in construction and forecast to complete in 2024.

Stage two consists of a complimentary medical office building and short stay surgical hospital which is currently in design. Stage 2 is registered for 5 Star Green Star Buildings. Stages 3 and 4 are earmarked for private hospital, mental health, healthcare innovation and research.

SUSTAINABILITY FEATURES

First healthcare precinct registered and targeting a Green Star Communities rating in Australia

Playford

Playford Health Hub is a multi-stage health precinct development opposite Lyell McEwin Public Hospital, the third largest hospital in South Australia.

Stage 1 consists of retail and multideck car park anchored by a lease to SA Health fort 250 car spaces, along with providing amenity for the broader precinct including food outlets, supermarket, health supplies and community services and organizations. Stage 1 was completed in 2022.

Stage 2 is a three level specialist medical office center incorporating radiation therapy, radiology, oncology, pathology, imaging, occulting and hospital support services with a proposed link bridge. The building is targeting 6 Star Green Star rating. Stage 2 construction is progressing on site and forecast for completion in 2024. Stage 3 is a purpose-built private hospital, currently in design.

A$47m	10.0 years	~7.3%	April 2024
total cost incl land	WALE	Stabilised net yield	forecast completion

Ormiston

The Ormiston Hospital expansion is a new three storey building with internal links to the existing Hospital, consisting of a twenty inpatient bed ward on level one, a three theatre endoscopy suite, future CSSD cold shell on level two, and a 119 bay on grade car park. The project is in construction and due for completion in 2024.

NZ$43m
total cost incl land

~5.1%
fully let blended yield

20.0 years
WALE

July 2024
forecast completion

Endoscopy Auckland

Endoscopy Auckland is a new three storey building, providing 4 procedure rooms, associated services, staff areas and basement carparking. The project is in construction and due for completion in late 2024.

NZ$23m
total cost

~5.1%
net yield

20.0 years
WALE

November 2024
forecast completion

Sustainability

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

SUSTAINABILITY FRAMEWORK

NORTHWEST'S SUSTAINABILITY FRAMEWORK

Thriving partners

Preparing lasting tenant spaces for health and healing

Inclusive company

Building for our current team members as well as our future employees

Healthy planet

Deepening our contribution to a healthy planet

Strong communities

Investing in the communities we serve

Enablers

- Sustainability governance and team
- Sustainability integration into investment processes
- Sustainable financing
- Green leases
- Reporting and disclosures

ACKNOWLEDGEMENT OF COUNTRY

Northwest acknowledges the Traditional Owners of Country throughout Australia, especially the lands on which we live and work, and recognises their continuing connection to lands, waters and communities.

Northwest also acknowledges the Rangatiratanga of Māori as Tangata Whenua and Treaty of Waitangi partners in Aotearoa New Zealand.

We pay our respects to all First Nations peoples and to Elders past, present and emerging.

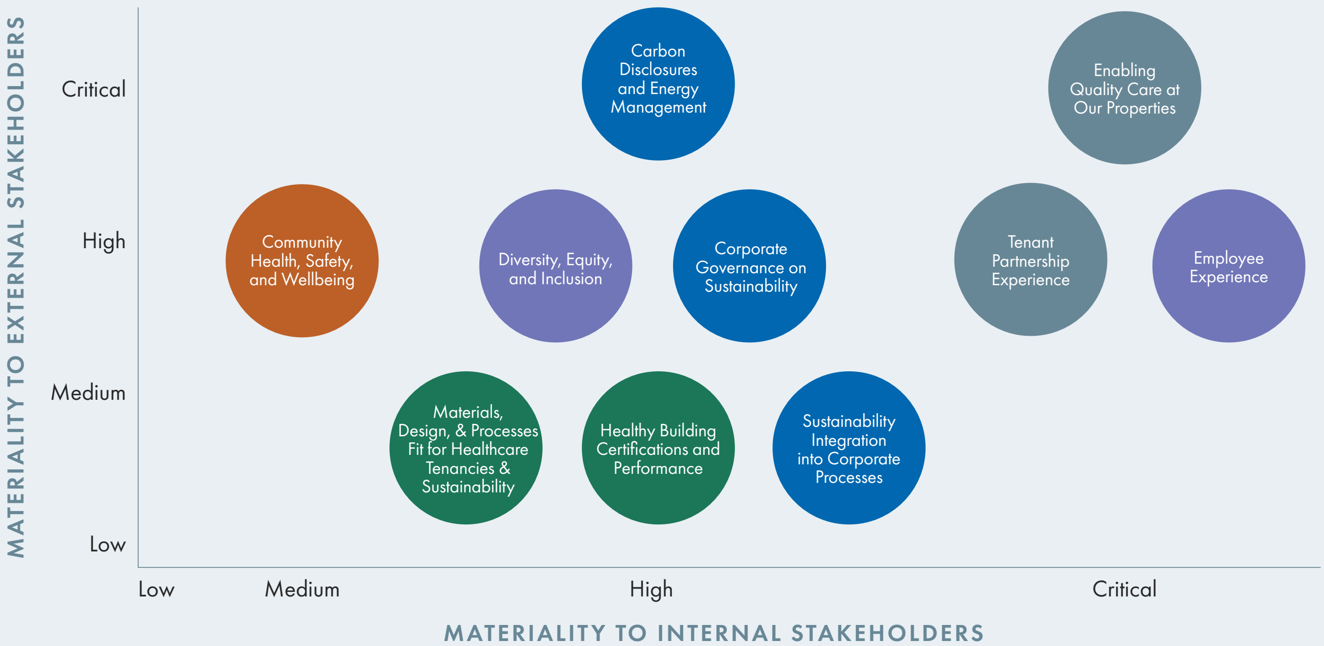
Sustainability Framework

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.

This framework will continue to guide our efforts and investments as we grow, evolve, and define our future.

Materiality

Vital continuously assesses the issues and topics that our investors, stakeholders and employees find to be of importance. The completed materiality assessment provides context and direction to the broader ESG strategy. Having completed a materiality assessment in 2021, we will look to reinforce these findings with a reassessment of materiality measures in 2024/2025 with key internal and external stakeholders.



Governance structure

VITAL BOARD

↑

OPERATIONAL RISK COMMITTEE

↑

ANZ Steering Committee

Global President & CEO
Vital Fund Manager
Global CAO
VP Operations
Chief Financial Officer
Executive Director(s)
VP Sustainability & Development
Sustainability Associate(s) (ANZ)

CHIEF ADMINISTRATIVE OFFICER (CAO)

↑

Global Sustainability Team

CAO
VP Operations
Director Sustainability (Canada)
VP Sustainability & Development (ANZ)
Sustainability Associate(s) (ANZ)
Sustainability Analyst(s) (Canada)
Project Manager (s) (Brazil, Germany)
HR Operations (Canada)
EA & Office Manager(s) (Canada, Brazil)

ESG Working Groups

SUSTAINABLE OPERATIONS & FACILITIES MANAGEMENT

Responsible for investigating and implementing efficiency measures across the Vital portfolio

GLOBAL REPORTING WORKING GROUP

Responsible for providing direction and strategy on Climate-Related Disclosure activities, including climate related risks and opportunities.

Responsible for ESG related reporting frameworks and disclosures required within annual reporting period.

MODERN SLAVERY WORKING GROUP

Responsible for identifying and addressing risk of modern slavery within Vital operations and supply chains

CULTURAL WORKING GROUP

Responsible for advancing cultural strategy and outcomes, specific to developing the Reconciliation Action Plan and enhancing Māori culture

SUSTAINABLE DEVELOPMENT

Responsible for managing enactment of sustainable measures in accordance to the Sustainable Development Guidelines and Green Star requirements

Targets and achievements

FY23 Sustainability Achievements and Key Commitments

239,579 kWh
Additional solar generation in 2022

100%
Air quality testing complete

489
Additional meters identified 2022. 16,944 points of utility data reported on

100%
Vital base building meters have automated utility data capture

SBT
Commitment to set near term "Science Based Emissions Target"

31
Vital assets achieve Green Star Performance Rating

EV Charging
Strategy in development to launch FY23

Volunteering
Launch of Company Wide Volunteering Policy

Net Zero Roadmaps
Individual Asset Net Zero Roadmaps Completed

Deployment
of Tenant Satisfaction Survey & Employee Engagement Survey

Vital is committed to annually reporting to GRESB (formerly Global Real Estate Sustainability Benchmark) as an internationally recognised benchmarking process. Vital achieved a 5-Star rating and place in the top quartile for the Healthcare Listed asset class.

The results of the 2023 disclosure are expected in Q4 where we look to publicly release our achievement.

2021	2022
1 star	5 star
6th LISTED HEALTHCARE REAL ESTATE GLOBALLY	2nd LISTED HEALTHCARE REAL ESTATE GLOBALLY

For the third consecutive year, Vital has participated in CDP (formerly the Carbon Disclosure Project) a not-for-profit charity providing a disclosure framework for organisations and cities to review their environmental footprint. Vital scored a B- for 2022 and has been assessed as achieving a Management level for against environmental impact.

2021	2022
C	B-
AWARENESS	MANAGEMENT

Awareness

A C score indicates awareness-level engagement. The awareness score measures the comprehensiveness of a company's evaluation of how environmental issues intersect with its business and how operations affect people and ecosystems.

Management

A B score indicates environmental management. The management score indicates good environmental management with evidence of identified environmental impacts.

Climate Related Disclosure Reporting

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Vital is a Climate Reporting Entity (CRE) and subsequently required to comply with the Financial Sector Amendment Act 2021 to provide a climate-related disclosure. In accordance with the External Reporting Board (XRB) Aotearoa New Zealand Climate Standards (CS1, CS2 and CS3), Vital will release a disclosure prior to October 2024. The XRB Standards follow the recommendations and guidance of the Task Force on Climate-related Financial Disclosures (TCFD) with an aim to support the allocation of capital towards activities consistent with a transition to a lower emissions climate-resilient future.

Vital engaged auditors Deloitte to undertake an independent gap analysis of current business activities and operations against the released XRB standards. The gap analysis has enabled management to provide clear direction on informing actions throughout many different business divisions, to be delivered in line with the programme outlined below.

In alignment with the XRB standard's, our climate scenario analysis will involve climate related risk and opportunity assessments on all standing assets across a variety of time horizons and RCPs. To facilitate the analysis of these climate scenarios, Vital was an active participant in the working group collaborating to deliver the NZGBC Climate Scenarios for the Construction and Property Sector document.

FY22

DISCOVER

SEPTEMBER

Governance documentation review and gap analysis

- Review of existing documents, process, and policies for climate risk accountability
- Board's oversight of climate related risks and opportunities
- Management's role on assessing and managing climate-related risks and opportunities

DEFINE

OCTOBER

Risk management and strategy – documentation review and gap analysis

- Review of existing documentation, including the outputs of internal workshops and climate risk management-related documents
- Review of existing process for identifying and assessing climate-related risks, including methodology for identifying and assessing scope, size and impact, time horizons, value chain stages
- Identify processes for managing climate-related risks

STRATEGISE

NOVEMBER

Targets and metrics – documentation review and gap analysis

- Choice of cross-industry metrics & consistency with XRB's climate-related metric categories
- Relevance and rationale for choice of industry-specific metrics (as defined by XRB), and any other performance indicators
- Description and rationale for target and process for GHG report compliance (considering 3rd-party assurance over inventory and its link to the XRB CRD report)

DELIVER

DECEMBER

Final CRD recommendations and roadmap

- Full gap analysis completed
- Roadmap for achieving CRD compliance delivered

FY23

DISCOVER

FEBRUARY

Report to Vital Board

- Present key findings of gap analysis and the road map for CRD compliance to the Board and executive team

DEFINE

JUNE

Portfolio stress tests

- Undertake portfolio climate risk stress testing (physical and transition risks)
- Generate physical risk heat mapping
- Test portfolios for emissions intensity

WE ARE HERE

FY24

STRATEGISE

NOVEMBER

Adaptation and transition planning

- Identify options for strengthening portfolio resilience
- Identify options for decarbonising portfolios

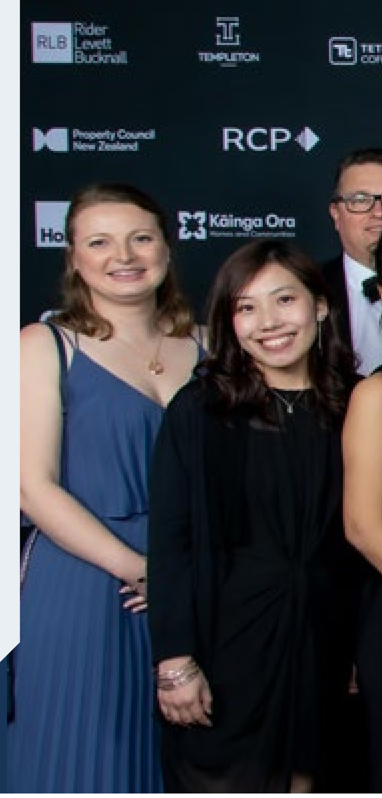
FY25

DELIVER

OCTOBER

- First CRD released

Thriving partners



Northwest 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 survey

Supporting our healthcare partners is at the core of what we do and essential to our mutual success. Efficient operations and intentional development contribute to healthy spaces that support the medical community and patient outcomes.

In the latter part of 2022 we deployed our inaugural tenant engagement survey partnering with Grace Hill | KingsleySurveys, a company that assists with comprehensive commercial property surveys, action planning and industry bench marking. The Kingsley Index is one of the most extensive real estate benchmarks surveying over 7.3million participants annually. All Vital tenants were invited to participate through answering a 15 minute survey on a variety of tenant satisfaction matters, including ESG. Survey responses have been carefully considered by our asset managers and will inform the progress of strengthening our tenant relationships moving forward.

Using this information we have established a baseline of tenant satisfaction scores and comments, we seek to improve these scores through a variety of actions including tenant engagement events and succinct communication between our asset managers.

KINGSLEY
A Grace Hill Company

Tenant Spotlight Evolution Healthcare

Our tenant partnership, Evolution Healthcare, have a commitment to education and sponsorship through their Social strategy. Elements of this strategy include; providing scholarships for specialist research through the Surgical Research Trust, hosting the Endoscopy Conference for specialist-to-specialist learning and supporting specialist-to-General Practitioner (GP) learning through the Connect Conference. While enhancing medical healthcare, Evolution considers staff wellbeing and engagement a key pillar to their strategy encouraging staff to participate in both Auckland's Round the Bays and the Hawkes Bay Marathon by supporting registrations.

Strategic tenant alliances

To enhance collaboration with our healthcare partners, Vital established ESG alliance agreements with Epworth Healthcare and Evolution Healthcare. These alliances provide a platform for knowledge sharing and identification of key ESG opportunities resulting in overall increased environmental and social outcomes.

In 2022, our partnership with Evolution Healthcare resulted in the Wakefield Hospital development being awarded the Warren and Mahoney – Award of Excellence through the Property Council New Zealand Rider Levett Bucknall Property Industry Awards.

