Interim Report

DELIVERING ON OUR STRATEGY

FOR THE SIX MONTHS
ENDED 31 DECEMBER 2023

Vital HEALTHCARE PROPERTY TRUST
Managed by Northwest

CONTENTS

Investing in healthcare infrastructure in New Zealand and Australia

~NZ$3.2bn

PROPERTY PORTFOLIO

AT LEAST

9.75 cpu

FY24 DISTRIBUTION GUIDANCE

19.2 years

WEIGHTED AVERAGE LEASE TERM (WALE)[1]

[1] Inclusive of landlord options

Overview of Vital

as at 31 December 2023

Vital is the only specialist healthcare landlord on the NZX.

Geographic diversity (by portfolio value)

AUSTRALIA

–

~NZ$2.2bn

23[‡] PROPERTIES (AUS)

NEW ZEALAND

–

~NZ$1.0bn

15[‡] PROPERTIES (NZ)

~NZ$3.2bn
38[‡†] PROPERTIES (AUS & NZ)

NZ$146m
NET ANNUAL PROPERTY INCOME (CY23)

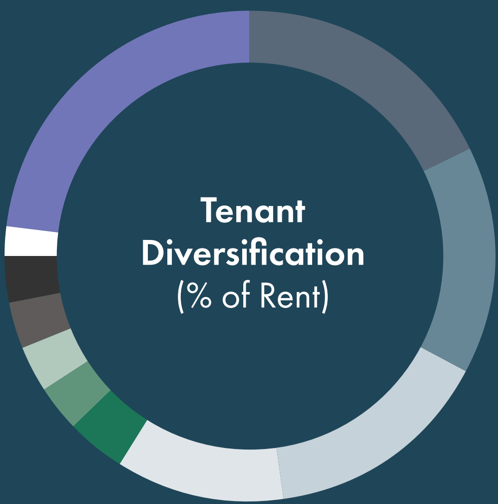
5.21%
WEIGHTED AVERAGE CAP RATE (IPP)[‡] (AUS 5.02%, NZ 5.61%)

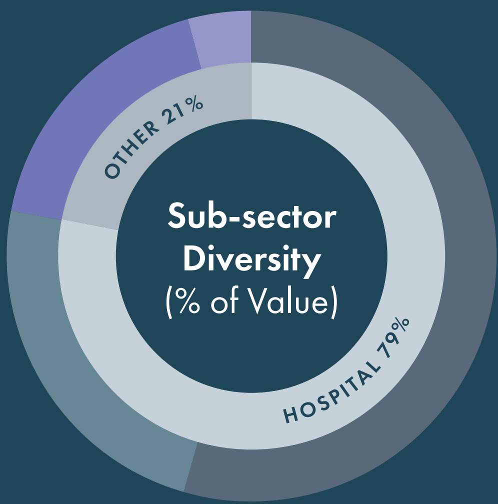
9.7 years
AVERAGE BUILDING AGE*

19.2 years
WEIGHTED AVERAGE LEASE EXPIRY (WALE)[1]

98.2%
PORTFOLIO OCCUPANCY

*measured through the latter of date of construction or last significant development





Aurora Healthcare	19%
Evolution Group	17%
Healthe Care Surgical	16%
Epworth Healthcare	16%
Southern Cross	4%
Burnside	3%
Mercy Ascot	3%
Bolton Clarke	3%
Te Whatu Ora	2%
I-Med Radiology	1%
Other	17%

Acute Hospitals	56%
Specialty Hospitals (mental health & rehabilitation)	23%
Ambulatory Care	19%
Aged Care	2%

[1] Inclusive of landlord options

[‡] Income Producing Property (excludes strategic assets)
[†] Figures may not sum due to rounding.

Investing in healthcare property across Australia and New Zealand

Vital is the only specialist healthcare Landlord listed on the NZX

DEFENSIVE SECTOR

- Non-discretionary or high priority discretionary spending
- Low impact from economic or business cycles
- Strong demand for healthcare property compared to other property sectors

HIGH DEMAND

- Ageing demographics and growing populations
- Rising life expectancy
- Increased offerings due to technological advances
- Increasing demand from the public sector due to capacity and / or fiscal constraints

HIGH QUALITY PORTFOLIO

- Landlord leading private healthcare operators and Te Whatu Ora
- 98.2% occupancy
- Average building age[1]: 9.7 years

DEVELOPMENT UPSIDE

- NZ$213m of remaining spend on existing developments
- ~NZ$2bn+[2] potential development pipeline
- Vital has an unmatched development team in healthcare property across Australia and New Zealand

EARNINGS GROWTH

- Targeting 2–3% AFFO and DPU growth with a conservative payout ratio
- 97% of leases increase annually by CPI[3] or a fixed %
- Strong underlying NPI growth enhanced by developments

[1] Average building age = the later of the date of construction or last significant capital works
[2] Development timing and therefore spend expected to be over a staged and lengthy period (at least 10 years)
[3] ~70% of leases with CPI increases have some form of cap in place. Refer to the Investor Presentation released on the date of this report for full details.

New Zealand Property Council (PCNZ) Conference

In September 2023, the PCNZ conference was held on the Gold Coast. We took the opportunity to showcase RDX, Vital's first life sciences development (due for completion mid-2025).

Delivering for Unit Holders over time

Short (1 year), medium (3 years) and longer (10 years) term enhancements

All as at 31 December of the year shown unless otherwise indicated

TOTAL PROPERTY VALUE

441% growth (HY14-HY24)

2014	~NZ$0.60bn (AUS: 74%, NZ: 26%)
2021	~NZ$2.25bn (AUS: 71%, NZ: 29%)
2024	~NZ$3.22bn (AUS: 69%, NZ: 31%)

WALE

Market leading WALE

2014	14.9 years
2021	19.0 years
2024	19.2 years

AVERAGE BUILDING AGE[1]

Younger buildings reduce maintenance capex requirements

2014	Data not available
2021	14.7 years
2024	9.7 years

NET PROPERTY INCOME (HALF YEAR)

151% increase (HY14-HY24)

HY14	NZ$29m
HY21	NZ$54m
HY24	NZ$72m

DEVELOPMENT PIPELINE

Enhance earnings and valuation growth and support portfolio quality

2014	~NZ$60m
2021	~NZ$1.0bn
2024	~NZ$2.5bn[2]

LARGEST SINGLE TENANT EXPOSURE

Concentration risk reduced

2014	41%
2021	41%
2024	19%

SECTOR SPLIT

Diversity of assets reduces risk and enhances earnings

2014	Hospital 82%, Ambulatory Care 18%, Aged Care 0%
2021	Hospital 83%, Ambulatory Care 11%, Aged Care 6%
2024	Hospital 79%, Ambulatory Care 19%, Aged Care 2%

WEIGHTED AVERAGE CAP RATE

Healthcare now considered a core real estate investment

2014	8.91%
2021	5.33%
2024	5.21%

[1] Average building age = the later of the date of construction or the last significant capital works
[2] Committed and potential development pipeline

Non-core asset sales combined with developments have improved Vital's property portfolio

NZ$222.1m

OF ASSET SALES UNDERTAKEN SINCE MARCH 2023

Divestments have:

INCREASED WALE BY

2.1 years

REDUCED CY24 LEASE EXPIRIES BY

3.6%

REDUCED AVERAGE BUILDING BY

0.8 years

REDUCED BALANCE SHEET GEARING BY

450 bps

(PRO-FORMA)

Manager’s report

Vital is a highly transparent investment entity. We provide regular updates to our investors and other stakeholders including around our strategic direction and key targets. We are very proud to have delivered what we said we were going to.