The established Sustainability Working Group including key representatives from various business divisions at both organisations continue efforts to enhance sustainability partnership opportunities and are focused on reducing scope 3 emissions.

Our partnership with Epworth Healthcare remains steadfast with both partners committed to providing and supporting healthcare for the community. In honour of this, on World Mental Health Day our Executive Director, Richard Roos, and Vice President Asset Management, Toan Nguyen, visited Epworth Camberwell with lunch and dinner on us, to recognise the outstanding level of care they provide patients with every day.

In the spirit of knowledge-sharing, we have facilitated a number of webinars on ESG related topics for our tenant Facility Managers and respective employees. These topics have covered carbon, waste and circularity and include information on each sustainability principle and opportunities for either enactment or reduction efforts broadly.

Healthy planet

Northwest, as Vital's manager, 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.

Energy audits

In partnership with Veolia, we have concluded 21 "Level 2" energy audits with the remaining 26 site inspections completed and being put into formal reports.

The energy audit process involves verification of meters and metering systems within individual assets and thorough collection of utility information including electricity, gas, water and waste to inform total energy consumption and GHG baselines. The collection of this data allows for the identification of energy conservation measures and opportunities to enact within each asset to align with carbon targets. This also includes the identification of EV charging protentional and current refrigerants used on site to assist with improving our assets.

AIR QUALITY TESTING

100%

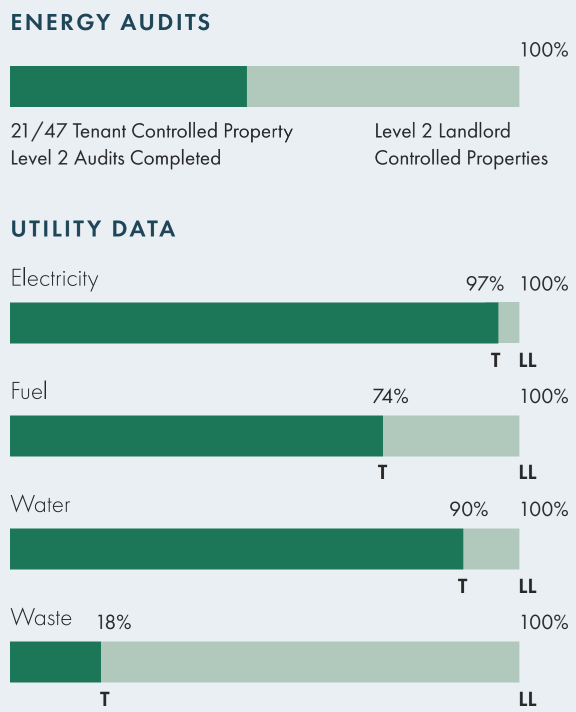
Landlord controlled areas in Vital's portfolio

All Vital assets by the end of 2023 will have individual net zero capital planning roadmaps and strategies in place to the reduction of property carbon intensity.

Data collection 2022

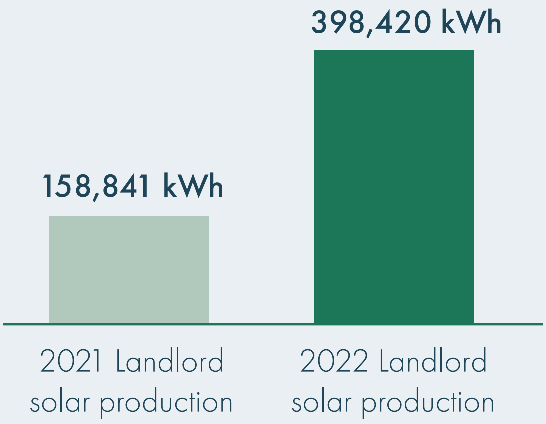
Vital has established 2022 as the baseline year for all data, this will inform our science-based targets and the ability to monitor efficiency measures against a fulsome data set.

2022 Baseline Data



LL - Landlord controlled properties
T - Tenant controlled properties

RENEWABLE ENERGY



GREEN POWER

33,829 kWh

2022 Landlord purchased green power

EV CHARGERS

A process to identify sites appropriate for EV chargers to be installed commenced in FY23 with the first installations expected to occur in FY24.

VEOLIA

Vital has continued and strengthened our partnership with Veolia, an international group specialising in utility services and environmental management.

Our partnership has strengthened our ability to capture, monitor and influence utility data across the portfolio. A collaborative effort saw the creation of a new utility monitoring system call Envirohub which enables the automatic collection of data into a centralised database, improving sight of utility information and emissions in real time.

Waste contracts

100% of landlord waste collected in Australia via Wasteflex and reported into our energy dashboard. In 2023 we are looking to find a similar solution for New Zealand and find a solution to better track tenant waste

Tenant fit out guide

A Sustainable Fit Out Guide was launched in 2022 for all tenants. Tenants are encouraged to follow this Guide by way of best practice including recommendations for sustainable materials, energy efficiency and reduction measures and overall promotion of environmental quality through process and design.

Ormiston waste separation project

The expansion project at the Ormiston Hospital site in Auckland, NZ is part of a waste separation project, facilitated by the Unitec Environmental Solutions Research Centre. This project is focused on identifying and overcoming barriers to effective plastic waste management particularly within the construction sector.

Green Star Commitments

All new building projects within Northwest's ANZ region are currently targeting a Green Star rating of 5 out of 6 stars. To support this, our Development Managers have been accredited with Green Star training and participate in a variety of Green Star courses on relevant information such as Embodied Carbon.

Sustainable Development Guidelines

Northwest's Sustainable Development Guidelines outlines a summary of key sustainability priorities and initiatives relevant to Vital.

Energy Efficiency

Efficient use of power is a key priority in support of the transition to 100 percent renewable-powered buildings, with high-performance physical plants, equipment, and services integrated into all projects. A 10 percent improvement above minimum code compliance is our target, with guidelines increasing to 20 percent from 2024 and 30 percent from 2026.

Waste to Landfill

With methane emissions from landfills a significant source of GHG emissions, we're aiming to divert more than 90 percent of our construction and demolition waste from landfill on all major projects. All projects are also required to include operational waste separation, with landfill, recycling, and organic waste streams provided as a minimum, aiming for an 80 percent landfill diversion.

Water Efficiency

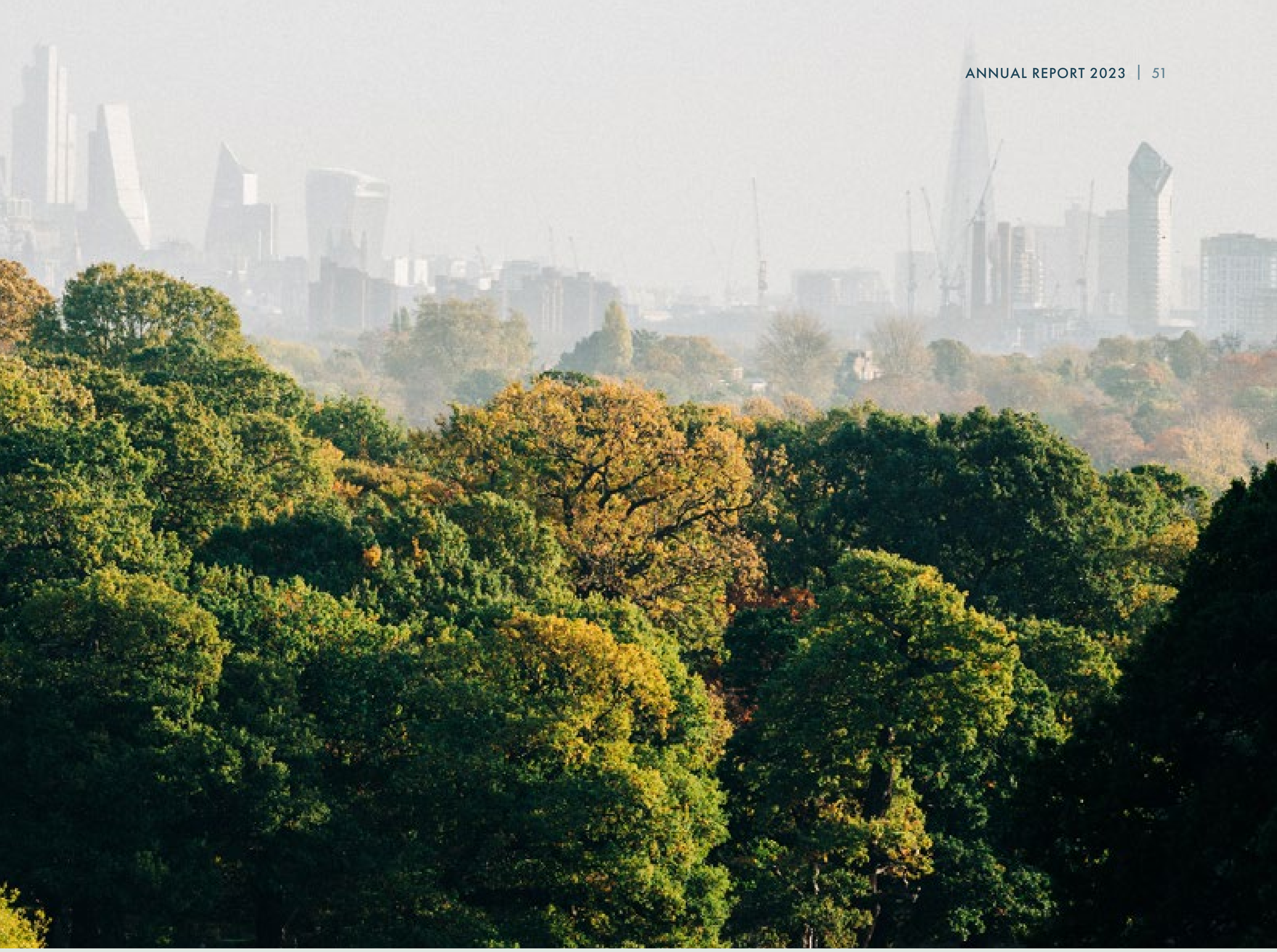
Water conservation is a priority, with all projects targeted to reduce potable water consumption by at least 15 percent compared to the average consumption intensity of similar asset types. Alternative water supplies such as rainwater or recycled shall be used where available.

Renewable Energy Powered, All-Electric Buildings

All major projects are intended to use 100 percent electricity from renewable sources for base building services. This includes a minimum 15 percent onsite renewables coupled with a 100 percent accredited renewable energy contract, and we're working with our tenants towards all energy being sourced from renewables.

Certification

To ensure projects achieve verifiable outcomes, a minimum Green Star rating of 5 (out of 6) is being targeted for all new, major building projects in Australia and New Zealand.



Climate Resilience

With climate change-related impacts a key risk to both the built environment and the people using our facilities, we are ensuring climate change adaptation is incorporated into the design and operation of facilities. All projects are required to undertake a climate change risk assessment and develop design responses to increase climate resilience.

Sustainable Transport

Active and sustainable forms of transportation are supported to reduce staff and visitor vehicle emissions, with facilities such as showers, lockers, and bicycle storage provided and electric vehicle charging infrastructure mandated.

Net Zero

In line with our commitment to net zero, all projects are required to plan for net zero emissions by incorporating renewable energy, maximizing energy efficiency and water conservation, transitioning from natural gas, reducing waste to landfill, and supporting sustainable forms of transport.

Embodied Carbon

Embodied carbon emissions associated with building materials are a significant driver of increasing greenhouse gas (GHG) emissions and are a priority for all projects. A minimum 20 percent reduction in embodied emissions is targeted, increasing gradually to 40 percent by 2026 to ensure we continue to demonstrate leadership as our operational emissions reduce.

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.

International days

Vital acknowledges and celebrates a variety of International Days. This year the theme for World Health Day was "Health For All". In alignment with this, all Australia and New Zealand offices participating in an organised lunch with nourishing and wholesome foods. To honour the theme we made donations to food banks in our office locations.

The New Zealand team participated in Pink Shirt Day, a campaign to stop bullying and promote kindness and inclusiveness.

A new addition this year saw the New Zealand office come together in celebration and exploration of Matariki, a time to gather with whānau and friends to reflect on the past and plan for the future. We used a Māori owned and operated food provider for our session.

The Gut Foundation

To further public education and awareness of gut disease and prevention, Vital will sponsor The Gut Foundation event: Gut Feelings – A Healthy Mind Takes Guts! An interactive event held in Auckland to present findings from foundation funded research projects and educational initiatives.

The Vital offices across both New Zealand and Australia participated in a Gut Health Workplace session run by a representative of The Gut Foundation. The focus of the session was sharing information and resources on bowel cancer and disease with recommendations for daily improvements and knowing options regarding disease screening.

Volunteering

During 2022 Northwest launched an employee volunteer programme by providing two days per year of paid time off to further support the communities we serve. We are committed to this policy at a corporate level and are also endorsing of office involvement in group volunteering events across the year.

A notable mention of fantastic utilisation of the volunteering policy includes Georgie Huxley, Vice President- Leasing (based in our Melbourne Office), who participated in Coastrek, one of Australia's most iconic charity hiking challenges, which this year supported The Heart Foundation. While completing the hiking challenge Georgie and her team also fundraised to provide a donation to The Heart Foundation which works to save lives and improve heart disease prevention and detection for all Australians.

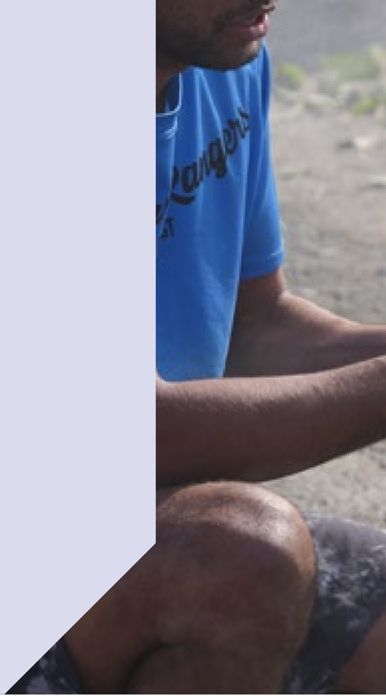
Keystone Trust

Vital remains committed to the ongoing relationship with Keystone Trust. As a Keystone Scholarship Partner, we provide scholarship support, mentoring and ongoing industry guidance to a student from the University of Auckland. Keystone Trust supports young people who have a passion for the construction and property industry by providing financial and networking support within tertiary study. With over 200 alumni from the programme there is a strong network to aid students along their journey.

Disaster Relief

Throughout the past 12 months, Australia and New Zealand have seen significant natural disaster leading to devastation in a number of communities. To support these regions we have provided donations through Red Cross to facilitate disaster relief and providing aid to those most in need.

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.

Reflect Reconciliation Action Plan

Northwest recognises that they have a social responsibility not only to achieve better health outcomes in the communities they serve (through relationships with tenants and operating partners) but also to improve reconciliation outcomes. As a result, Northwest commenced their reconciliation journey in 2022,working with appointed consultants to establish the strategic objectives and drivers behind Northwest's reconciliation journey and develop their inaugural Reflect Reconciliation Action Plan (RAP)to integrate reconciliation practices into day-to-day business. The RAP seeks to:

- build baseline cultural knowledge and understanding with our staff in the region;
- leverage our influence with community stakeholders, staff, construction partners, tenants and operating partners to improve reconciliation outcomes; and
- drive tangible, targeted actions with measurable benefits.

Northwest's RAP has been endorsed by its Executive Sustainability Committee. In alignment with the standard protocol, Northwest's RAP is being submitted to Reconciliation Australia for review, comment and approval and it is anticipated that the RAP will be published in Q4 2023. A Working Group has been formed to develop and will also be responsible for implementing the RAP. Progress on the implementation and alignment with commitments will be provided through the established governance channels.

Northwest has progressed implementing some of the commitments within the RAP prior to it's finalization, namely around cultural competency training and education, marking the commencement of construction and other significant milestones with traditional smoking ceremonies and Welcome to Country – this has occurred on a number of Vital assets including Macarthur Health Precinct (Stage 1 sod turn and topping out ceremonies), Playford health Hub (Stage 2 sod turn) and RDX sod turn.

Māori strategy

Vital remains committed to the development of Māori cultural competency with focused efforts on history, language and customs particularly for the New Zealand office and those who regularly interact with the development of New Zealand natural resources, e.g. land construction.

In 2024 we will achieve increased Māori cultural inclusion within the New Zealand office and increased understanding across Australian offices. This will be in consultation with local education and information providers with Māori ownership and involvement.

Vital has an intent to work with local industry partners within the next financial year on prioritising Māori culture and information integration across the sector.

Workplace Flexibility

Employees across all offices including Auckland, Sydney and Melbourne can discuss and accommodate to flexible working schedules. This includes having the opportunity to work from home throughout the week with set in office days specific to each office.

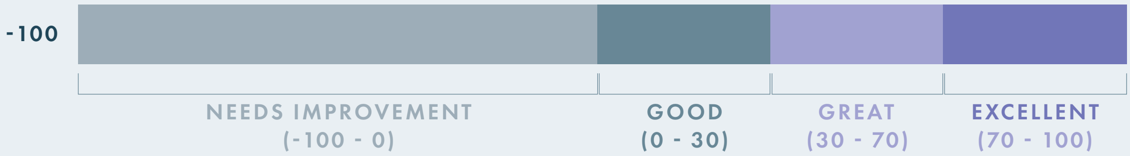
Photo taken during the Smoking Ceremony at RDX site

Employee Engagement survey

In December 2022, Northwest launched our "Better Together" global employee engagement survey via Peakon. The purpose of the engagement survey was to gather feedback from all employees across the REIT. The survey covered several key topic areas such as: accomplishment, autonomy, health and mental wellbeing, growth, brand and values, transformation, and management support. The results will form the baseline for future benchmarking and will help identify areas of focus.

The survey launched on December 1, 2022 and closed after 1.5 months with a response rate of 77%. Northwest attained a Net Promoter Score of 34. Given this is the first global engagement survey, it serves as a baseline. We anticipate forward momentum on actioning the engagement results and expect to see positive improvements in engagement results over time.

What is a good Employee Net Promoter Score?



Peakon
A Workday Company

The eNPS score is calculated by subtracting the percentage of detractors from the percentage of promoters, (the passives do not count in the scoring). The score is displayed as a number (not as a percentage) within the range of -100 to +100. A score between +10 to 30 is good. A score of +30 would be considered great, and +70 is excellent (best-in-class).

Employee Opportunities

As a component of tenant engagement, all employees have access to ongoing training and upskilling opportunities through LinkedIn Learning and Careerbase. These training opportunities extend beyond ESG to role related competencies and education.

To date 100% of Northwest' employees in the ANZ region have completed ESG related training through LinkedIn learning modules.

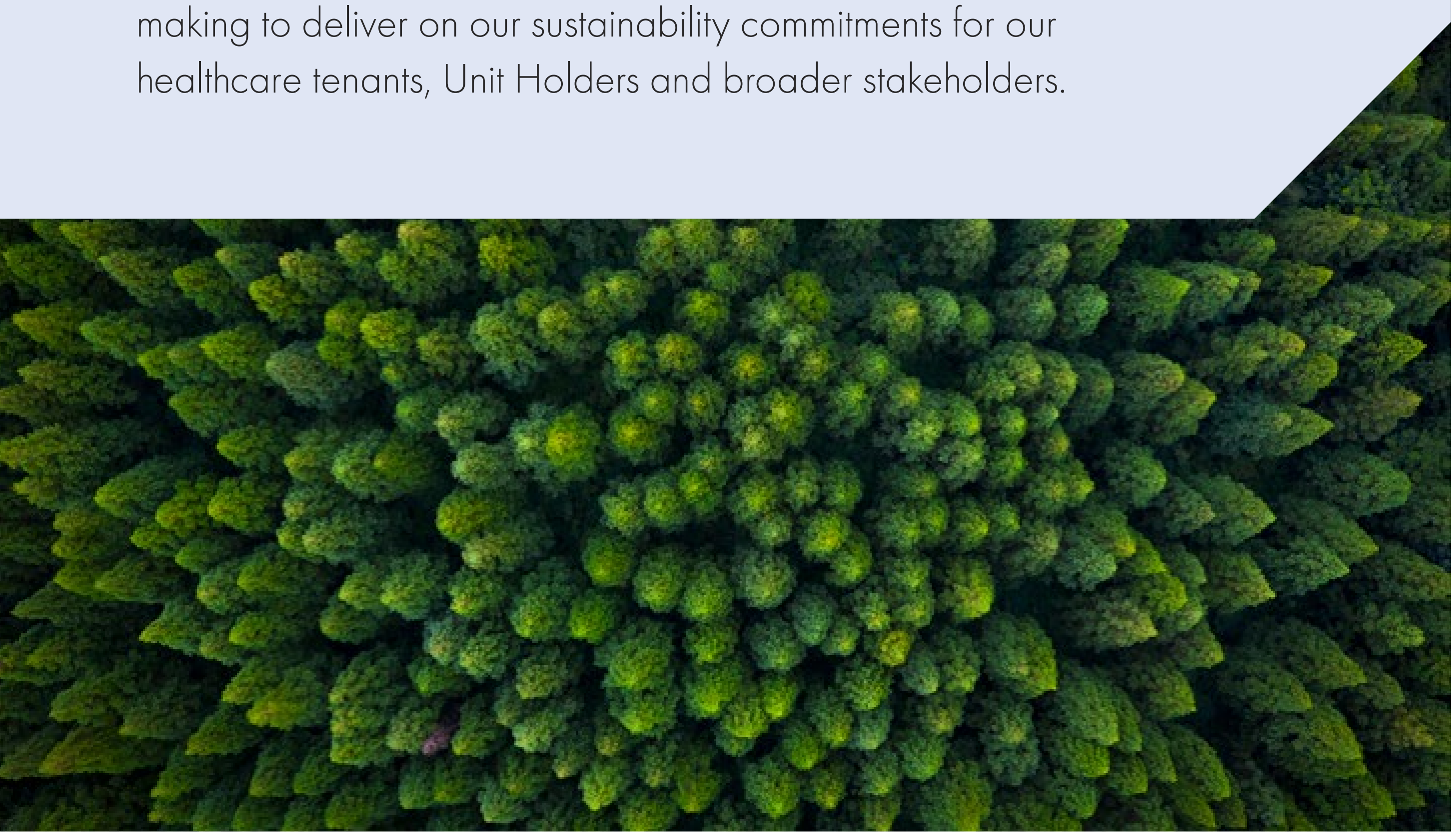
Employees whose role is subject to ESG related activities and reporting are in regular attendance of industry education and training events, including webinars and in person events relating to the TCFD reporting framework.

Parental Leave policy

In FY22 the Paid Parental Leave Policy for Northwest's ANZ region was updated to reflect alignment to industry standards.

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.



Carbon Accounting

Vital recognises that a changing climate presents inherent risk to our direct and indirect business operations. We have investigated what a changing climate means for Vital and how our operations can contribute to a lower emissions society.

Actions to influence this transition include establishing a baseline year for data, setting long and short term science based emissions targets and monitoring progress over time.

Vital has undertaken a retrospective carbon exploratory exercise with ThinkStep NZ to understand the material greenhouse gas impacts on operations. This exercise allowed us to understand the nature of our greenhouse gas emissions and where we have the ability to influence change.

Vital approaches carbon accounting using the Greenhouse Gas Protocol (GHG Protocol) and will report on three scopes of emissions; direct (Scope 1), indirect (Scope 2) and value chain (Scope 3). Our materiality threshold is set at a threshold of 1% and this eliminates a number of Scope 3 categories as irrelevant to reporting.

The most material category for Vital is Downstream Leased Assets due to the nature of business operations, the information from this category includes utility data from tenant operators.

We will look to release finalised GHG reports for our 2022 baseline year on the Vital website in the following months.

Net Zero Targets

Vital is committed to a long term emissions target of net zero by 2050.

In collaboration with carbon experts we are advancing a Decarbonisation Strategy to outline key milestone Vital will achieve in advancement of the long term target.

Parallel to this work, we are committed to establishing near-term emission targets. These will be developed using the Science Based Target Initiative (SBTi) methodology which we will verify and publicly released in due course.

To show our commitment to this process we have signed a SBTi Letter of Commitment.

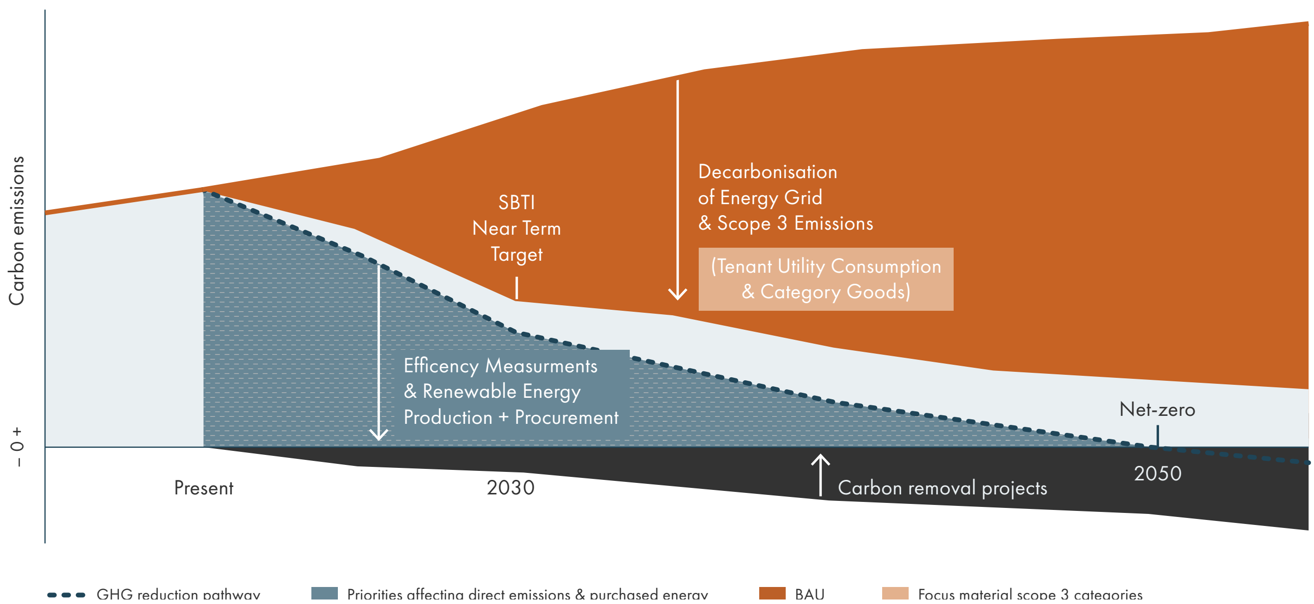
The near-term targets at a minimum will cover Scope 1 & Scope 2 emissions, as Vital's Scope 3 emissions are over 40% of total emission, material categories will be included in near term targets.

An identified action for Vital is to further tenant engagement and activity relating to greenhouse gas emissions. We acknowledge our ability to reduce and monitor Scope 3 emissions is limited to the actions of our tenants and this continues to be a priority for us moving forward.

Vital also undertakes construction and development of new buildings. Having an understanding of supply chain emissions factors across both Australia and New Zealand form an element of our carbon reporting requirements. Reductions and increases within Scope 3, Category 2 – Capital Goods will be communicated with contextual information relating to progress and status of development projects within the reporting year.

As demonstrated on the corresponding graph, Vital is committed to reducing greenhouse gas emissions as a priority. The industry will take advantage of decarbonisation of energy grids across both Australia and New Zealand, although the rates of this will varying between countries and states. Procurement and production of renewable energy will play a component within our emissions strategy.

Carbon removal projects will be investigated in due course as we progress on our net zero journey.



Industry Engagement

KEY MEMBERSHIPS

Vital remain committed to a range of industry memberships with the intent to foster meaningful relationships and outcomes at an industry level.

New Zealand Green Building Council
Green Building Council Australia

During FY22 Vital and Northwest maintained our membership with both Green Building Council Australia and New Zealand Green Building Council. These memberships help to facilitate our dedication to industry education and upskilling within our team including asset managers, development managers and facilities managers.

Vital's VP Sustainability & Development and Sustainability Associate were involved in the NZGBC & BECA Working Group to establish an industry document with guidance and information relating to Climate Scenarios for the Construction and Property Sector.

The purpose of this document is to apply a consistent method for conducting scenario analysis in line with the External Reporting Board's standards for climate-related disclosures.

Property Council

Vital and Northwest remain committed members to both Property Council NZ and Property Council of Australia.

Northwest's VP Sustainability & Development and Sustainability Associate jointly sit on the Property & Construction, Property Council NZ roundtable. This forum consists of industry peers with leadership and management in the ESG space, it is an opportunity to collaborate on industry relevant topics impacting our businesses as well as providing consultation and opinion on upcoming legislation.

As a part of this Roundtable there are a number of sub-committees that Vital subscribes to to engage in environmental and social stewardship within the industry.

Vital regularly sends representatives for education and upskilling opportunities that the Property Councils of New Zealand and Australia provide including conferences and seminars.

Property Council of Australia

Northwest's Vice President Sustainability & Development (Clare Solomon) and Senior Vice President Medical Precincts (Alex Belcastro) were appointed to Property Council of Australia committees for 2023. These appointments will advance and diversify industry engagement within the property sector for collaboration to enhance healthcare offerings.

Our Board

The Board comprises five highly qualified directors based in Auckland (x2), Toronto, Sydney and Melbourne, three of whom are independent. Their executive experience includes healthcare, property and finance.