Tēnā koutou,

Northwest Healthcare Properties Management Limited, the Manager of Vital Healthcare Property Trust (Vital), is pleased to report Vital’s results for the six months ended 31 December 2023 (HY24).

During the Half Year we realised a number of our previously communicated strategic goals and targets resulting in the Board refreshing these as part of an updated strategic plan for the medium term.

1st

GRESB ACKNOWLEDGED VITAL AS SECTOR LEADER FOR ESG FOR LISTED HEALTHCARE GLOBALLY

4.1%

GROWTH IN NET PROPERTY INCOME SINCE HY23 (LIKE-FOR-LIKE, SAME PROPERTY AND CONSTANT CURRENCY)

Other key achievements over the Half Year include:

- Vital was acknowledged as a Sector Leader (the highest possible achievement) for ESG by GRESB for listed healthcare entities globally across performance, management and developments.
- NZ$164m[1] of non-core assets were sold or contracted for sale taking total sales over the last 12 months to NZ$222.1m. Sales have been executed at a ~8% discount to book values highlighting both the accuracy of these valuations and the demand for healthcare assets. Proceeds have been used to repay debt and will ultimately fund Vital's development pipeline.
- 7% of Vital's total property portfolio (by net lettable area) was leased or renewed during HY24.
- Two of Vital's larger developments, Wakefield Hospital in Wellington and Ormiston Hospital in Auckland, are nearing completion reducing the capital required in future periods.
- With these developments nearing completion, increasing consideration is being given to Vital's future development pipeline. A number of potential developments across Australia and New Zealand have been prepared to being "shovel-ready" (typically design and resource consent) enabling quick conversion to being a committed development when appropriate tenant pre-commitments are in place.
- Distributions were maintained at 4.875 cpu from the prior corresponding period whilst also maintaining a payout ratio of <90%. Vital's distribution reinvestment plan or DRP remains active but the 1% discount has been removed from February 2024.
- Interest rate hedging increased from 67.2% at 31 December 2022 to 78% at 31 December 2023.

With two of Vital's larger developments due to complete this year, work is underway to add committed developments to Vital's pipeline.

[1] Includes assets held for sale at 30 June 2023.

Net property income

Net property income increased from NZ$72.1 million to NZ$72.4 million for the Half Year. This increase was driven by strong income growth, offset by asset sales. Underlying income rose by 4.1% (measured by like-for-like net property income on a constant currency basis).

~86% of Vital's income is linked to CPI (albeit with varied caps as detailed in the Investor Presentation we have released today). Under Vital's leases, rent for future periods is determined by CPI from previous periods so Vital's future income is expected to be supported by current and previous periods of heightened inflation.

"Over the 10 years ended 31 December 2023, Vital has provided a total return of 10.8% per annum, 2.3% per annum above the S&P/ NZX All Real Estate Index."

	31 Dec 2023	31 Dec 2022	Change
NTA per unit (NZ$)	2.70	3.17	(15)
Investment portfolio value (NZ$m)	3,218.1	3,454.7	(236.6)
Investment properties (No.)	38	47	(9)
Avg. property value (NZ$m)	84.7	73.5	11.2
Avg. building age (years)	9.7	11.1	(1.4)
WALE (years)	19.2	17.2	2.0
Occupancy (%)	98.2	98.4	(0.2)
AFFO - 6 months (NZ$m)	37.0	37.7	(1.9%)
AFFO - 6 months (cpu)	5.54	5.76	(3.8%)

Reduction due to disposal of non-core assets to improve the portfolio and fund new developments

AFFO and distributions

AFFO (a proxy for cash profit for Unit Holders) decreased from the prior corresponding period (NZ$37.7 million to NZ$37.0 million) primarily due to asset sales. Pleasingly, as noted above underlying income rose by 4.1% (on a same property, constant currency basis).

AFFO per unit declined by 3.8% decrease in cents per unit (5.76cpu to 5.54cpu). This decline in AFFO per unit is primarily due to debt costs rising faster than net property income and is expected to be reversed in future periods due to:

1. interest rates stabilising and potentially declining;
2. Vital having higher levels of fixed debt due to asset sales and potentially capital partnering;
3. further net property income increases over coming periods as CPI / market rent reviews flow to future rent and developments complete and become income producing; and
4. future development commitments being repriced to align with Vital's revised cost of capital.

Due to a falling AFFO per unit, we were unable to increase distributions for the Half Year which remained at 4.875 cpu (2.4375 cpu per quarter). Our conservative payout ratio of <90% has enabled maintenance of Vital's distribution despite the modest fall in AFFO per unit.

We remain focused on delivering 2-3% growth in AFFO and distributions per unit per annum over the medium term.

Net tangible assets

Net tangible assets fell ~15% per unit from NZ$3.17 at 31 December 2022 to NZ$2.70 at 31 December 2023. This fall was primarily attributable to property revaluations which is unrealised. We anticipate a return to stable and growing NTA per unit as interest rates stabilise and potentially decline.

Capital management

At 31 December 2023, balance sheet gearing was 38.3%, all-in weighted cost of debt was 5.14% (based on drawn debt only and includes the cost of hedging), weighted average debt duration was 3.3 years, the weighted average hedging term was 2.3 years and Vital had debt headroom in its existing facilities of A$166 million.

Portfolio overview

Vital owns a high-quality ~NZ$3.2 billion portfolio of 38 healthcare investment properties, diversified across all mainland Australian States and New Zealand. The portfolio comprises 24 private hospitals (representing 79% of the portfolio value), 11 ambulatory care facilities (19%) and three aged care facilities (2%).

At 19.2 years, Vital's WALE remains the longest of any NZX listed REIT providing a high level of income security for Unit Holders.

Leasing

Approximately 17,500 square metres of new or extended leasing was undertaken across Vital 's portfolio (representing ~7% of Vital's net lettable area) during the Half Year. Leasing helped to maintain occupancy above 98%, maintain the long WALE and contribute to the net property income growth noted above.

Acquisitions and divestments

NZ$21m of acquisitions completed during the Half Year predominantly land adjoining Ormiston Hospital in Auckland to facilitate further expansion of this healthcare precinct as well as other expansion land.

NZ$222m of non-core asset sales were undertaken over the 2023 calendar year to repay debt and ultimately fund Vital's development pipeline. pipeline. A further NZ$92m is in due diligence for sale and further assets are being considered for potential sale.

Developments

Developments are a key component of Vital's strategy to continue to deliver earnings and capital growth and improve the quality of the portfolio. In particular we are aiming to increase Vital's exposure to green properties in core and emerging healthcare precincts including in our home market, New Zealand, where we see significant opportunities to support private and public healthcare operators.

As at 31 December 2023, Vital had a committed development pipeline of NZ$512.3 million across nine projects of which NZ$212.7 million was left to complete. These figures include one fund-through project totaling NZ$61.9million with NZ$13.0 million left to complete which the tenant takes significant development risk.

During the Half Year ~NZ$131 million was spent on developments, ~NZ$2.3 million spent on value-add capital works and ~$NZ9.9 million on maintenance and tenant incentives.

Significant development milestones during the Half Year were as follows:

1. A$28.5m Mt Eliza fund-through project reached practical completion in December 2023.
2. N$24.8m Boulcott Hospital Expansion commenced construction in September 2023.
3. A$16.0m Maitland Hospital expansion commenced construction in September 2023.
4. N$6.4m Bowen Hospital Expansion reached practical completion in November 2023.
5. A$57.4m Macarthur Health Precinct Stage 1 fund-through & A$43.4m Playford Health Hub Stage 2 projects both well progressed nearing practical completion.
6. N$91.5m Wakefield Hospital Stage 2 & N$38.1m Ormiston Hospital Stage 1 projects in New Zealand both well progressed & nearing practical completion.