Graham Stuart

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

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

Graham is a Fellow of Chartered Accountants Australia & New Zealand (CAANZ) and has a Master of Science degree 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
(48, Auckland)

Angela Bull is an independent director of the Real Estate Institute of New Zealand, realestate.co.nz, Property For Industry Limited (NZX:PFI), Foodstuffs South Island Ltd and Foodstuffs NZ Ltd. She is also on the Trust Board of St Cuthbert's College and a Board member of the Property Council of New Zealand and has recently joined the Bayleys Corporation Board (NZ) as an independent director.

Angela is a former 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.

Paul Dalla Lana

Director and Member of the Audit Committee
(Mike Brady replaced Paul on the board effective 9 August 2023)
(57, Toronto)

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

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 and his MBA 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 (x2), Toronto, Sydney and Melbourne. Their current and prior executive experience includes healthcare, property and finance.

Craig Mitchell

Director and Member of the Audit Committee (55, 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 Programme at Harvard University, Boston.

Dr Michael Stanford AM

Independent Director and Chair of the Audit Committee (64, 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 Chair of Nexus Hospitals, a leading provider of specialist day and short stay private hospital based care; Chair of disability, aged, employment and training services provider genU; Diabetes Australia, a significant Not-for-Profit of which Michael is President and Board Chair; and Board member of the Royal Australian College of General Practitioners. Other Board roles in the last three years have included Australian Clinical Labs (ASXACL), Australia's third largest private pathology provider; Nucleus Networks, one of the world's largest Phase one clinical research organisations 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 AS 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.

Mike Brady

Non-Independent Director (Appointed 9 August 2023) (56, Toronto)

Mike was appointed President of Northwest Healthcare Properties

REIT (TSX: NWH.UN) in 2023 after serving as Executive Vice President, General Counsel and Board Secretary since joining the REIT in 2006. He has extensive experience in real estate investments and finance, transaction management, global leadership, governance and legal matters.

Mike has played a significant Commercial and legal role in the strategic direction and growth of the REIT, most recently leading the team to complete a €2 billion pan-European joint venture fund, a $435 million UK hospital portfolio, and a $2 billion joint venture fund and acquisition of a $1.25 billion hospital portfolio in Australia.

Prior to joining the corporate real estate world, Mike was a corporate law partner at two Toronto-based law firms, where he developed his real estate practice. He has a Bachelor of Arts (Economics) and a joint LL.B./Masters of Business Administration from Dalhousie University, Halifax.

Our executive team

Northwest has over 250 employees globally, including more than 50 real estate professionals in New Zealand and Australia. The Vital Executive Team is made up of property professionals with extensive experience in New Zealand, Australia and beyond.

Aaron Hockly

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

Aaron Hockly has over 20 years experience in financial services, property and law. Originally from New Zealand, Aaron spent 17 years in the UK and Australia until returning in 2018. Aaron was Chief Operating Officer for a large ASX listed real estate investment trust for nearly 10 years where he was responsible for strategy, transaction structuring and execution (property, debt and equity), reporting and investor relations.

Among other qualifications, Aaron has a Masters in Applied Finance and a BA/LLB from the University of Auckland. He is a Fellow of both Governance New Zealand and the Financial Services Institute of Australasia (FINSIA), as well as being a Chartered Member of the Institute of Directors (NZ).

Aaron has served on the boards of several charities in both New Zealand and Australia including Mercy Healthcare Auckland where he is currently a director and previously the Ponsonby Community Centre and Melbourne's Midsumma Festival which he chaired for six years.

Chris Adams

Executive Director – Projects
(53, Melbourne)

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

Chris holds a Bachelor of Property from the University of Auckland.

Alex Belcastro

Senior Vice President – Medical Precincts
(35, 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

(52, Melbourne)

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

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

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

Vanessa has a BA LLB from the University of Witwatersrand, South Africa.

Michael Groth

Chief Financial Officer – A/NZ Region

(49, Melbourne)

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

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

Michael holds a Bachelor of Commerce and Bachelor of Science and has been a member of the Chartered Accountants Australia and New Zealand since 2000.

Richard Roos

Executive Director – Portfolio

(58, 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. All information as at 30 June 2023, unless otherwise stated.

Joint Investment Policy

Under the terms of the Joint Investment Policy, which applies to Northwest Healthcare Properties REIT (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

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	5/5	16 January 2012
Graham Stuart	5/5	12 November 2018 (Appointed Chair 17 November 2020)
Michael Stanford	5/5	19 November 2019
Craig Mitchell	5/5	29 June 2021
Angela Bull	5/5	26 April 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.

Paul Dalla Lana was appointed to the board of the Manager by NWH REIT on 16 January 2012 and was replaced by NWH REIT with Mike Brady on 9 August 2023.

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 2023.

Directors	Holdings (number of units) non-beneficial	Holdings (number of units) beneficial
Paul Dalla Lana[1]	185,294,299	
Graham Stuart	-	52,729
Officers		
Aaron Hockly[2]	-	79,270

[1] Paul Dalla Lana is the founder and largest Unit Holder of Northwest Healthcare Properties Real Estate Investment Trust (a trust organised under the laws of Ontario, Canada, Corporation) and was the Chairman and CEO until 9 August 2023. He was replaced on the Board of the Manager by Mike Brady on 9 August 2023. Northwest Healthcare Properties Real Estate Investment Trust directly or indirectly holds approximately 185,294,299 units in Vital Healthcare Property Trust, in respect of which Mr Dalla Lana is considered to have a relevant interest.

[2] Aaron Hockly makes a voluntary disclosure that members of his immediate family own an additional 109,123 units in Vital in addition to his personal holdings listed above.

Independent Directors

Further information about the Board's assessment of the independence of Directors is contained in Recommendation 2.4 of the NZX Corporate Governance Code on page 68 of this report.

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
Graham Stuart	4/4	9 May 2019
Paul Dalla Lana	3/4	6 October 2020
Michael Stanford	4/4	6 October 2020
Craig Mitchell	3/4	29 June 2021
Angela Bull	4/4	26 April 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 (two 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 2023 is provided on the previous page.

2. As at the date of this report, the Chair of the Manager and Vital's Fund Manager 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, if units are valued at issue price.

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. 15-20% of the Fund Manager's annual potential bonus relates to the performance of Vital. In addition, all Northwest's executive bonuses globally are linked to Northwest's unit price as the long-term component of these bonuses is paid in Northwest units or calculated with reference to the value of Northwest units. In addition to being Vital's Manager, Northwest is Vital's largest investor, holding an aggregate shareholding of 28% as at 30 June 2023. As a result, there is a significant alignment of interest between Vital's performance, Northwest performance and the remuneration of the Fund Manager.

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 Omnibus Equity Incentive Plan (2022) 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

Director	Base	Audit Committee Member	Chair	Total
Graham Stuart Independent Director, Board Chair and Audit Committee member	NZ$90K	NZ$10K	NZ$80K (Board)	NZ$180K
Angela Bull Independent Director and Audit Committee member	NZ$90K	NZ$10K	-	NZ$100K
Craig Mitchell Director and Audit Committee member	N/A[1]	-	-	-
Michael Stanford Independent Director and Audit Committee Chair[2]	A$90K	-	A$20K (Audit Committee)	A$110K
Paul Dalla Lana Director and Audit Committee member	N/A[1]			
Total (NZ$280K paid by Unit Holders, and A$110K paid by the Manager)				NZ$390K

[1] Executive of Northwest. Accordingly, no separate directors' fees are payable.
[2] 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 November 2022, 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	Craig Mitchell	Michael Stanford
Accounting/finance/economics	•		•	•	•
Commercial real estate /asset management/valuation	•	•	•	•	
Corporate governance	•	•	•	•	•
Legal / regulatory		•	•	•	•
Healthcare practitioner					•
Tenure (years)	4.7	1.2	11.5	2	3.7

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 2023, Vital and the Manager comply with the NZX Code dated 1 April 2023.

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
Principle 1 – Code of ethical standards		
1.1	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). 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. 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: a. acts honestly and with personal integrity in all actions; b. declares conflicts of interest and proactively advises of any potential conflicts; c. undertakes proper receipt and use of corporate information, assets and property; d. in the case of directors, gives proper attention to the matters before them; e. acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law; 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); 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 h. manages breaches of the code	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. All of Vital's Directors and employees must abide by Vital's Code of Conduct and Business Ethics (refreshed in August 2021 and again on 29 June 2023), 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. 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. Following the review of the Code, employees will be provided with training in relation to the Code and Vital has committed to refreshing that training at least once every 3 years. The Code is on Vital's website https://www.vitalhealthcareproperty.co.nz/governance/ and a copy was provided to staff following the review in June 2023. All new starters are provided with a link to the Code. The Code is supplemented by a number of other policies including the Joint Investment Policy and Whistleblower Policy which are available on the website at https://www.vitalhealthcareproperty.co.nz/governance/.
1.2	An issuer should have a financial product dealing policy which applies to employees and directors	Vital's Directors, officers and employees, their families and related parties must comply with the Security Trading Policy. A copy of the Security Trading Policy is on Vital's website https://www.vitalhealthcareproperty.co.nz/governance/ 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 64. Before trading in 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. Emails are periodically sent to Directors and employees providing information as to the status of the trading window in relation to the black-out periods.
Principle 2 – Board composition and performance		
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 https://www.vitalhealthcareproperty.co.nz/governance/. 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 Manager's Constitution (which is also available on Vital's website https://www.vitalhealthcareproperty.co.nz/governance/) and 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.

Reference	Recommendation	Approach
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 (https://www.vitalhealthcareproperty.co.nz/governance/) and also on the Disclose Register through the Companies Office https://companies-register.companiesoffice.govt.nz/. Unit Holders have the opportunity to appoint two of the Independent Directors of the Manager. Unit Holders may 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. a profile of experience, length of service and ownership interests; b. the director's attendance at board meetings; and c. the board's assessment of the director's independence, including a description as to why the board has determined the director to be independent if one of the factors listed in table 2.4 applies to the director, along with a description of the interest, relationship or position that triggers the application of the relevant factor	Vital's Annual Report includes a profile of experience, length of service, and ownership interest of each Director. The Annual Report also sets out the attendance of each Director at Board meetings and Audit Committee meetings. A profile of each director is also included on Vital's website https://www.vitalhealthcareproperty.co.nz/board-management/ The Board considers that at the date of this Annual Report, the Independent Directors are independent, including by virtue of the following factors listed in table 2.4: None of the Independent Directors: • is currently, or was within the last three years, employed in an executive role by the Manager; • is currently deriving, or within the last 12 months, derived a substantial portion of his or her revenue from the Manager or the Trust; • is currently, or was within the last 12 months, in a senior role in a provider of material professional services to the Manager or the Trust or any of their subsidiaries; • is currently, or was within the last three years, employed by the external auditor to the Manager or the Trust or any of their subsidiaries; • currently has, or did have within the last three years, a material business relationship (e.g. as a supplier or customer) with the Manager or the Trust or any of their subsidiaries; • is a substantial product holder of the Trust, or a senior manager of, or person otherwise associated with, a substantial product holder of the Trust; • is currently, or was within the last three years, in a material contractual relationship with the Manager or the Trust or their subsidiaries, other than as a director; • has close family ties (or personal relationships (including close social or business connections) with anyone in the categories listed above; and • has been a director of the Manager for a period of 12 years or more.
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. An issuer within the S&P/NZX20 Index at the commencement of its reporting period should have a measurable objective for achieving gender diversity in relation to the composition of its board, that is to have not less than 30% of its directors being male, and not less than 30% of its directors being female, within a specified period. An issuer should disclose its diversity policy or a summary of it.	We continue to improve diversity on the Board and in Management, in line with the REIT's diversity policy introduced in April 2022. The number of women in the organisation is almost 50% of the total number employed and our focus on gender diversity at a Board level continues.
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 2022 the Manager conducted an externally managed self-assessment process under the auspices of the Institute of Directors New Zealand.
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.	The Board of the Manager is chaired by an Independent Director.
2.10	The chair and the CEO should be different people	The functions of chair of the Board of the Manager and CEO are fulfilled by different people.

Principle 3 – Board committees

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 https://www.vitalhealthcareproperty.co.nz/governance/. 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.

Reference	Recommendation	Approach
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.
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 https://www.vitalhealthcareproperty.co.nz/governance/.
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 https://www.vitalhealthcareproperty.co.nz/governance/ In addition, the website includes the Privacy Policy, the Whistleblower Policy and the Modern Slavery Statement, all of which are endorsed by the Board.
4.3	Financial reporting should be balanced, clear and objective.	We provide disclosures of financial matters in our Annual Report. In addition, disclosures are provided quarterly to keep the market updated as to the financial matters impacting Vital. 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.
4.4	An issuer should provide non-financial disclosure at least annually, including considering environmental, 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. In this regard see page 40 onwards in the sustainability section for an outlay of ESG related achievements and forward-looking targets, and page 52 onwards in the sustainability section for references to regulatory non-financial ESG disclosures to which Vital is committed.

Principle 5 – Remuneration

5.1	An issuer should have a remuneration policy for the remuneration of directors. 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 65 of this Annual Report for details of Director remuneration.
5.2	An issuer should have a remuneration policy for remuneration of executives 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.
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.

Reference	Recommendation	Approach
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	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. 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. 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. The Manager has currently identified the following key risk categories: • Fund Manager risk • Development risk; • Acquisition of Investment risk • Asset and facilities management risk • Information, data security/cybersecurity risk • Energy/carbon efficiency of assets and operations risk; • Talent recruitment, retention and succession planning; • Reputation (social responsibility, brand and stakeholder relationships) • Access to capital risk • Compliance risk • Governance risk • Fraud/Misconduct Risk
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	The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures: a. for sustaining communication with the issuer's external auditors; 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; 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 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.	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 https://www.vitalhealthcareproperty.co.nz/governance/. 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. Under the Audit Committee Charter, the external audit engagement partner must be rotated at least every five years. 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. The Board facilitates regular and full interface between its Audit Committee, the external auditors and management as reflected in the Audit Committee charter.
7.2	The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.	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. 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.
7.3	Internal audit functions should be disclosed.	The Manager's ultimate parent has an internal audit programme that includes an annual global internal control review. The scope of this programme encompasses both the Manager and Vital. In addition, Vital has a Supervisor who undertakes oversight functions on behalf of Unit Holders including in relation to conduct and the payment of management fees / expenses.

Reference	Recommendation	Approach
Principle 8 – Shareholder rights and relations		
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 www.vhpt.co.nz 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 by designing its shareholder meeting arrangements to encourage shareholder participation and by providing shareholders the option to receive communications from the issuer electronically.	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. A key element of corporate communication is the Trust's website at www. vhpt.co.nz. Vital's website is designed 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. The website also includes key corporate governance documents including the Board Charter, Statement of Investment Policies and Objectives (SIPO) and other key policy documentation. The Manager also actively encourages engagement through a communication strategy which includes: • The Annual Meeting for the Unit Holders to meet with and ask questions of the Board, the Supervisor, management and external auditors; • Any other meetings called to obtain approval for the Manager's action as appropriate; • Results webcasting providing all investors with the ability to listen and ask questions of Management; and • Various investor communications including Annual Reports and Interim Reports. 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 enquiry@vhpt.co.nz to which general enquiries can be directed. To further enhance Unit Holder engagement, the format of Vital's annual meetings is a 'hybrid' meeting, allowing investors to attend in-person or virtually by attending the meeting online. Where one format of meeting may be more appropriate in the circumstances, the Directors will take into account the competing interests, cognisant of the importance of Unit Holder participation. The Directors have at the forefront, when making this decision. the importance of ensuring that all Unit Holders are adequately informed about the format of these meetings as well as the rules applicable to voting and participation generally.
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.	Terms of Vital's Trust Deed and the FMCA set out requirements under which the Manager must obtain the approval of Unit Holders. 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: https://www.vitalhealthcareproperty.co.nz/app/uploads/2021/02/SIPO_Vital_New.pdf 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.
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.	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). 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.
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, 2021 and 2022 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 Vital's website.

Financial Statements

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $000s	2022 $000s
Gross property income from rentals		150,530	127,397
Gross property income from expense recoveries		20,785	16,236
Property expenses		(26,091)	(20,615)
Net property income	4	145,224	123,018
Other expenses	7	(37,960)	(37,235)
Strategic transaction expenses		-	(283)
Finance income		445	212
Finance expense	11.b	(38,215)	(29,195)
Operating profit		69,494	56,517
Other gains/(losses)			
Revaluation gain/(loss) on investment property	6.a	(208,553)	244,239
Net gain/(loss) on disposal of investment property		(3,697)	700
Fair value gain/(loss) on foreign exchange derivatives		651	(664)
Fair value gain/(loss) on interest rate derivatives		5,872	61,468
Realised gain/(loss) on foreign exchange		(1)	(11)
Unrealised gain/(loss) on foreign exchange		611	26
		(205,117)	305,758
Profit before income tax		(135,623)	362,275
Taxation expense	5	(16,778)	(58,753)
Profit for the year attributable to unit holders of the Trust		(152,401)	303,522
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Movement in foreign currency translation reserve		(20,386)	36,556
Current taxation (expense)/credit		-	338
Total other comprehensive income/(loss) after tax		(20,386)	36,894
Total comprehensive income after tax		(172,787)	340,416
Earnings per unit			
Basic and diluted earnings per unit (cents)	9	(23.22)	53.33

The notes on pages 78 to 115 form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 $000s	2022 $000s
Non-current assets			
Investment properties	6	**3,288,356**	3,339,169
Derivative financial instruments	13	**26,047**	20,692
Total non-current assets		**3,314,403**	3,359,861
Current assets			
Non-current assets classified as held for sale	6	**92,364**	-
Cash and cash equivalents	16	**10,885**	22,055
Trade and other receivables	17	**5,783**	2,442
Other current assets	18	**5,763**	15,451
Derivative financial instruments	13	**514**	25
Total current assets		**115,309**	39,973
Total assets		**3,429,712**	3,399,834
Unit holders' funds			
Units on issue	8	**1,180,922**	1,150,881
Reserves		**23,240**	44,590
Retained earnings		**753,220**	970,405
Total unit holders' funds		**1,957,382**	2,165,876
Non-current liabilities			
Borrowings	11	**1,239,156**	1,012,952
Lease liability - ground lease		**3,724**	3,903
Derivative financial instruments	13	**-**	150
Deferred tax	5	**177,527**	178,316
Total non-current liabilities		**1,420,407**	1,195,321
Current liabilities			
Trade and other payables	19	**41,522**	31,946
Income in advance		**1,526**	621
Derivative financial instruments	13	**8**	535
Lease liability - ground lease		**178**	170
Taxation payable		**8,689**	5,365
Total current liabilities		**51,923**	38,637
Total liabilities		**1,472,330**	1,233,958
Total unit holders' funds and liabilities		**3,429,712**	3,399,834

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

G Stuart, Independent Chair
10 August 2023

M Stanford,
Independent Director

The notes on pages 78 to 115 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 2023

	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
For the year ended 30 June 2022						
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)
Other comprehensive income for the period						
Movement in foreign currency translation reserve	-	-	36,556	-	-	36,556
Realised foreign exchange gains on hedges	-	-	-	338	-	338
Balance at the end of the year	1,150,881	970,405	(34,736)	63,411	15,915	2,165,876
For the year ended 30 June 2023						
Balance at the start of the period	**1,150,881**	**970,405**	**(34,736)**	**63,411**	**15,915**	**2,165,876**
Changes in unit holders' funds	**30,041**	**-**	**-**	**-**	**(15,915)**	**14,126**
Manager's incentive fee	**-**	**-**	**-**	**-**	**14,951**	**14,951**
Profit for the period	**-**	**(152,401)**	**-**	**-**	**-**	**(152,401)**
Distributions to unit holders	**-**	**(64,784)**	**-**	**-**	**-**	**(64,784)**
Other comprehensive income for the period						
Movement in foreign currency translation reserve	**-**	**-**	**(20,386)**	**-**	**-**	**(20,386)**
Balance at the end of the year	**1,180,922**	**753,220**	**(55,122)**	**63,411**	**14,951**	**1,957,382**

The notes on pages 78 to 115 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 2023

	Note	2023 $000s	2022 $000s
Cash flows from operating activities			
Property income		**151,732**	126,517
Recovery of property expenses		**19,637**	15,934
Interest received		**445**	212
Property expenses		**(29,930)**	(18,762)
Management and trustee fees		**(20,518)**	(17,478)
Interest paid		**(35,277)**	(26,514)
Tax paid		**(11,183)**	(15,849)
Other trust expenses		**(1,323)**	(3,573)
Net cash provided by/(used in) operating activities	16	**73,583**	60,487
Cash flows from investing activities			
Receipts from foreign exchange derivatives		**475**	504
Capital additions on investment properties		**(182,137)**	(137,780)
Purchase of properties		**(151,983)**	(299,858)
Deposits and acquisiton costs paid – Investment Property		**(2,514)**	(10,178)
Proceeds from disposal of properties		**58,756**	14,355
Tenant fitout reimbursement proceeds		**-**	31,527
Payments for foreign exchange derivatives		**(473)**	(506)
Strategic transaction expenses		**-**	(283)
Net cash provided by/(used in) investing activities		**(277,876)**	(402,219)
Cash flows from financing activities			
Debt drawdown		**428,810**	835,115
Repayment of debt		**(182,925)**	(780,338)
Issue of units		**-**	342,817
Loan issue costs		**(2,072)**	(3,963)
Costs associated with new equity raised		**(95)**	(5,353)
Distributions paid to unit holders		**(50,595)**	(31,371)
Net cash from/(used in) financing activities		**193,123**	356,907
Net increase/(decrease) in cash and cash equivalents		**(11,170)**	15,175
Cash and cash equivalents at the beginning of the period		**22,055**	6,880
Cash and cash equivalents at the end of the year		**10,885**	22,055

The notes on pages 78 to 115 form part of and are to be read in conjunction with these financial statements.

Notes to the Consolidated Financial Statements

About this Report

1. Reporting Entity

Vital Healthcare Property Trust ("VHP" or the "Trust") is a unit trust established under the Unit Trusts Act 1960 by a Trust Deed dated 11 February 1994 (as subsequently amended and replaced), domiciled in New Zealand. 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 2023 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 the direct and/or indirect ownership of healthcare real estate.

These consolidated financial statements were approved by the Board of Directors of the Manager on 10 August 2023.

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.

(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) Climate-related disclosures

On 14 December 2022, the External Reporting Board (XRB) published Climate-related Disclosure standards that are applicable from reporting periods beginning on or after 1 January 2023.

Vital's first report under this reporting regime will be available by October 2024.

(h) 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.

(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.

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

Notes to the Consolidated Financial Statements

Performance

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

4. Segment Information

The Group is a long-term investor in healthcare real estate. Segment profit represents the profit from each segment including an allocation of identifiable administration costs, finance costs and gains/(losses) on investment properties. This is the measure reported to the Board, who are the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The Group operates in both Australia and New Zealand.

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

	Australia $000s	New Zealand $000s	Total $000s
Segment profit/(loss) for the year ended 30 June 2023:			
Gross property income from rentals	**102,467**	**48,063**	**150,530**
Gross property income from expense recoveries	**9,510**	**11,275**	**20,785**
Property expenses	**(13,450)**	**(12,641)**	**(26,091)**
Net property income	**98,527**	**46,697**	**145,224**
Other expenses	**(14,838)**	**(23,122)**	**(37,960)**
Net finance income/(expense)	**(39,538)**	**1,768**	**(37,770)**
Operating profit	**44,151**	**25,343**	**69,494**
Fair value gain/(loss) on interest rate derivatives	**856**	**5,016**	**5,872**
Revaluation gain/(loss) on investment properties	**(69,999)**	**(138,554)**	**(208,553)**
Net gain/(loss) on disposal of investment property	**(3,697)**	**-**	**(3,697)**
Other foreign exchange gains/(losses)	**170**	**1,091**	**1,261**
Total segment profit before income tax	**(28,519)**	**(107,104)**	**(135,623)**
Taxation expense			**(16,778)**
Profit for the year			**(152,401)**
Segment profit/(loss) for the year ended 30 June 2022:			
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)
Net property income	88,250	34,768	123,018
Other expenses	(14,888)	(22,347)	(37,235)
Strategic transaction expenses	-	(283)	(283)
Strategic transaction interest income	-	-	-
Net finance income/(expense)	(14,991)	(13,992)	(28,983)
Operating profit	58,371	(1,854)	56,517
Fair value gain/(loss) on interest rate derivatives	-	61,468	61,468
Revaluation gain/(loss) 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)
Total segment profit before income tax	247,708	114,567	362,275
Taxation expense			(58,753)
Profit for the year			303,522

Net property income comprises rental income and expense recoveries from tenants less property expenses. The Group has three Australian tenants and one New Zealand tenant that contributed $96.4m of gross property income (2022: four Australian tenants that contributed $72.5m).

There were no inter-segment sales during the year (2022: nil).

	Australia $000s	New Zealand $000s	Total $000s
Segment assets at 30 June 2023:			
Investment properties	**2,338,978**	**949,378**	**3,288,356**
Other non-current assets	**852**	**25,195**	**26,047**
Current assets	**104,043**	**11,266**	**115,309**
Consolidated assets	**2,443,873**	**985,839**	**3,429,712**
Segment assets at 30 June 2022:			
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
Consolidated assets	2,410,010	989,824	3,399,834
Segment liabilities at 30 June 2023:			
Borrowings	**1,164,785**	**74,371**	**1,239,156**
Other liabilities	**190,337**	**42,837**	**233,174**
Consolidated liabilities	**1,355,122**	**117,208**	**1,472,330**
Segment liabilities at 30 June 2022:			
Borrowings	993,234	19,718	1,012,952
Other liabilities	190,106	30,900	221,006
Consolidated liabilities	1,183,340	50,618	1,233,958

All assets and liabilities have been allocated to reportable segments.

Notes to the Consolidated Financial Statements

5. Taxation

Income tax recognised in the consolidated statement of comprehensive income

	2023 $000s	2022 $000s
Profit/(loss) before tax for the period	(135,623)	362,275
Taxation (charge)/credit - 28% on profit before income tax	37,974	(101,437)
Effect of different tax rates in foreign jurisdictions	(3,262)	32,203
Tax exempt income/(loss)	(38,681)	16,748
Tax impact of leasing deals	(215)	191
Foreign tax credits	460	4,753
Tax charges on overseas investments	(12,710)	(11,500)
Over/(under) provided in prior periods	-	449
Other adjustments	(344)	(160)
Taxation expense	(16,778)	(58,753)
The taxation (charge)/credit is made up as follows:		
Current taxation	(14,787)	(8,280)
Deferred taxation	(1,991)	(50,473)
Total taxation expense	(16,778)	(58,753)

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

Tax rate:
The Group is subject to New Zealand tax on assessable income, including assessable Foreign Investment Fund ("FIF") income attributed from its Australian subsidiaries (applying either the Fair Dividend Rate ("FDR") method or the attributable FIF method), at a rate of 28%. Its Australian subsidiaries are subject to Australian witholding 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), for which a New Zealand tax credit is generally available.

Deferred Tax balances

	Interest rate swaps $000s	Revaluation of investment properties $000s	Borrowings $000s	Other $000s	Total $000s
At 1 July 2021	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)
At 30 June 2022	(5,726)	(172,889)	(86)	385	(178,316)
At 1 July 2022	**(5,726)**	**(172,889)**	**(86)**	**385**	**(178,316)**
Charge to profit and loss for the year	**(1,634)**	**(116)**	**(48)**	**(194)**	**(1,991)**
Change in exchange rate	**(0)**	**2,815**	**(40)**	**5**	**2,780**
At 30 June 2023	**(7,359)**	**(170,190)**	**(174)**	**197**	**(177,527)**

Notes to the Consolidated Financial Statements

Imputation credits

	2023 $000s	2022 $000s
Imputation (deficit)/credits at end of year	**(4,441)**	(410)

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 using the tax rates that are expected to apply to the forecast circumstances and the period(s) when the asset or liability giving rise to them are 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 for in respect of New Zealand 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 properties is provided on the capital gain that is expected to be assessable on the land and building component from the sale of investment properties at fair value. The tax rate used when measuring the deferrred tax position for Australian properties is either 15% (FDR method which applies the Australian 'fund payment' withholding tax rate) or 28% (Attributed FIF method which applies the New Zealand tax rate) based on the Group's actual FIF income attribution method election and/or its intention to 'opt-in' to the FDR method.
- 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

6. Investment Properties

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

(6.a) Reconciliation of Carrying Amounts

	2023 $000s	2022 $000s
Carrying value of investment property at the beginning of the year	**3,339,169**	2,634,588
Acquisition of properties	**153,662**	298,745
Capitalised costs	**173,235**	94,549
Capitalised interest costs	**18,330**	5,921
Net capitalised incentives	**9,183**	(382)
Disposal of properties	**(61,564)**	(13,186)
Classified as held for sale	**(92,364)**	-
Foreign exchange translation difference	**(42,743)**	74,695
Revaluation gain/(loss) on investment property	**(208,553)**	244,239
Carrying value of investment property at the end of the year	**3,288,356**	3,339,169

The Group owns the freehold title 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 15.8 years (2022: 16.8 years). As at reporting date the fair value of this right-of-use asset totals $8.1m (2022: $8.1m).