Vital also has ~NZ$2.0 billion of potential development opportunities. These opportunities are being actively considered on land already owned, but are not yet committed or approved. We will be highly selective about which opportunities to pursue and when to pursue them.

Sustainability / ESG

Vital and Northwest continue to prioritise sustainability, allocating substantial resources to enhance performance across various ESG (Environmental, Social, and Governance) metrics.

In October, Vital was acknowledged as a GRESB Sector Leader (the highest possible achievement) for ESG in healthcare for listed entities globally across performance, management and developments.

GRESB benchmarks ESG performance of real estate and infrastructure entities with a worldwide investment value of US$8.6 trillion.

Vital retained a B- in 2023 for CDP (formerly Carbon Disclosure Project).

A B- score places Vital in the 'Management' category, showcasing our commitment to proactively addressing our environmental impact and actively striving to decrease greenhouse gas emissions.

Vital has memberships with the Green Building Councils of New Zealand and Australia demonstrating our dedication to Green Star targets on all new developments.

Vital was acknowledged as Sector Leader (the highest possible achievement) by GRESB for ESG for listed healthcare entities globally across performance, management and developments.

Outlook

In December 2023, Vital's majority Independent Board approved an updated strategy. The updated strategy is substantially in line with previously announced strategy reflecting the Board and management's conviction in healthcare property. Key elements include:

Continuation of core strategy & focus on healthcare real estate

– Healthcare property continues to be attractive due to the underlying tenant demand and relatively low volatility. Vital is in a unique position to capitlise on this.

Measures to return to AFFO and distribution growth in future periods consistent with targets

– We have several strategies to return to a growth path for AFFO and distributions in future periods.

Continued focus on brownfield and greenfield developments in core or emerging healthcare precincts

– Continued improvement of the portfolio to support security of Unit Holder returns
– Retain sector leadership
– Reflects our belief in healthcare precincts as a means to enhance returns for Unit Holders
– To become committed, potential developments must add value for Unit Holders

Increased focus on alternative sources of capital

– Benefits to Vital include enabling the potential development pipeline, adding another way of funding developments and reducing risk (development, tenant concentration and geographic concentration) - to support capital partnering, a proposed amended to Vital's SIPO has been sent to Vital's Unit Holders on the date of this report.

Continued focus on key identified markets notably New Zealand where Vital is supporting the three main private hospital operators as well as the public health system

– Vital is supporting our home market and the communities where our investors are located.

Sustainability / ESG to remain core to everything we do

– Vital needs to remain relevant, attractive to investors and at the forefront of best practice across all ESG areas.

On behalf of your Board and Management, thank you for your ongoing support.

Nā māua noa, nā

Graham Stuart
Independent Chair

Aaron Hockly
Fund Manager

15 February 2024
Northwest Healthcare Properties Management Limited,
the Manager of Vital Healthcare Property Trust

Ko ngā pae tawhiti whaia kia tata, ko ngā pae tata, whakamaua kia tina.

The potential for tomorrow depends on what we do today.

Sustainability

Vital was acknowledged as a GRESB Sector Leader (the highest possible achievement) for ESG in healthcare for listed entities globally across performance, management and developments.

GRESB REAL ESTATE
SECTOR LEADER 2023

GRESB ★★★★★ 2023
5 STAR ESG RATING

Vital's CDP (formerly Carbon Disclosure Project) scorewas maintained at B- in 2023 (up from C two years earlier). A B- score positions Vital in the 'Management' category, indicating evidence of our commitment to managing our environmental impact.

Modern Slavery

Northwest (including Vital) has released its third Modern Slavery Statement in December 2023 and has joined the Informed 365 – Property Consortia to manage surveys and reduce risks of modern slavery in our supply chain.

Reconciliation & Cultural Awareness

Northwest (including Vital) is committed to cultural acknowledgement to achieve better health outcomes in communities we serve and improve reconciliation outcomes with Australia's First Nations peoples. Reconciliation Australia has endorsed our inaugural Reflect Reconciliation Action Plan (RAP) to integrate and prioritise reconciliation across our business.

Māori cultural awareness training has been deployed across the business with a focus on Tikanga Māori (Māori customs), te Tiriti o Waitangi (the Treaty) and te reo Māori (language).

Green Star

Vital is committed to targeting a minimum of 5 star Green Star ratings for all new development projects and currently has 9 new developments registered to achieve the below ratings:

Targeting 6 Star Green Star Design & As-Built Rating

- RDX, Queensland
- Macarthur Health Precinct - Stage 1, Campbelltown (Design Certification Achieved, As-Built Certification on track to be achieved 2024)
- Playford Health Hub - Stage 2, Elizabeth Vale (Design Certification Achieved, As-Built Certification on track to be achieved 2024)

Targeting 5 Star Green Star Design & As-Built Rating[1]

- Kipling Avenue, Auckland
- Coomera Health Precinct - Stage 1, Queensland
- Logan Private Hospital, Meadowbrook
- Buranda Health Hub, Woolloongabba
- St Asaph St, Christchurch
- 61-71 Park Road, Auckland

[1] Except for Kipling Avenue, the other developments listed in this section are part of Vital's potential development pipeline and have not been committed to by Vital yet

Volunteering

Northwest (including Vital) launched a company wide volunteering policy. Our team has completed volunteering within the communities we serve including opportunities with the Starship Foundation, Ronald McDonald Charities Houses and Magic Moments Foundation's Sydney Basket Brigade.

Climate Related Disclosure

Under New Zealand legislation, Vital will submit a Climate Related Disclosure (CRD) prior to October 2024, aligning to the XRB Aotearoa New Zealand Climate Standards[2] which will include information covering Governance, Strategy, Risk Management and Metrics and Targets.

Data collection

Vital is currently engaged with Toitū Envirocare to verify our 2022 baseline year emissions data. We are proud to be working with Toitū Envirocare to bolster our climate action journey through credibility and international best practice.

In accordance with XRB CS1 Vital will disclose an absolute and intensity based GHG inventory for FY24 with limited assurance.

Targets

Vital is committed to a long term emissions target of net zero by 2050. Establishing an interim science-based-target will set a key milestone for Vital to ensure trajectory to 2050. The interim target will be measured from the 2022 baseline information.

[2] CS1, CS2, CS3

Ormiston Hospital Case Study

Vital acquired Ormiston Hospital (majority operated by Southern Cross) in 2017. The then ~5,000sqm facility was a 3 level, 26 bed facility with 6 Operating Theatres.

Vital, in collaboration with Ormiston Hospital is in the final stages of constructing a $46m, ~5,000sqm expansion. The new facility is 100% pre-leased (including heads of agreement) and will provide an endoscopy suite with three procedure rooms, 15 additional beds and 900sqm of consulting space and future expansion space.

On completion in July 2024, the expanded Ormiston Hospital, is expected to be valued at over $100m representing ~3% of Vital's NZ$3.2 billion portfolio across Australia and New Zealand (~10% of Vital's NZ$1billion NZ portfolio).

In 2023, after completing comprehensive master planning of the existing site and identifying significant constraints, Vital acquired ~7,500sqm of expansion land adjoining the Ormiston Hospital for $13m enabling Vital to respond to increased demand for healthcare services in Southeast Auckland. Master-planning for the precinct has commenced.

Delivering on strategy

Acquisition of Ormiston Hospital

Stage 1

- 5,000sqm expansion forecast to complete in July 2024; doubling the size of the facility and extending existing lease by 20 years
- ~70% leasing pre-commitment prior to commencement of construction
- 100% leasing commitments prior to practical completion

Stage 2

- Comprehensive medical precinct master planning for medical precinct
- Acquisition of 7,500sqm of adjacent land for future expansion and development

Our Board

The Board comprises five highly qualified directors based in Auckland, 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 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.

Mike Brady

DIRECTOR
(56, Toronto)

Mike was appointed global President of Northwest Healthcare Properties REIT (TSX: NWH.UN) in 2023 after serving as global 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.

Angela Bull

INDEPENDENT DIRECTOR AND MEMBER OF THE AUDIT COMMITTEE
(48, Auckland)

Angela Bull is an independent director of 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 an independent director of Bayleys Corporation Board (NZ) and recently joined the Board of Fulton Hogan 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; a former Board member of the Property Council of New Zealand; and a former independent director of the Real Estate Institute of New Zealand.

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.

WAKEFIELD HOSPITAL, WELLINGTON

Craig Mitchell

DIRECTOR AND MEMBER
OF THE AUDIT COMMITTEE
(56, Sydney)

Craig joined Northwest in 2018 as CEO for Australia and New Zealand, was a member of the global management team and assumed a global leadership role with funds and operations when he was named President in 2020. The Northwest Board appointed him CEO in 2023.

A professional manager with an inclusive leadership style, Craig has more than 20 years of experience specialising in the property industry. His previous roles include Executive Director and Chief Operating Officer of Dexus, an ASX top 50 listed REIT.

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

Dr Michael Stanford AM

INDEPENDENT DIRECTOR AND CHAIR
OF THE AUDIT COMMITTEE
(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; and Board member of the Royal Australian College of General Practitioners as well as Board member of Healius (ASX:HLS).

Other Board roles in the last three years have included Australian Clinical Labs (ASX: ACL), Australia's third largest private pathology provider; Nucleus Networks, one of the world's largest Phase one clinical research organisations; Virtus Health (ASX: VRT), one of the world's top five providers of Assisted Reproductive Services; as Chair of disability, aged, employment and training services provider GenU; and as President and Board Chair of Diabetes Australia, a significant Not-for-Profit organisation.

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

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

Our Executive Team

Northwest has over 300 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.

ROYSTON HOSPITAL, HAWKE'S BAY

Aaron Hockly

SENIOR VICE PRESIDENT - NEW ZEALAND & FUND MANAGER - VITAL (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. Aaron is a member of the Auckland Urban Design Panel as well as the Health Sector Climate Scenarios Leadership Group.

Chris Adams

CO-HEAD A/NZ REGION (54, 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' 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 ANZ AND COMPANY SECRETARY

(53, Melbourne)

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

Vanessa has 25 years of deep and broad ranging property law experience in Australia and New Zealand, including acting 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 – ANZ REGION

(50, 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

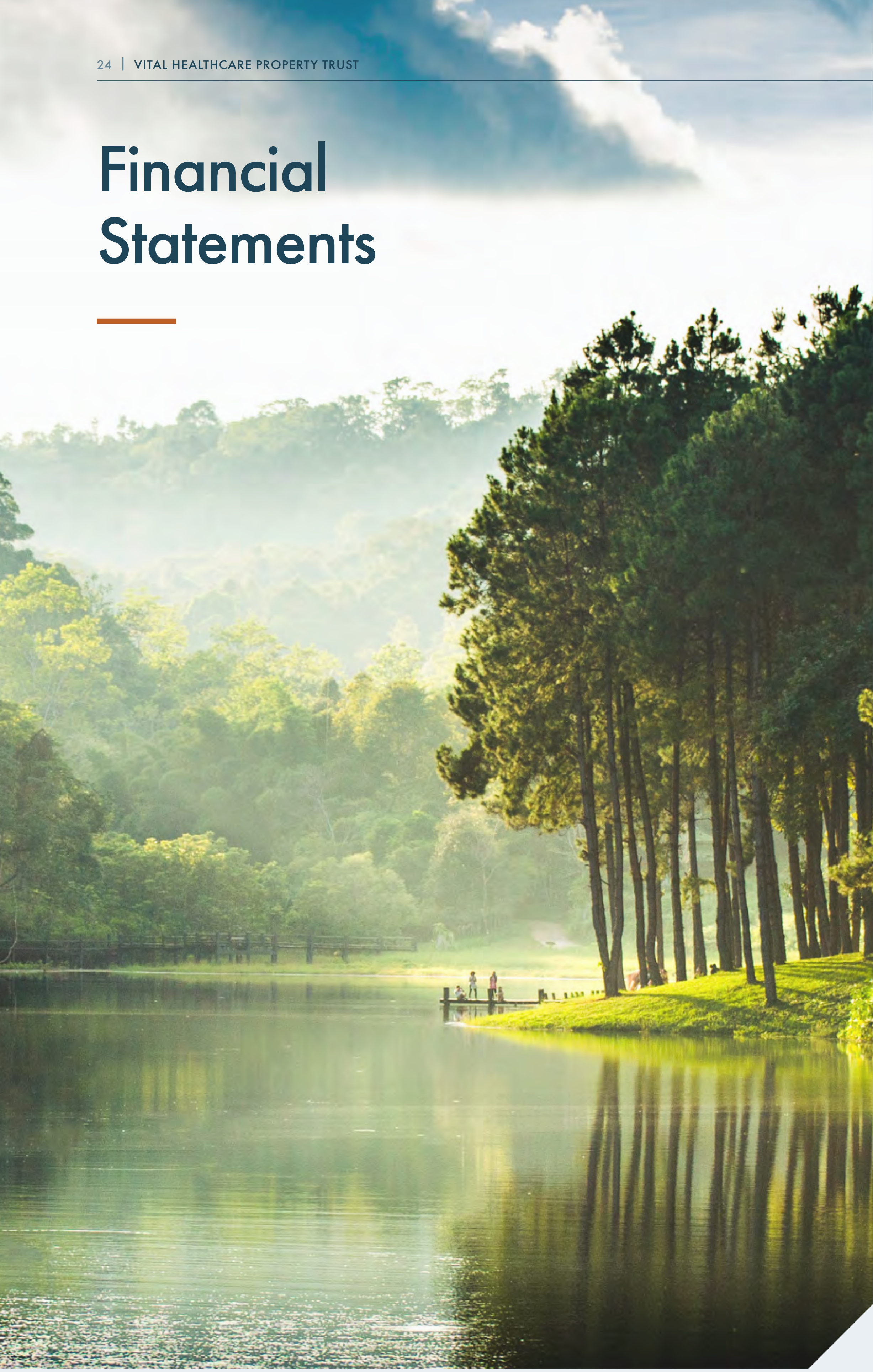
CO-HEAD A/NZ REGION

(59, 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.

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.