(6.b) Acquisition of Property

During the year the Group:

- settled the acquisition of a 7,693 sqm parcel of land in Newtown, Hobart, Australia for A$9.5m (excluding transaction costs) on 6 July 2022 to be used for future development.
- settled the acquisition of the Kawarau Park Health Precinct, a newly developed health precinct comprising 6 separate buildings including Queenstown's only private hospital, situated in Kawarau Park in Queenstown, New Zealand for NZ$95m (excluding transaction costs) on 7 July 2022.
- completed the acquisition of a multi-stage development site in the Macarthur Health Precinct (NSW) via a fund-through acquisition on 15 July 2022. Stage 1 was acquired for A$54.4m (excluding transaction costs) and is currently being delivered, with leasehold title to be transfered on practical completion. Development rights (subject to conditions) to stages 2 and 3 have also been acquired for A$22.2m (excluding transaction costs).
- acquired a residential property on 1 August 2022 to be held for potential future development in Meadowbrook, Queensland, Australia for A$0.7m (excluding transaction costs).
- acquired a strata lot at 1/173 Chisholm Road, Ashtonfield, NSW Australia adjoining East Maitland Private Hospital for A$3.97m (excluding transaction costs) on 1 September 2022.
- acquired a residential property on 24 November 2022 at 24 Kipling Ave, Epsom, Auckland to be used for future development for NZ$2.9m (excluding transaction costs).
- acquired a residential property on 13 December 2022 at 1303 Heatherton Road, Noble Park, Victoria for A$2.65m (excluding transaction costs) to be used for future development.
- completed the acquisition with Northwest Healthcare Australia RE Limited as trustee for NorthWest Healthcare Australia Lumina Trust (Lumina) in relation to the land at 15 Nexus Way, Southport, Queensland Australia (Land) to facilitate the development of a new state of the art, 6-Star Green Star health, research and innovation building to be known as "RDX". Consideration, based on independent valuation, totalled A$6.9m, comprising A$4.3m paid to Lumina and A$2.6m to MEDQ (refer note 22).

Notes to the Consolidated Financial Statements

(6.c) Disposal of Property

During the year the Group:

- divested 22-24 McCourt Street, West Leederville (WA) for A$0.75m (excluding transaction costs) on 23 November 2022.
- divested Eden Rehabilitation Hospital in Cooroy, Queensland for A$28.5m (excluding transaction costs) on 14 June 2023.
- divested Apollo Health & Wellness Centre for NZ$28.0m (excluding transaction costs and rental guarantees) on 30 June 2023.
- reclassified Mons Road Medical Centre to 'held for sale' as its carrying value is expected to be recovered principally through a sale transaction. Mons Road Medical Centre has subsequently been divested (refer note 21).
- reclassified The Southport Private Hospital to 'held for sale' as its carrying value is expected to be recovered principally through a sale transaction. The Southport Private Hospital has subsequently been contracted to be divested (refer note 21).

(6.d) Leasing Arrangements

Investment properties are leased to tenants predominately under long term operating leases. Rent is receivable from tenants monthly. Minimum lease payments to be received under non-cancellable operating leases not recognised in the consolidated financial statements as receivable are as follows:

	2023 $000s	2022 $000s
Not later than one year	**157,843**	137,989
Later than one year and not later than five years	**575,751**	482,909
Later than five years	**1,440,949**	1,339,253
	2,174,543	1,960,151

(6.e) Contractual arrangements

The Group is a party to contracts to purchase and construct property, provide incentives and amortising fitout loans to tenants which are not recognised in the financial statements for the following amounts:

	2023 $000s	2022 $000s
Capital expenditure commitments	**282,209**	214,878
Property acquisition commitments	**66,094**	109,701
Tenant fitout loan commitments	**21,924**	-
Tenant incentive commitments	**-**	11,066

At 30 June 2023 the Group has:

- entered into an agreement to purchase land (subject to Overseas Investment Office consent) at 180 Chapel Road, Flatbush, Auckland, New Zealand for NZ$13m. Settlement has subsequently occured on 28 July 2023 (refer note 21).
- entered into a fund-through acqusition agreement for the redevelopment of a vacant aged care facility into a 61 bed mental health facility at Mt Eliza, Victoria, Australia.
- entered into a fund-through acqusition agreement for Stage 1, a four storey GenesisCare Comprehensive Cancer Centre, of a multi-stage health precinct in Campbelltown, South West Sydney, Australia.
- committed to providing up to A$10m as an amortising loan (for a term of 10 years) for tenant fitout works at the Campbelltown Stage 1 project at the election of the tenant.
- committed to providing up to A$2.8m as an amortising loan (for a term of 10 years) for tenant fitout works at the Playford Health Hub Stage 2 project at the election of the tenant.
- committed to providing up to NZ$8m as an amortising loan (for a term of 10 years) for tenant fitout works at the 68 Saint Asaph Street, Christchurch Central, Christchurch, at the election of the tenant.

(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
Australia			
New South Wales			
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[1]	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
Victoria			
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
Ekera Medical Centre	Box Hill, Victoria	Ambulatory Care	Imaging Associates
Epworth Rehabilitation	Brighton, Victoria	Hospital (Specialty)	Epworth Foundation
120 Thames Street	Box Hill, Victoria	Ambulatory Care	Epworth Foundation
Queensland			
Belmont Private Hospital	Carina Heights, Queensland	Hospital (Specialty)	Aurora
Palm Beach Currumbin Clinic	Currumbin, Queensland	Hospital (Specialty)	Aurora
The Southport Private Hospital[1]	Southport, Queensland	Hospital (Acute/Specialty)	Ramsay Health Care
Eden Rehabilitation	Cooroy, Queensland	Hospital (Acute/Specialty)	Aurora
Tantula Rise Aged Care	Alexandra Headland, Queensland	Aged Care	Bolton Clarke
Baycrest Aged Care	Hervey Bay, Queensland	Aged Care	Bolton Clarke
Western Australia			
Marian Centre	Wembley, Western Australia	Hospital (Specialty)	Aurora
Abbotsford Private Hospital	West Leederville, Western Australia	Hospital (Specialty)	Aurora
Hamersley Aged Care	Subiaco, Western Australia	Aged Care	Hall & Prior
Rockingham Aged Care	Rockingham, Western Australia	Aged Care	Hall & Prior
South Australia			
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
Total Australia			

1 Classified as investment property held for sale at 30th June 2023

Latest independent valuation	Fair value		Market capitalisation rate		Occupancy		WALE	
	$M	$M	%	%	%	%	Years	Years
Date	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22
Jun-23	**217.6**	224.6	**4.5**	4.1	**100.0**	100.0	**22.7**	23.7
Jun-23	**128.0**	133.9	**5.3**	4.8	**100.0**	100.0	**14.2**	15.5
Jun-23	**94.0**	91.3	**5.8**	5.8	**100.0**	100.0	**18.8**	19.8
Jun-23	**59.8**	64.2	**4.5**	4.0	**100.0**	100.0	**24.0**	25.0
Jun-23	**47.9**	54.0	**5.8**	5.0	**100.0**	100.0	**19.1**	20.1
Dec-22	**-**	48.7	**-**	4.8	**-**	94.5	**-**	2.9
Jun-23	**45.4**	47.3	**4.5**	4.1	**100.0**	100.0	**22.7**	23.7
Jun-23	**30.8**	34.0	**5.0**	5.0	**100.0**	100.0	**18.9**	19.9
Dec-22	**19.1**	21.6	**7.5**	6.3	**100.0**	100.0	**12.7**	13.7
Dec-22	**18.8**	19.9	**6.3**	6.0	**100.0**	100.0	**13.3**	14.3
Dec-22	**13.8**	15.4	**7.8**	6.3	**100.0**	100.0	**12.7**	13.7
Dec-22	**11.6**	12.8	**8.0**	7.0	**100.0**	100.0	**13.8**	14.8
Jun-23	**446.0**	448.8	**4.3**	4.0	**96.2**	95.0	**25.6**	20.5
Jun-23	**104.2**	100.1	**4.4**	4.3	**100.0**	100.0	**17.7**	18.7
Jun-23	**90.8**	84.7	**4.4**	4.2	**100.0**	100.0	**21.0**	19.0
Jun-23	**37.0**	36.5	**5.5**	5.0	**97.8**	100.0	**2.3**	2.9
Dec-22	**30.5**	29.9	**5.5**	5.3	**100.0**	100.0	**0.6**	1.6
Jun-23	**12.8**	13.3	**6.0**	5.5	**25.5**	59.6	**5.3**	2.5
Jun-23	**171.9**	161.8	**4.4**	4.0	**100.0**	100.0	**22.2**	23.2
Jun-23	**79.4**	81.9	**4.5**	4.3	**100.0**	100.0	**12.2**	13.2
Dec-22	**-**	57.5	**-**	4.8	**-**	100.0	**-**	22.7
n.a.	**-**	35.7	**-**	5.3	**-**	100.0	**-**	15.4
Jun-23	**25.8**	26.8	**6.3**	6.0	**100.0**	100.0	**13.0**	14.0
Jun-23	**20.7**	21.6	**6.3**	6.0	**100.0**	100.0	**13.0**	14.0
Jun-23	**67.7**	66.3	**4.5**	4.4	**100.0**	100.0	**11.1**	12.1
Jun-23	**67.7**	54.7	**4.5**	4.3	**100.0**	100.0	**18.6**	19.6
Jun-23	**13.3**	14.9	**7.8**	6.5	**100.0**	100.0	**12.7**	13.7
Dec-22	**7.3**	8.1	**7.8**	6.8	**100.0**	100.0	**12.7**	13.7
Jun-23	**97.4**	106.8	**4.9**	4.5	**99.8**	100.0	**4.1**	3.8
Jun-23	**83.2**	92.4	**5.8**	5.0	**100.0**	100.0	**12.6**	13.6
Jun-23	**23.9**	24.3	**5.8**	5.5	**73.9**	53.9	**8.5**	9.5
	2,066.1	2,233.8	**4.8**	4.5	**98.5**	98.6	**17.8**	17.1

Notes to the Consolidated Financial Statements

Properties	Location	Sub sector	Major Tenant
New Zealand			
Ascot Hospital & Clinics	Greenlane, Auckland	Hospital (Acute)	Ascot Hospital and Clinics Limited
Wakefield Hospital	Newtown, Wellington	Hospital (Acute)	Evolution Healthcare
Grace Hospital	Tauranga, Bay of Plenty	Hospital (Acute)	Norfolk Southern Cross Limited
Royston Hospital	Hastings, Hawkes Bay	Hospital (Acute)	Evolution Healthcare
Kawarau Park	Lake Hayes, Queenstown	Hospital (Acute)	Norfolk Southern Cross Limited
Bowen Hospital	Crofton Downs, Wellington	Hospital (Acute)	Evolution Healthcare
Ormiston Hospital	Flatbush, Auckland	Hospital (Acute)	Ormiston Surgical and Endoscopy Limited
Boulcott Hospital	Lower Hutt, Wellington	Hospital (Acute)	Boulcott Pulse Health Limited
68 Saint Asaph St	Christchurch Central, Christchurch	Ambulatory Care	Syft Technologies 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
Endoscopy Auckland	Epsom, Auckland	Ambulatory Care	Evolution Healthcare
Kensington Hospital	Whangarei, Northland	Hospital (Acute)	Kensington Hospital Limited
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
Total New Zealand			
Properties held for development			
Investment properties - non current			
Investment properties held for sale			
TOTAL FAIR VALUE OF INVESTMENT PROPERTIES			

Latest independent valuation	Fair value		Market capitalisation rate		Occupancy		WALE	
	$M	$M	%	%	%	%	Years	Years
Date	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22
Jun-23	**127.0**	140.5	**5.3**	4.4	**97.7**	100.0	**15.4**	15.8
Jun-23	**154.4**	128.1	**5.3**	4.8	**100.0**	100.0	**24.4**	25.4
Jun-23	**104.4**	115.5	**5.4**	4.6	**100.0**	100.0	**27.5**	28.5
Jun-23	**92.4**	98.3	**5.5**	4.8	**100.0**	100.0	**26.4**	27.4
Jun-23	**76.1**	-	**5.3**	-	**94.9**	-	**15.2**	-
Jun-23	**65.7**	78.2	**5.4**	4.5	**100.0**	100.0	**26.4**	27.4
Jun-23	**62.3**	52.6	**5.5**	4.8	**100.0**	100.0	**0.9**	1.9
Jun-23	**46.0**	51.5	**5.6**	4.8	**100.0**	100.0	**15.0**	16.0
Jun-23	**41.8**	52.2	**5.5**	4.5	**100.0**	100.0	**9.6**	7.8
Jun-23	**39.0**	44.8	**5.8**	4.8	**97.2**	100.0	**6.2**	6.7
Jun-23	**34.6**	41.7	**5.1**	4.3	**100.0**	100.0	**12.7**	13.7
n.a.	**-**	32.3	**-**	5.3	**-**	84.8	**-**	7.2
Jun-23	**25.6**	20.3	**5.5**	4.5	**100.0**	100.0	**18.9**	19.9
Jun-23	**23.5**	27.5	**6.0**	5.1	**100.0**	100.0	**23.0**	24.0
Dec-21	**16.1**	18.0	**6.3**	5.9	**100.0**	100.0	**10.5**	11.5
Jun-23	**8.1**	8.1	**10.3**	8.4	**90.4**	92.2	**13.0**	13.5
	917.0	909.6	**5.5**	4.7	**99.2**	99.2	**19.0**	18.7
	305.2	195.8						
	3,288.3	3,339.2						
	92.4	106.2	**5.5**	-	**99.8**	-	**12.2**	-
	3,380.7	3,445.4	**5.0**	4.6	**98.9**	98.8	**17.8**	17.6

Notes to the Consolidated Financial Statements

(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 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 outgoing 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.

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 2023 was determined through independent professional valuers for approximately 55% 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 2023 included: Ernst & Young, Colliers International, Jones Lang LaSalle Australia, Savills, Urbis, Valued Care, Absolute Value and CBRE. The properties which have been independently valued at 30 June 2023 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).

Climate change
The Group continues to assess the impact of climate change on its business and its real estate assets. While valuers have made no explicit adjustments to the fair value of investment property in respect of climate change matters, it is anticipated that climate change may have a greater influence on valuations in the future as investment markets place a greater emphasis on climate change and a property's / tenants environmental resilience and credentials.

Fair Value Hierarchy
Investment properties are classified as Level 3 under the fair value valuation hierarchy. A 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 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

	2023 $000s	2022 $000s
Other Expenses		
Auditor's remuneration:		
Audit and review of financial statements	**209**	197
Climate-related reporting gap analysis	**52**	-
AGM scrutineering	**3**	3
Manager's fees	**18,546**	15,737
Manager's incentive fee	**14,986**	15,914
Trustee fees	**576**	532
Other operating expenses	**3,588**	4,852
Total other expenses	**37,960**	37,235

Deloitte provided independent gap analysis services in relation to climate reporting as the Group prepares to comply with its reporting obligations under the requirements of the Climate related disclosure 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

	2023 $000s	2022 $000s
Balance at the beginning of the year	**1,150,881**	777,199
Issue of units under Distribution Reinvestment Plan	**14,188**	23,791
Issue of units under placement and unit purchase plan	**-**	142,803
Issue of units under rights issue	**-**	200,014
Issue of units to satisfy Manager's incentive fee	**15,949**	12,427
Issue costs of units	**(95)**	(5,353)
Balance at the end of the year	**1,180,922**	1,150,881

	2023 000s	2022 000s
Reconciliation of number of units		
Balance at the beginning of the year	**649,155**	519,753
Issue of units under the Distribution Reinvestment Plan	**5,980**	8,109
Issue of units under placement and unit purchase plan	**-**	49,401
Issue of units under rights issue	**-**	67,801
Units issued to satisfy Manager's incentive fee	**5,879**	4,091
Balance at the end of the year	**661,014**	649,155

Distributions for the financial year were 9.75 cents per unit (2022: 9.625 cents per unit) including the final quarter distribution of 2.4375 cents per unit (2022: 2.4375 cents per unit) declared subsequent to the reporting date. Refer Note 21.