Financial Statements



Contents

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2023

	Note	6 months Dec-23 $000s	6 months Dec-22 $000s
Gross property income from rentals		75,157	74,486
Gross property income from expense recoveries		8,727	9,203
Property expenses		(11,485)	(11,621)
Net property income	4	72,399	72,068
Other expenses		(14,844)	(18,796)
Finance income		903	159
Finance expense	10	(20,978)	(17,543)
Operating profit		37,480	35,888
Other gains/(loss)			
Revaluation gain/(loss) on investment property	6	(141,526)	(56,225)
Net gain/(loss) on disposal of investment property		(2,599)	(16)
Fair value gain/(loss) on foreign exchange derivatives		(18)	1,069
Fair value gain/(loss) on interest rate derivatives		(17,315)	957
Realised gain/(loss) on foreign exchange		9	5
Unrealised gain/(loss) on foreign exchange		257	353
		(161,192)	(53,857)
Profit/(loss) before income tax		(123,712)	(17,969)
Taxation benefit/(expense)	5	10,586	(13,005)
Profit/(loss) attributable to Unit Holders of the Trust		(113,126)	(30,974)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Movement in foreign currency translation reserve		(10,293)	(33,804)
Total other comprehensive income/(loss) after tax		(10,293)	(33,804)
Total comprehensive income/(loss) after tax		(123,419)	(64,778)
Earnings per unit			
Basic and diluted earnings per unit (cents)	8	(16.97)	(4.74)

The notes on pages 30 to 54 form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	Dec-23 $000s	Jun-23 $000s
Non-current assets			
Investment properties	6	**3,216,175**	3,288,356
Derivative financial instruments	11	**12,838**	26,047
Other non-current assets	13	**14,479**	-
Total non-current assets		**3,243,492**	3,314,403
Current assets			
Investment properties held for sale	6	**1,942**	92,364
Cash and cash equivalents		**13,447**	10,885
Trade and other receivables	13	**7,791**	5,783
Other current assets		**2,860**	5,763
Derivative financial instruments	11	**217**	514
Total current assets		**26,257**	115,309
Total assets		**3,269,749**	3,429,712
Unit Holders' funds			
Units on issue	7	**1,202,163**	1,180,922
Reserves		**1,295**	23,240
Retained earnings		**606,959**	753,220
Total Unit Holders' funds		**1,810,417**	1,957,382
Non-current liabilities			
Borrowings	10	**1,246,280**	1,239,156
Lease liability - ground lease		**3,633**	3,724
Derivative financial instruments	11	**3,803**	-
Deferred tax		**153,088**	177,527
Total non-current liabilities		**1,406,804**	1,420,407
Current liabilities			
Trade and other payables		**38,171**	41,522
Income in advance		**1,641**	1,526
Derivative financial instruments	11	**8**	8
Lease liability - ground lease		**181**	178
Taxation payable		**12,527**	8,689
Total current liabilities		**52,528**	51,923
Total liabilities		**1,459,332**	1,472,330
Total Unit Holders' funds and liabilities		**3,269,749**	3,429,712

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

G Stuart, **Independent Chair**
15 February 2024

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

The notes on pages 30 to 54 form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 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 six months ended 31 December 2022						
Balance at the start of the six months	1,150,881	970,405	(34,736)	63,411	15,915	2,165,876
Changes in Unit Holders' funds	22,631	-	-	-	(15,915)	6,716
Manager's incentive fee	-	-	-	-	7,476	7,476
Loss for the period	-	(30,974)	-	-	-	(30,974)
Distributions to Unit Holders	-	(32,164)	-	-	-	(32,164)
Other comprehensive income for the period						
Movement in foreign currency translation reserve	-	-	(33,804)	-	-	(33,804)
Balance at the end of the six months	1,173,512	907,267	(68,540)	63,411	7,476	2,083,126
For the six months ended 31 December 2023						
Balance at the start of the period	**1,180,922**	**753,220**	**(55,122)**	**63,411**	**14,951**	**1,957,382**
Changes in Unit Holders' funds	**21,241**	**-**	**-**	**-**	**(14,951)**	**6,290**
Manager's incentive fee	**-**	**-**	**-**	**-**	**3,300**	**3,300**
Loss for the period	**-**	**(113,126)**	**-**	**-**	**-**	**(113,126)**
Distributions to Unit Holders	**-**	**(33,135)**	**-**	**-**	**-**	**(33,135)**
Other comprehensive income for the period						
Movement in foreign currency translation reserve	**-**	**-**	**(10,293)**	**-**	**-**	**(10,293)**
Balance at the end of the six months	**1,202,163**	**606,959**	**(65,415)**	**63,411**	**3,300**	**1,810,418**

The notes on pages 30 to 54 form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 31 December 2023

	6 months Dec-23 $000s	6 months Dec-22 $000s
Cash flows from operating activities		
Property income	74,823	77,145
Recovery of property expenses	6,990	8,771
Interest received	903	159
Property expenses	(14,161)	(15,366)
Management and trustee fees	(10,138)	(10,211)
Interest paid	(20,412)	(15,447)
Tax paid	(9,177)	(6,674)
Other trust expenses	(1,911)	(444)
Net cash provided by/(used in) operating activities	26,917	37,933
Cash flows from investing activities		
Receipts from foreign exchange derivatives	6,671	230
Payments for foreign exchange derivatives	(6,695)	(238)
Capital additions on investment properties	(147,192)	(82,125)
Purchase of properties	(10,676)	(136,501)
Deposits and acquisiton costs paid – Investment Property	(71)	(340)
Fitout loans to tenants	(9,841)	-
Proceeds from disposal of properties	155,350	318
Net cash provided by/(used in) investing activities	(12,454)	(218,656)
Cash flows from financing activities		
Debt drawdown	182,351	196,687
Repayment of debt	(167,416)	(85)
Loan issue costs	7	(22)
Costs associated with new equity raised	(63)	(53)
Distributions paid to Unit Holders	(26,780)	(25,428)
Net cash from/(used in) financing activities	(11,901)	171,099
Net increase/(decrease) in cash and cash equivalents	2,562	(9,624)
Cash and cash equivalents at the beginning of the period	10,885	22,055
Cash and cash equivalents at the end of the six months	13,447	12,431

The notes on pages 30 to 54 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 HSBC Tower, Level 17, 188 Quay Street, Auckland.

The condensed consolidated interim financial statements of VHP for the six months ended 31 December 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 investment in, and management of, high quality real estate in good locations primarily used by healthcare operators or used for healthcare, life sciences and related purposes.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Manager on 15 February 2024.

The condensed consolidated interim financial statements for the six months ended 31 December 2023 (including comparative balances) have been reviewed by the auditor. The 30 June 2023 comparatives were subject to independent audit.

2. Basis of Preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), NZ IAS 34 and IAS 34 Interim Financial Reporting, and do not include notes of the type normally included in an Annual Report. Therefore this report should be read in conjunction with the Group's most recent Annual Report. The accounting policies and methods of computation have been consistently applied, when compared to those used in the 2023 Annual Report. The 2023 Annual Report complies with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards issued and effective at the time of preparing those statements.

(b) Basis of consolidation

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

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Fair value heirachy

The valuation technique inputs used to determine the value of an asset or liability are classified into Levels 1 to 3 based on the degree to which the fair value inputs are observable. A description of the valuation technique inputs used for each level are as follows:

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).

(f) The notes to the consolidated financial statements

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

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

Notes to the Consolidated Financial Statements

3. Material Accounting Policy Information

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 15	Related party transactions

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's principal activity is the investment in, and management of, high quality real estate in good locations primarily used by healthcare operators or used for healthcare, life sciences and related purposes. Segment profit represents the profit earned by each segment including allocation of identifiable administration costs, finance costs, revaluation gains/(losses) on investment properties and gains/(losses) on disposal of investment properties. This is the measure reported to the Board, who are the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The Group operates in both Australia and New Zealand.

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

	Australia $000s	New Zealand $000s	Total $000s
Segment profit/(loss) for the six months ended 31 December 2023:			
Gross property income from rentals	**50,792**	**24,365**	**75,157**
Gross property income from expense recoveries	**3,533**	**5,194**	**8,727**
Property expenses	**(5,453)**	**(6,032)**	**(11,485)**
Net property income	**48,872**	**23,527**	**72,399**
Other expenses	**(10,635)**	**(4,209)**	**(14,844)**
Net finance expense	**(18,678)**	**(1,397)**	**(20,075)**
Operating profit	**19,559**	**17,921**	**37,480**
Fair value gain/(losses) on interest rate derivatives	**(13,551)**	**(3,764)**	**(17,315)**
Revaluation losses on investment properties	**(114,570)**	**(26,956)**	**(141,526)**
Net gain/(loss) on disposal of investment property	**(2,626)**	**27**	**(2,599)**
Other foreign exchange gains/(losses)	**(85)**	**333**	**248**
Total segment profit before income tax	**(111,273)**	**(12,439)**	**(123,712)**
Taxation benefit/(expense)			**10,586**
Profit for the six months			**(113,126)**
Segment profit/(loss) for the six months ended 31 December 2022:			
Gross property income from rentals	51,051	23,435	74,486
Gross property income from expense recoveries	4,656	4,547	9,203
Property expenses	(6,520)	(5,101)	(11,621)
Net property income	49,187	22,881	72,068
Other expenses	(7,260)	(11,536)	(18,796)
Net finance expense	(16,316)	(1,068)	(17,384)
Operating Profit	25,611	10,277	35,888
Fair value gain/(losses) on interest rate derivatives	455	502	957
Revaluation losses on investment properties	743	(56,968)	(56,225)
Net gain/(loss) on disposal of investment property	(16)	-	(16)
Other foreign exchange gains/(losses)	322	1,105	1,427
Total segment profit before income tax	27,115	(45,084)	(17,969)
Taxation benefit/(expense)			(13,005)
Profit for the six months			(30,974)

Notes to the Consolidated Financial Statements

Net property income comprises rental income and expense recoveries from tenants less property expenses. The Group has three Australian tenants and one New Zealand tenant that contributed $49.6m of gross property income (31 December 2022: three Australian tenants and one New Zealand tenant that contributed $42.6m).

There were no inter-segment sales during the six months (31 December 2022: nil).

	Australia $000s	New Zealand $000s	Total $000s
Segment assets at 31 December 2023:			
Investment properties	**2,226,067**	**990,108**	**3,216,175**
Other non-current assets	**20,813**	**6,504**	**27,317**
Current assets	**17,005**	**9,252**	**26,257**
Consolidated assets	**2,263,885**	**1,005,864**	**3,269,749**
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 liabilities at 31 December 2023:			
Borrowings	**1,088,934**	**157,346**	**1,246,280**
Other liabilities	**171,884**	**41,168**	**213,052**
Consolidated liabilities	**1,260,818**	**198,514**	**1,459,332**
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

All assets and liabilities have been allocated to reportable segments.

Net finance expense and borrowings are allocated against the segment of the borrower. In accordance with the Group's finance facilities comprising a common terms deed and bi-lateral facility agreements (refer note 10.a), financing arrangements are cross collateralised across the Group's investment properties and other assets and are managed on an aggregate basis.

5. Taxation

Income tax recognised in the consolidated statement of comprehensive income

	6 months Dec-23 $000s	6 months Dec-22 $000s
Profit/(loss) before tax for the period	(123,712)	(17,969)
Taxation (charge)/credit - 28% on profit before income tax	34,639	5,031
Effect of different tax rates in foreign jurisdictions	(14,479)	3,525
Tax exempt income/(expense)	(3,414)	(14,768)
Tax impact of leasing deals	-	(5)
Foreign tax credits	568	664
Tax charges on overseas investments	(6,601)	(7,120)
Other adjustments	(127)	(332)
Taxation benefit/(expense)	10,586	(13,005)
The taxation (charge)/credit is made up as follows:		
Current taxation	(12,532)	(7,916)
Deferred taxation	23,118	(5,089)
Total taxation benefit/(expense)	10,586	(13,005)

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.

Notes to the Consolidated Financial Statements

6. Investment Properties

Investment properties comprise real estate predominately leased, or targeted to be leased, to health, life sciences and related sector tenants that is held for either deriving rental income, for capital appreciation or both. The following information excludes Investment Property reclassified to Investment Properties held-for-sale.

(6.a) Reconciliation of Carrying Amounts

	Dec-23 $000s	Jun-23 $000s
Carrying value of investment property at the beginning of the six months	**3,288,356**	3,339,169
Acquisition of properties	**13,183**	153,662
Capitalised costs	**127,772**	173,235
Capitalised interest costs	**12,797**	18,330
Net capitalised incentives	**7,826**	9,183
Disposal of properties	**(69,795)**	(61,564)
Classified as held for sale	**(1,942)**	(92,364)
Foreign exchange translation difference	**(20,495)**	(42,743)
Revaluation gain/(losses) on investment property	**(141,526)**	(208,553)
Carrying value of investment property at the end of the six months	**3,216,175**	3,288,356

The Group holds 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 15.3 years (30 June 2023: 15.8 years). As at reporting date the fair value of this right-of-use asset totals $7.9m (30 June 2023: $8.1m).

In September 2023 and as a result of the acquisition by Burnside War Memorial Hospital of the Sportsmed Hospital business, the Group agreed to pay A$8.3m to secure an extension to the lease term of approximately 11 years (to 25 years) and increased rents to market (2023: In December 2022, and as part of the acquisition arrangements when Epworth Camberwell was purchased in June 2021, the Group paid A$10m in return for Epworth's early exercise of its 3 year lease extension).

(6.b) Acquisition of Property

During the period the Group:

- settled the acquisition of a 7,461 sqm parcel of land in Flatbush, Auckland, NZ for NZ$13m (plus transaction costs) for future development on 28 July 2023.

(6.c) Disposal of Property

During the period the Group:

- divested Mons Road Medical Centre in Westmead, NSW Australia for A$37.9m (excluding transaction costs) on 20 July 2023.
- divested The Southport Private Hospital in Southport, QLD Australia for A$51.4m (excluding transaction costs) on 23 August 2023. A capex retention deed was entered into such that A$4.0m of the purchase price was 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.
- divested the Hall & Prior portfolio of Aged Care properties for A$65.0m (excluding transaction costs) on 19 December 2023. These properties were:
  a. Clover Lea Aged Care at 14 Claremont Road, Burwood Heights, NSW Australia and a residential property at 12 Claremont Road.
  b. Fairfield Aged Care at 125 The Crescent, Fairfield, NSW Australia
  c. Hamersley Aged Care at 441 Rokeby Road, Subiaco, WA Australia
  d. Rockingham Aged Care at 14 Langley Street, Rockingham, WA Australia and residential properties at 8 Langley Street and 23 Thorpe Street.
  e. Grafton Aged Care at 12 Brent Street, South Grafton, NSW Australian and a residential property at 20 Brent Street.

  A deferred settlement agreement has been entered into whereby A$5m of the disposal consideration is payable on 18 December 2025, which is presented within other receivables (refer note 13).
- reclassified a residential property at 9 Abbotsford Street, West Leederville, WA to 'held for sale' as its carrying value is expected to be recovered principally through a sale transaction. This property has subsequently been divested (refer note 14).