There have been no equity raise activities outside of the units issued under the distribution reinvesment plan, and the payment of the manager's incentive fee in units (2022: 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. 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 the right to distributions.

Distributions are recognised as a liability in the Group's financial statements in the period in which the distribution is 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 reclassifed to units on issue.

On 31 August 2022, 5,878,511 units were issued against the 2022 Manager's incentive fee of $15.9 million (2022: 4,090,950 were issued against the 2021 Manager's incentive fee of $12.4 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), borrowings arrangements (refer note 11.a)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 36.3% (2022: 30.0%).

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

9. Earnings per Unit

	2023	2022
Profit/(loss) attributable to unit holders of the Trust ($000s)	**(152,401)**	303,522
Weighted average number of units on issue (000's of units)	**656,236**	569,104
Basic and diluted earnings per unit (cents)	**(23.22)**	53.33

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:

	2023 $000s	2022 $000s
Adjusted funds from operations		
Operating profit before tax and other income	**69,494**	56,517
Add/(deduct):		
Current tax expense	**(14,787)**	(8,280)
Incentive fee	**14,986**	15,914
Strategic transaction expenses	**-**	283
Current tax on translation of foreign currency funding transactions	**(107)**	98
Amortisation of borrowing costs	**1,716**	1,270
Amortisation of leasing costs & tenant inducements	**2,850**	2,778
IFRS 16 Operating lease accounting	**(170)**	(163)
Funds from operations (FFO)	**73,982**	68,417
Add/(deduct):		
Actual capex from continuing operations	**(647)**	(593)
Adjusted funds from operations (AFFO)	**73,335**	67,824
AFFO (cpu)	**11.18**	11.92
Distribution per unit (cpu)	**9.750**	9.625
AFFO payout ratio	**87%**	81%
Units on issue (weighted average, 000s)	656,236	569,104

Notes to the Consolidated Financial Statements

11. Borrowings

	2023 $000s	2022 $000s
AUD denominated loans	**1,203,293**	1,018,777
NZD denominated loans	**42,000**	-
Borrowing costs	**(6,137)**	(5,825)
Total borrowings	**1,239,156**	1,012,952
Non current liability	**1,239,156**	1,012,952
Total borrowings	**1,239,156**	1,012,952

	2023 $000s	2022 $000s
Total borrowings at the beginning of the year	**1,012,952**	929,300
Drawdowns during the year	**428,810**	835,111
Repayments during the year	**(182,925)**	(780,338)
Additional facility refinancing fee	**(2,070)**	(4,018)
Facility refinancing fee amortised during the year	**1,716**	1,270
Foreign exchange movement	**(19,327)**	31,627
Total borrowings at the end of the year	**1,239,156**	1,012,952

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

The Group has a club financing arrangement governed by a common terms deed and bi-lateral facility agreements. Currently there are eight financiers (2022: 6 financiers) that provide facilities to the Group. The facilities' expiry profile and undrawn limits are as follows:

	Jun-23			Jun-22		
	A$m Limit	A$m Undrawn	Expiry	A$m Limit	A$m Undrawn	Expiry
Common Terms Deed - AUD						
Facility A1	100.0	-	Oct-28	100.0	-	Oct-28
Facility A2	50.0	-	Mar-26	125.0	-	Oct-23
Facility A4	75.0	20.0	Mar-29	75.0	75.0	Mar-29
Facility A5	75.0	5.0	Mar-25	75.0	44.3	Mar-25
Facility B1	50.0	-	Mar-25	100.0	-	Apr-24
Facility C1	62.5	-	Mar-26	62.5	-	Mar-26
Facility C2	62.5	-	Mar-27	62.5	-	Mar-27
Facility C3	125.0	-	Mar-27	125.0	-	Mar-27
Facility D1	125.0	-	Mar-27	125.0	-	Mar-27
Facility D2	75.0	-	Mar-25	75.0	-	Mar-25
Facility D3	25.0	-	Mar-26	-	-	n.a.
Facility K1	70.1	-	Mar-28	70.1	70.1	Mar-26
Facility K2	21.0	-	Oct-26	21.0	-	Oct-26
Facility K3	13.0	-	Mar-28	-	-	n.a.
Facility L	75.0	-	Sep-28	75.0	-	Sep-28
Facility M1	19.0	-	Oct-26	19.0	-	Oct-26
Facility M2	12.0	-	Mar-28	-	-	n.a.
Facility N	125.0	78.9	Mar-28	-	-	n.a.
Facility O	50.0	-	Mar-28	-	-	n.a.
Total AUD Facility	1,210.1	103.9		1,110.1	189.4	
Common Terms Deed - NZD						
	NZ$m Limit	NZ$m Undrawn	Expiry	NZ$m Limit	NZ$m Undrawn	Expiry
Facility A	50.0	8.0	Mar-26	50.0	50.0	Oct-23
Facility B	75.0	75.0	Mar-28	75.0	75.0	Mar-26
Total NZD Facility	125.0	83.0		125.0	125.0	

In addition to the above, the Group has available a A$5.0m (2022: A$5.0m) bank guarantee facility of which A$0.3m (2022: A$0.6m) has been utilised at the reporting date.

The facilities provided are secured and cross collateralised over the Group's mortgaged 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 (being defined terms in the common terms deed) are as follows:

	Covenant	2023 Actual	2022 Actual
Banking Covenants			
Loan to value ratio	< 55%	36.5%	32.1%
Interest cover	> 2.00x	3.07	3.20
Total EBITDA of Obligors v total EBITDA of Group	Not < 95%	100%	100%
Total assets of Obligors v total assets of Group	Not < 95%	100%	100%
Total value of unmortgaged properties v total assets of Group	Not > 10%	2.3%	3.4%

Notes to the Consolidated Financial Statements

(11.b) Finance Expense

	2023 $000s	2022 $000s
Expenses		
Interest expense	**56,546**	35,116
Borrowing costs capitalised	**(18,331)**	(5,921)
Total finance expenses	**38,215**	29,195

The effective interest rate on borrowings, incorporating interest rate swaps, as at the reporting date was 4.93% per annum (2022: 3.73%).

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.

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 15.8 years (2022: 16.8 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 interest rates). At the reporting date, 69.7% of borrowings were fixed using interest rate swaps (2022: 44.5%). 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 mortgaged 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.

	2023 $000s	2022 $000s
Current assets		
Interest rate derivative assets	**276**	-
Non-current assets		
Interest rate derivative assets	**26,041**	20,692
Current liabilities		
Interest rate derivative liabilities	**-**	(93)
Non-current liabilities		
Interest rate derivative liabilities	**-**	(149)
Total	**26,317**	20,450

During the period the Group recognised a fair value gain of $5.9m (2022: $61.5m gain) on interest rate contracts. The Group's interest rate swaps outstanding at the reporting date are as follows:

	2023 $000s	2022 $000s
Notional value of interest rate swaps - AUD	**797,630**	410,000
Average fixed interest rate	**3.02%**	2.89%
Floating rates based on AUD BBSW	**4.21%**	1.51%

Interest rate derivatives mature over the next four years and have fixed interest rates ranging from 2.41% to 3.91% (2022: from 1.54% to 4.23%).

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 independent 3rd party valuations, 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 profit or loss 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 the 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 profit or loss in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

	2023 $000s	2022 $000s
Current assets		
Foreign exchange derivative assets	238	25
Non-current assets		
Foreign exchange derivative assets	6	-
Current liabilities		
Foreign exchange derivative liabilities	(8)	(442)
Non-current liabilities		
Foreign exchange derivative liabilities	-	(1)
Total	236	(418)

During the period the Group recognised a fair value gain of $0.65m (2022: $0.66m loss) on forward exchange contracts. The Group's forward exchange contracts outstanding at the reporting date are as follows:

	2023 $000s	2022 $000s
Nominal value of foreign exchange contracts - AUD	13,850	26,500
Average foreign exchange rate	0.8992	0.9134

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 profit or loss 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 categores 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 (2022: 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 of the Manager, which provide written principles that are consistent with the Group's risk management strategy and appetite. 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 (including loans);
- 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 2023	**16,668**	**(1,284,580)**	**26,561**	**(8)**
30 June 2022	24,497	(1,048,970)	20,717	(685)

Cash, cash equivalents, trade and other receivables (including fitout loans), trade and other payables and borrowings

The carrying values of these financial instruments approximate their fair values because of their short terms to maturity, frequency of interest rate reset dates and/or pricing based on counterparty credit ratings.

(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 (including loans), 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 diversity by actively managing the property portfolio composition and leasing arrangements; and
- only entering into derivative financial instruments 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.

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(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 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

Loans have floating rates of interest that are generally reset every 90 days. The risk is managed by the group by maintaining an appropriate mix between fixed and floating rates by the use of interest rate swaps. The following table indicates the effective interest rates and the earliest period in which financial instruments reprice.

	Weighted effective interest rate %	Less than 1 year $000s	1-2 years $000s	2-3 years $000s	3+ years $000s	Total $000s
30 June 2022						
Cash and cash equivalents (floating rates)	1.51%	22,055	-	-	-	22,055
Borrowings (floating rates)	2.39%	(565,087)	-	-	-	(565,087)
Borrowings (fixed rates)[1]	3.77%	(22,131)	(33,197)	(22,131)	(376,231)	(453,690)
		(565,163)	(33,197)	(22,131)	(376,231)	(996,722)
30 June 2023						
Cash and cash equivalents (floating rates)	4.21%	**10,885**	**-**	**-**	**-**	**10,885**
Borrowings (floating rates)	5.09%	**(377,643)**	**-**	**-**	**-**	**(377,643)**
Borrowings (fixed rates)[1]	3.91%	**(32,634)**	**(124,007)**	**(515,207)**	**(195,801)**	**(867,649)**
		(399,392)	**(124,007)**	**(515,207)**	**(195,801)**	**(1,234,407)**

1 Fixed rate balances are presented with the effect of hedging derivatives.

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) 2023 $000s	Impact on unit holders' funds 2023 $000s	Impact on profit/(loss) 2022 $000s	Impact on unit holders' funds 2022 $000s
If interest rates had been 100 bps higher:	**17,895**	**17,895**	17,429	17,429
If interest rates had been 100 bps lower:	**(18,420)**	**(18,420)**	(18,423)	(18,423)

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) 2023 $000s	Impact on unit holders' funds 2023 $000s	Impact on profit/(loss) 2022 $000s	Impact on unit holders' funds 2022 $000s
If interest rates had been 100 bps higher:	**(4,755)**	**(4,755)**	(5,651)	(5,651)
If interest rates had been 100 bps lower:	**4,755**	**4,755**	5,651	5,651

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:

	2023 $000s	2022 $000s
Non-financial instrument assets and liabilities denominated in Australian dollars		
Investment properties	**2,338,978**	2,391,227
Other assets	**1,944**	12,660
Deferred tax	**(160,140)**	(166,724)
Total non-financial instrument assets and liabilities	**2,180,782**	2,237,163
Non-derivative financial instruments		
Cash and cash equivalents	**5,641**	4,416
Trade and other receivables	**3,939**	1,702
Trade and other payables	**(30,197)**	(23,370)
Borrowings	**(1,203,293)**	(1,018,777)
Total exposure from non-derivative financial instruments	**(1,223,910)**	(1,036,029)
Derivative financial instruments		
Foreign exchange derivatives	**236**	(418)
Interest rate swaps	**26,317**	20,450
Total exposure from derivative instruments	**26,553**	20,032
Net exposure to currency risk	**983,425**	1,221,166

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 (2022: 10%), based on year end exposures, has the following effect:

Notes to the Consolidated Financial Statements

	2023 $000s	2022 $000s
If the New Zealand Dollar versus the Australian Dollar was 10% higher for the year:		
Profit and loss	**218**	2,864
Other comprehensive income	**(99,839)**	(106,633)
Unit Holders' funds	**(99,621)**	(103,769)
If the New Zealand Dollar versus the Australian Dollar was 10% lower for the year:		
Profit and loss	**(267)**	(3,501)
Other comprehensive income	**122,026**	130,329
Unit Holders' funds	**121,758**	126,828

(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
30 June 2022						
Non-derivative financial instruments						
Borrowings (excluding borrowing costs)	(1,018,777)	(1,164,084)	(31,947)	(281,961)	(144,008)	(706,168)
Trade and other payables	(31,946)	(31,946)	(31,946)	-	-	-
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)
Derivative financial instruments						
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
30 June 2023						
Non-derivative financial instruments						
Borrowings (excluding borrowing costs)	**(1,245,293)**	**(1,391,477)**	**(55,250)**	**(261,925)**	**(186,347)**	**(887,955)**
Trade and other payables	**(41,522)**	**(41,522)**	**(41,522)**	**-**	**-**	**-**
Lease liability - ground lease	**(3,902)**	**(3,902)**	**(178)**	**(185)**	**(193)**	**(3,346)**
	(1,290,717)	**(1,436,901)**	**(96,949)**	**(262,111)**	**(186,540)**	**(891,301)**
Derivative financial instruments						
Interest rate swaps	**26,317**	**28,354**	**13,258**	**11,946**	**2,867**	**282**
Foreign exchange derivatives	**236**	**236**	**236**	**-**	**-**	**-**
	26,553	**28,590**	**13,494**	**11,946**	**2,867**	**282**

(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).

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 (2022: nil).

(15.a) NZX Bank Bond

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

	2023 $000s	2022 $000s
Cash and cash equivalents		
Australian financial institutions	5,641	4,417
New Zealand financial institutions	5,244	17,638
Cash at bank	10,885	22,055
Reconciliation of profit after income tax to net cash flows from operating activities		
Profit after tax for the year	(152,401)	303,522
Adjustments for non-cash items		
Change in fair value of investment properties	208,553	(244,239)
Fair value (gain)/loss on derivative financial instruments	(6,523)	(60,804)
Unrealised foreign exchange (gain)/loss	(611)	(26)
Realised foreign exchange (gain)/loss	1	11
Deferred taxation	1,991	50,473
Income in advance	-	(233)
Manager's incentive fee	14,986	15,914
Other	1,992	2,173
Operating cash flow before changes in working capital	67,988	66,791
Change in trade and other payables	(146)	3,532
Change in taxation payable	3,324	(7,969)
Change in trade and other receivables	(1,280)	(1,450)
Items classified as investing activities	3,697	(417)
Net cash from operating activities	73,583	60,487

Excluded from investing and financing activities are distributions paid during the year of $14.2m (2022: $23.8m) 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

	2023 $000s	2022 $000s
Trade receivables	1,517	1,931
Loss allowance	(388)	(291)
	1,129	1,640
Other receivables	3,135	802
Tenant fitout loans	1,519	-
Total trade and other receivables	5,783	2,442

(17.a) Ageing of receivables Past Due

	2023 $000s	2022 $000s
0-30 days past due	919	785
31-60 days past due	401	320
61-90 days past due	219	824
	1,539	1,929

	2023 $000s	2022 $000s
Movement in the loss allowance		
Balance at the beginning of the year	291	345
(Decrease)/increase in allowance recognised in profit or loss	97	(54)
Balance at the end of the year	388	291

During the year the Group recognised bad debt write offs of nil (2022: nil) in the statement of comprehensive income.