(6.d) 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
Lingard Day Centre	Merewether, New South Wales	Ambulatory Care	Healthe Care
Hirondelle Private Hospital	Chatswood, New South Wales	Hospital (Specialty)	Aurora
Fairfield Aged Care[1]	Fairfield, New South Wales	Aged Care	Hall & Prior
Darlington Aged Care	Banora Point, New South Wales	Aged Care	Bolton Clarke
Clover Lea Aged Care[1]	Burwood Heights, New South Wales	Aged Care	Hall & Prior
Grafton Aged Care[1]	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
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[1]	Subiaco, Western Australia	Aged Care	Hall & Prior
Rockingham Aged Care[1]	Rockingham, Western Australia	Aged Care	Hall & Prior
South Australia			
Sportsmed Hospital, Clinic & Cons.	Stepney, South Australia	Hospital (Acute)	Sportsmed SA
Tennyson Centre	Kurralta Park, South Australia	Ambulatory Care	ICON Cancer Care
Playford Health - Retail & Carpark	Elizabeth Vale, South Australia	Ambulatory Care	SA Health
Total Australia			

1 This property was divested in Dec23

Latest independent valuation	Fair value		Market capitalisation rate		Occupancy		WALE	
	$M	$M	%	%	%	%	Years	Years
Date	Dec-23	Jun-23	Dec-23	Jun-23	Dec-23	Jun-23	Dec-23	Jun-23
Dec-23	**200.2**	217.6	**4.8**	4.5	**100.0**	100.0	**22.7**	22.7
Dec-23	**128.5**	128.0	**5.5**	5.3	**100.0**	100.0	**19.1**	14.2
Dec-23	**90.8**	94.0	**5.8**	5.8	**100.0**	100.0	**18.8**	18.8
Dec-23	**57.7**	59.8	**4.8**	4.5	**100.0**	100.0	**24.0**	24.0
Dec-23	**47.5**	47.9	**6.0**	5.8	**100.0**	100.0	**19.1**	19.1
Dec-23	**42.1**	45.4	**4.8**	4.5	**100.0**	100.0	**22.7**	22.7
Dec-23	**28.6**	30.8	**5.3**	5.0	**100.0**	100.0	**18.9**	18.9
n.a.	-	19.1	-	7.5	-	100.0	-	12.7
Dec-23	**18.1**	18.8	**6.5**	6.3	**100.0**	100.0	**13.3**	13.3
n.a.	-	13.8	-	7.8	-	100.0	-	12.7
n.a.	-	11.6	-	8.0	-	100.0	-	13.8
Dec-23	**419.5**	446.0	**4.5**	4.3	**96.4**	96.2	**23.9**	25.6
Dec-23	**88.7**	104.2	**5.0**	4.4	**100.0**	100.0	**17.7**	17.7
Dec-23	**85.8**	90.8	**4.6**	4.4	**100.0**	100.0	**21.0**	21.0
Dec-23	**36.7**	37.0	**5.6**	5.5	**97.8**	97.8	**4.9**	2.3
Dec-23	**22.4**	30.5	**7.4**	5.5	**100.0**	100.0	**1.1**	0.6
Dec-23	**12.4**	12.8	**6.0**	6.0	**41.2**	25.5	**7.4**	5.3
Dec-23	**164.0**	171.9	**4.5**	4.4	**100.0**	100.0	**22.2**	22.2
Dec-23	**77.7**	79.4	**4.8**	4.5	**100.0**	100.0	**12.2**	12.2
Dec-23	**24.5**	20.7	**6.5**	6.3	**100.0**	100.0	**13.0**	13.0
Dec-23	**19.7**	25.8	**6.5**	6.3	**100.0**	100.0	**13.0**	13.0
Dec-23	**64.7**	67.7	**4.8**	4.5	**100.0**	100.0	**11.1**	11.1
Dec-23	**62.6**	67.7	**4.8**	4.5	**100.0**	100.0	**18.6**	18.6
n.a.	-	13.3	-	7.8	-	100.0	-	12.7
n.a.	-	7.3	-	7.8	-	100.0	-	12.7
Dec-23	**93.3**	83.2	**5.8**	5.8	**100.0**	100.0	**23.2**	12.6
Dec-23	**90.5**	97.4	**5.3**	4.9	**99.8**	99.8	**6.2**	4.1
Dec-23	**22.7**	23.9	**6.0**	5.8	**73.6**	73.9	**7.8**	8.5
	1,898.7	2,066.1	**5.0**	4.8	**98.6**	98.5	**18.8**	17.8

Notes to the Consolidated Financial Statements

Properties	Location	Sub sector	Major Tenant
New Zealand			
Wakefield Hospital	Newtown, Wellington	Hospital (Acute)	Evolution Healthcare
Ascot Hospital & Clinics	Greenlane, Auckland	Hospital (Acute)	Ascot Hospital and Clinics Limited
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
Ormiston Hospital	Flatbush, Auckland	Hospital (Acute)	Ormiston Surgical and Endoscopy Limited
Bowen Hospital	Crofton Downs, Wellington	Hospital (Acute)	Evolution Healthcare
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
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	Dec-23	Jun-23	Dec-23	Jun-23	Dec-23	Jun-23	Dec-23	Jun-23
Dec-23	**175.6**	154.4	**5.5**	5.3	**100.0**	100.0	**24.4**	24.4
Dec-23	**123.7**	127.0	**5.4**	5.3	**98.4**	97.7	**15.2**	15.4
Dec-23	**105.1**	104.4	**5.4**	5.4	**100.0**	100.0	**27.5**	27.5
Dec-23	**86.4**	92.4	**5.5**	5.5	**100.0**	100.0	**26.4**	26.4
Dec-23	**75.5**	76.1	**5.4**	5.3	**94.9**	94.9	**15.2**	15.2
Dec-23	**72.9**	62.3	**5.6**	5.5	**100.0**	100.0	**14.5**	0.9
Dec-23	**66.2**	65.7	**5.4**	5.4	**100.0**	100.0	**26.4**	26.4
Dec-23	**52.4**	41.8	**5.9**	5.5	**100.0**	100.0	**15.0**	9.6
Dec-23	**41.0**	46.0	**5.8**	5.6	**71.1**	100.0	**9.8**	15.0
Dec-23	**37.0**	39.0	**6.0**	5.8	**97.2**	97.2	**6.2**	6.2
Dec-23	**34.6**	34.6	**5.4**	5.1	**96.6**	100.0	**13.1**	12.7
Dec-23	**27.3**	23.5	**5.8**	6.0	**100.0**	100.0	**18.9**	23.0
Dec-23	**23.1**	25.6	**6.3**	5.5	**100.0**	100.0	**23.0**	18.9
Dec-23	**17.9**	16.1	**7.0**	6.3	**100.0**	100.0	**10.5**	10.5
Dec-23	**7.9**	8.1	**10.9**	10.3	**91.1**	90.4	**13.1**	13.0
	946.6	917.0	**5.6**	5.5	**97.5**	99.2	**19.8**	19.0
	370.9	305.2						
	3,216.2	3,288.3	**-**		**-**		**-**	
	1.9	92.4	**-**	5.5	**-**	99.8	**-**	12.2
	3,218.1	3,380.7	**5.2**	5.0	**98.2**	98.9	**19.1**	17.8

Notes to the Consolidated Financial Statements

(6.e) Contractual Arrangements

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

	Dec-23 $000s	Jun-23 $000s
Capital expenditure commitments	**205,310**	282,209
Property acquisition commitments	**15,949**	66,094
Tenant fitout loan commitments	**7,876**	21,924

- the Group has committed to providing:
  - up to NZ$8.0m 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. As at 31 December 2023, NZ$6.5m has been advanced.
  - 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. As at 31 December 2023 $Nil has been advanced.
  - up to A$2.0m for air conditioning replacement works at Sportsmed Hospital, Clinic and Consulting suites.
  - Capital expenditure and property acquisition committments relate to development projects' cost to complete (including fund-through projects).
  - reimbursement of 50% of the costs incurred (up to A$0.6m) by a tenant should the agreement for lease be terminated any time before commencement of construction if the Board approval is not obtained for the development.