The Group holds $2.5m security or other collateral (2022: $2.5m) 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 (2022: nil). There are no significant financial assets that have had renegotiated terms that would otherwise have been past due (2022: nil).

Refer to note 6.e for more information on the tenant fitout loans.

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").

Loan receivables
Loan receivables are initially measured at fair value and subsequent at amortised cost using the effective interest rate method.

Impairment of financial assets, rent and loan 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

	2023 $000s	2022 $000s
Current		
Deposits paid on property acquisitions	**1,300**	8,635
GST refundable	**1,315**	1,003
Other	**3,148**	5,813
Total Current	**5,763**	15,451

19. Trade and Other Payables

	2023 $000s	2022 $000s
Current liabilities		
Interest accrued on borrowings	**4,997**	3,620
Other creditors and accruals	**36,525**	28,326
Total trade and other payables	**41,522**	31,946

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 2023	Holding 2022
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 10 August 2023 a final cash distribution of 2.4375 cents per unit was announced by the Trust. The Record Date for the final distribution is 7 September 2023 and is payable to unit holders on 21 September 2023. Imputation credits of 0.5570 cents per unit will be attached to the distribution.

Subsequent to 30 June 2023 the Group has:

- settled the disposal of Mons Road Medical Centre in Westmead, NSW Australia for A$37.9m (excluding transaction costs) on 20 July 2023.
- settled the acquisition of a 7,461 sqm parcel of land in Flatbush, Auckland, NZ for NZ$13m (plus transaction costs) for future development. Settlement occured on 28 July 2023.
- contracted to divest The Southport Private Hospital, Southport, QLD Australia for A$51.40m (excluding transaction costs) on 20 July 2023. In addition, a capex retention deed has been entered into such that A$4.0m of the purchase price is to be escrowed and available for specified potential capital expenditure works for a period of up to 2 years post settlement. Vital is entitled to 50% of any residual balance at the conclusion of this period. Settlement is forecast to occur in late August / early September 2023.

In addition to the above, on and from 9 August 2023, Michael Kevin Brady has replaced Paul Dalla Lana as Northwests' representative (Non-independent Director) on the Board of Vital's Manager.

22. Related Party Transactions

The Manager

Vital is managed by Northwest Healthcare Properties Management Limited (the "Manager"), a wholly owned subsidiary of NWI Healthcare Properties LP (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 28.0% (2022: 27.6%) 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

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) (being a defined term in 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 Net Tangible Asset" requirement (being a defined term in the Trust Deed), such that for the purpose of determining the increase in NTA for a Financial Year, the annual NTA increase for that Financial Year will reduce to zero if the actual NTA does not exceed the High Watermark Net Tangible Asset requirement.

Activity Fees

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 property in the consolidated statement of financial position.

Additional Costs

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 2023 $000s				30 June 2022 $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	18,546	-	18,546	-	15,737	-	15,737	-
Incentive Fee[1]	14,986	-	14,986	14,951	15,914	-	15,914	15,914
Activity Fees:								
Leasing/licensing[2]	165	330	495	97	157	3,136	3,293	1,139
Property management[3]	1,978	-	1,978	264	1,541	-	1,541	258
Facilities management[3]	-	-	-	-	-	-	-	-
Project management[4]	-	46	46	-	-	157	157	161
AFSL fee	1,397	-	1,397	-	1,210	-	1,210	-
	37,072	376	37,448	15,312	34,559	3,293	37,852	17,472
Additional Costs:								
Acquisitions[5]	-	(571)	(571)	1,900	-	7,864	7,864	4,446
Disposals	733	-	733	722	-	-	-	-
Development management[6]	-	6,767	6,767	2,700	-	4,356	4,356	2,771
	733	6,196	6,929	5,322	-	12,220	12,220	7,217
Other Amounts:								
Reimbursement of third party expenses:								
Other expenses	189	-	189	-	141	-	141	-
Amounts paid to directors:[7]								
Graham Stuart	180	-	180	-	171	-	171	-
Angela Bull	58	-	58	-	-	-	-	-
Andrew Evans	-	-	-	-	90	-	90	-
	427	-	427	-	402	-	402	-
	38,232	6,572	44,804	20,634	34,961	15,513	50,474	24,689

1 Manager's incentive fee outstanding at 30 June 2023 of $15.0m (Jun 22: $15.9m) is payable to NorthWest Healthcare Properties Management Limited

2 Amounts outstanding at 30 June 2023 are: NorthWest Healthcare Properties Management Limited $0.02m (Jun 22:$0.1m); NorthWest Healthcare Australian Property Limited $0.1m (Jun 22: nil)

3 Property Management and Facilities Management fees, exclusive of recoveries from tenants, incurred by the Trust totalled $2.0m and nil respectively for the 30 June 2023 year (Jun 22: $1.5m and nil respectively).
Amounts outstanding at 30 June 2023 are: NorthWest Healthcare Properties Management Limited $0.1m (Jun 22: $0.1m); NorthWest Healthcare Australian Property Limited $0.2m (Jun 22:$0.2m)

4 Amounts outstanding at 30 June 2023 are: NorthWest Healthcare Properties Management Limited Nil (Jun 22: $0.1m) NorthWest Healthcare Australian Property Limited Nil (Jun 22: $0.1m)

5 Amounts outstanding at 30 June 2023 are: NorthWest Healthcare Properties Management Limited $0.2m (Jun 22: $1.3m); NorthWest Healthcare Australian Property Limited $1.7m (Jun 22: $3.1m)

6 Amounts outstanding at 30 June 2023 are: NorthWest Healthcare Properties Management Limited $1.4m (Jun 22: $1.6m); NorthWest Healthcare Australian Property Limited $1.3m (Jun 22: $1.2m)

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

Other Related Parties

On 30 December 2022 the Group entered into an agreement with Northwest Healthcare Australia RE Limited as trustee for Northwest Healthcare Australia Lumina Trust (Lumina) under which Vital purchased the land at 15 Nexus Way, Southport, Queensland Australia (Land) to facilitate the development of a new state of the art, 6-Star Green Star health, research and innovation building to be known as "RDX". Consideration paid, based on an independent valuation by Jones Lang LaSalle of the Land, totalled A$6.9m, including A$4.3m payable to Lumina.

In conjunction with the purchase of the Land:

- Lumina has agreed to guarantee the net operating income of RDX will not be less than A$3.712m for the 12 months from practical completion of RDX; and
- the Group has agreed to pay Lumina 50% of the actual net operating income in excess of A$3.712m plus 50% of any outperformance against the leasing assumptions, capped at A$2.0m.

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

Deloitte.

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 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 74 to 115, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, 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 independent gap analysis services in relation to climate reporting and as independent AGM vote scutineer. 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 $3.26 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	How our audit addressed the key audit matter

Valuation of Investment Properties
 	
The Group's investment properties (including those held for sale) consist of health sector properties totalling $3,381 million as at 30 June 2023. Revaluation losses on the Group's investment properties for the year ended 30 June 2023 of $209 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.
 	
Independent registered valuers determined the fair value of approximately 55 percent of the investment properties at 30 June 2023, and 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.
 	
The valuation of investment properties is a key audit matter due to the subjective judgements and assumptions in the valuation models.
	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 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 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.

Other information

The Board of Directors of the Manager is 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 is 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 is 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 intends to liquidate the Group or to cease operations, or has 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 unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Andrew Boivin
Partner
for Deloitte Limited
Auckland, New Zealand
10 August 2023

Unit Holder statistics

Analysis of unit holders as at 30 June 2023

Holding Range	Number of unit holders	Total units	% of total units issued
1 - 499	230	44,527	0.01
500 - 999	92	65,080	0.01
1,000 - 1,999	256	367,538	0.06
2,000 - 4,999	846	2,894,849	0.44
5,000 - 9,999	1,010	7,183,895	1.09
10,000 - 49,999	1,956	43,099,945	6.52
50,000 - 99,999	276	18,578,076	2.81
100,000 - 499,999	134	23,588,575	3.57
500,000 - 999,999	10	6,791,095	1.03
1,000,000 Over	28	558,400,034	84.48
Rounding			**-0.02**
Total	**4,838**	**661,013,614**	**100**

Substantial unit holders as at 30 June 2023

Unit holders	Date of notice	Number of units	% of total units issued[1]
NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST	31-Aug-22	185,294,299	28.29
FORSYTH BARR INVESTMENT MANAGEMENT LIMITED	21-Mar-22	40,830,714	7.07
ACCIDENT COMPENSATION CORPORATION	23-Aug-22	32,534,879	5.01
ANZ NEW ZEALAND INVESTMENTS LTD	21-Mar-22	26,304,841	5.06

1 On date notice filed

Twenty largest unit holders as at 30 June 2023

Unit holders	Total	% of units
NZGT SECURITY TRUSTEE LIMITED	185,064,120	28.00
FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	58,218,838	8.81
CUSTODIAL SERVICES LIMITED <A/C 4>	50,181,589	7.59
ACCIDENT COMPENSATION CORPORATION - NZCSD <ACCI40>	35,664,353	5.40
HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD <HKBN90>	33,067,164	5.00
CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD <CNOM90>	24,555,973	3.71
HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD <HKBN45>	21,733,843	3.29
ANZ WHOLESALE TRANS-TASMAN PROPERTY SECURITIES FUND - NZCSD <PNTT90>	21,376,544	3.23
BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD <BPSS40>	18,006,050	2.72
JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT - NZCSD <CHAM24>	17,639,527	2.67
NEW ZEALAND DEPOSITORY NOMINEE LIMITED <A/C 1 CASH ACCOUNT>	16,296,688	2.47
JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	11,724,973	1.77
TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT - NZCSD <TEAC40>	11,076,309	1.68
FNZ CUSTODIANS LIMITED	10,816,008	1.64
INVESTMENT CUSTODIAL SERVICES LIMITED <A/C C>	7,072,901	1.07
MFL MUTUAL FUND LIMITED - NZCSD <MFLA90>	5,509,326	0.83
ANZ WHOLESALE PROPERTY SECURITIES - NZCSD <PNLR90>	4,880,988	0.74
SIMPLICITY NOMINEES LIMITED - NZCSD	4,700,947	0.71
FORSYTH BARR CUSTODIANS LIMITED <ACCOUNT 1 E>	4,043,634	0.61
ADMINIS CUSTODIAL NOMINEES LIMITED	3,735,578	0.57
Top 20 holders of Units	**545,365,353**	**82.50**
Total Remaining Holders Balance	**115,648,261**	**17.50**

Vital's structure

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

About Vital

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

Vital's portfolio of 45 properties is valued at ~$3.4 billion with 72% (by value) located in Australia and the balance in New Zealand. The portfolio has over 125 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**

About the Manager

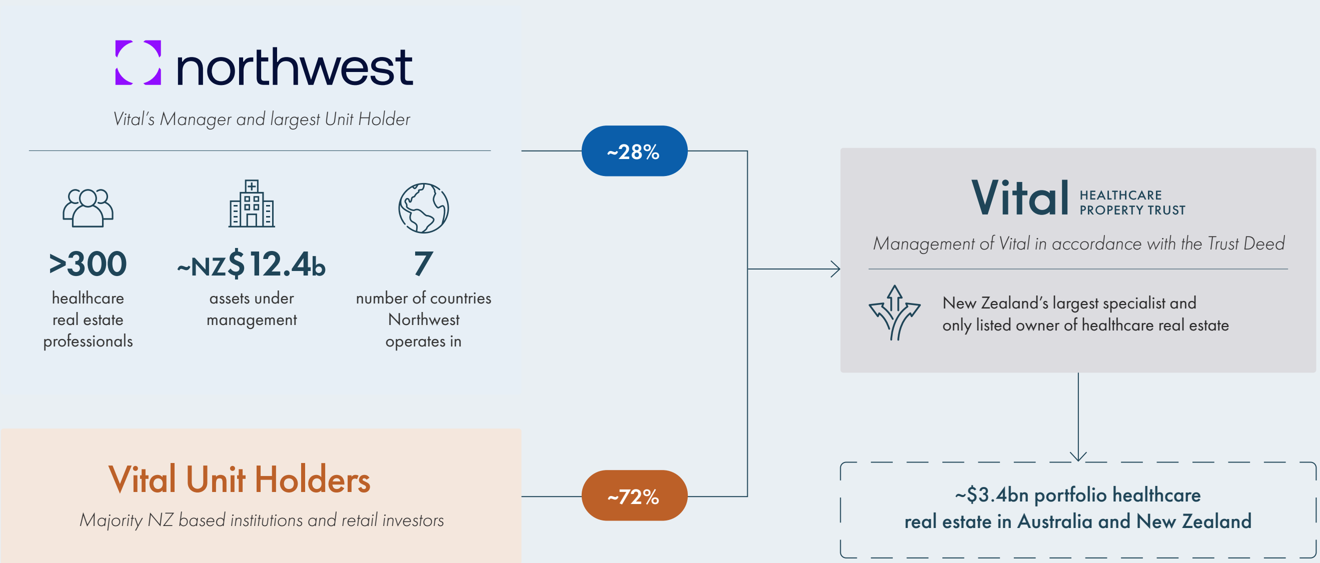
Northwest Healthcare Properties Management Limited (NWHPM, the Manager) is an external manager that provides management services to Vital and its Unit Holders.

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.

OUR STRUCTURE – A UNIT TRUST



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

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.

Northwest REIT has ~NZ$12.4 billion of assets under management globally and over 300 real estate professionals.

Vital is the only NZX listed specialist landlord of healthcare property and the fourth largest NZX listed property vehicle.

Healthy properties deliver healthy returns

Directory

MANAGER

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Email: enquiry@vhpt.co.nz

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Northwest Healthcare Properties REIT
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Sydney, NSW 2000, Australia

Gold Coast Office
Gold Coast, QLD 4218, AU

BOARD AND OFFICERS OF THE MANAGER

Graham Stuart – Independent Chair

Mike Brady - Director (appointed 9 August 2023)

Angela Bull – Independent Director

Paul Dalla Lana – Director (removed 9 August 2023)

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

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Bank of New Zealand

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International Towers
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Industrial and Commercial Bank of China Limited – Australia

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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.

Vital HEALTHCARE PROPERTY TRUST

Managed by Northwest