(6.f) Recognition and Measurement

Recognition and measurement

Valuation process

The purpose of the valuation process is to ensure that investment properties are held at fair value. In accordance with the Group's valuation policy, external valuations are performed by independent professionally qualified valuers who hold a recognised and relevant professional qualification and have specialised expertise in the type of investment property being valued. The valuation policy requires that a valuer may not value the same property for more than two consecutive valuations. All valuations are reviewed by the Manager and approved by the Board.

The fair value of investment property as at 31 December 2023 was determined through independent professional valuers for approximately 44% of the portfolio (30 June 2023: 55%) and the remainder was determined by the Manager. The Manager's valuations were informed by market data and valuation advice provided by independent valuers, comparable transactional evidence and current period leasing activities. The valuers of properties which have been independently valued at 31 December 2023 included: Ernst & Young, Colliers International, Jones Lang LaSalle Australia, Cushman & Wakefield, Valued Care, Absolute Value, Urbis and CBRE. The properties which have been independently valued at 31 December 2023 are disclosed above in note 6.d.

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).

Fair Value Hierarchy

Investment properties are classified as Level 3 under the fair value valuation hierarchy.
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.

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.

7. Units on Issue

	Dec-23 $000s	Jun-23 $000s
Balance at the beginning of the period	**1,180,922**	1,150,881
Issue of units under Distribution Reinvestment Plan	**6,353**	14,188
Issue of units to satisfy Manager's incentive fee	**14,951**	15,949
Issue costs of units	**(63)**	(95)
Balance at the end of the period	**1,202,163**	1,180,922

	Dec-23 000s	Jun-23 000s
Reconciliation of number of units		
Balance at the beginning of the period	**661,014**	649,155
Issue of units under the Distribution Reinvestment Plan	**3,080**	5,980
Units issued to satisfy Manager's incentive fee	**6,417**	5,879
Balance at the end of the period	**670,511**	661,014

Distributions related to the six month period to 31 December 2023 were 4.875 cents per unit (31 December 2022: 4.875 cents per unit), including the second quarter distribution of 2.4375 cents per unit declared subsequent to the reporting date (31 December 2022: 2.4375 cents per unit). Refer Note 14 for details.

On 22 August 2023, 6,417,684 units were issued against the 30 June 2023 Manager's incentive fee of $14.95 million (31 December 2022: 5,878,511 were issued against the 2021 Manager's incentive fee of $15.9 million).

8. Earnings per Unit

	Dec-23 000s	Dec-22 000s
Profit attributable to Unit Holders of the Trust ($000s)	**(113,126)**	(30,974)
Weighted average number of units on issue (000's of units)	**666,533**	653,798
Basic and diluted earnings per unit (cents)	**(16.97)**	(4.74)

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 reporting period.

Notes to the Consolidated Financial Statements

9. 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, amortisation of borrowing costs, leasing costs and tenant incentives.

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

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

	6 months Dec-23 $000s	6 months Dec-22 $000s
Adjusted funds from operations		
Operating profit before tax and other income	**37,480**	35,888
Add/(deduct):		
Current tax expense	**(12,532)**	(7,916)
Incentive fee	**3,300**	7,510
Current tax on translation of foreign currency funding transactions	**3**	73
Current tax expense/(gain) on interest rate swap restructure	**6,338**	-
Amortisation of borrowing costs	**990**	809
Amortisation of leasing costs & tenant inducements	**1,662**	1,529
IFRS 16 Operating lease accounting	**(88)**	(84)
Funds from operations (FFO)	**37,153**	37,809
Add/(deduct):		
Actual repairs and maintenance from continuing operations	**(200)**	(138)
Adjusted funds from operations (AFFO)	**36,953**	37,671
AFFO (cpu)	**5.54**	5.76
Distribution per unit (cpu)	**4.875**	4.875
AFFO payout ratio	**88%**	85%
Units on issue (weighted average, 000s)	666,533	653,798

10. Borrowings

	Dec-23 $000s	Jun-23 $000s
AUD denominated loans	1,126,415	1,203,293
NZD denominated loans	125,000	42,000
Borrowing costs	(5,135)	(6,137)
Total borrowings	**1,246,280**	1,239,156
Non current liability	1,246,280	1,239,156
Total borrowings	**1,246,280**	1,239,156

	Dec-23 $000s	Jun-23 $000s
Total borrowings at the beginning of the period	1,239,156	1,012,952
Drawdowns during the period	182,351	428,810
Repayments during the period	(167,416)	(182,925)
Additional facility refinancing fee	(34)	(2,070)
Facility refinancing fee amortised during the period	990	1,716
Foreign exchange movement	(8,767)	(19,327)
Total borrowings at the end of the period	**1,246,280**	1,239,156

Notes to the Consolidated Financial Statements

(10.a) Summary of Borrowing Arrangements

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

	Dec-23			Jun-23		
	A$m Limit	A$m Undrawn	Expiry	A$m Limit	A$m Undrawn	Expiry
Common Terms Deed - AUD						
Facility A1	100.0	79.2	Oct-28	100.0	-	Oct-28
Facility A2	50.0	-	Mar-26	50.0	-	Mar-26
Facility A4	75.0	75.0	Mar-29	75.0	20.0	Mar-29
Facility A5	75.0	5.0	Mar-25	75.0	5.0	Mar-25
Facility B1	50.0	-	Mar-25	50.0	-	Mar-25
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	25.0	-	Mar-26
Facility K1	70.1	-	Mar-28	70.1	-	Mar-28
Facility K2	21.0	-	Oct-26	21.0	-	Oct-26
Facility K3	13.0	-	Mar-28	13.0	-	Mar-28
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	12.0	-	Mar-28
Facility N	125.0	6.7	Mar-28	125.0	78.9	Mar-28
Facility O	50.0	-	Mar-28	50.0	-	Mar-28
Total AUD Facility	1,210.1	165.9		1,210.1	103.9	

	Dec-23			Jun-23		
	NZ$m Limit	NZ$m Undrawn	Expiry	NZ$m Limit	NZ$m Undrawn	Expiry
Common Terms Deed - NZD						
Facility A	50.0	-	Mar-26	50.0	8.0	Mar-26
Facility B	75.0	-	Mar-28	75.0	75.0	Mar-28
Total NZD Facility	125.0	-		125.0	83.0	

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

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

	Covenant	Dec-23 Actual	Jun-23 Actual
Banking Covenants			
Loan to Value ratio	< 55%	39.8%	36.5%
Interest Cover	> 2.00x	2.99	3.07
Total EBITDA of Obligors v Total EBITDA of Group	Not < 95%	100%	100%
Total Assets of Obligors v Total Assets of Group	Not < 95%	100%	100%
Total Value of Unmortgaged Properties v Total Assets of Group	Not > 10%	2.6%	2.3%

(10.b) Finance Expense

The effective interest rate on the borrowings, incorporating interest rate swaps, as at the reporting date was 5.14% per annum (31 December 2022: 4.57%).

11. Derivatives

(11.a) Interest Rate Swaps

	Dec-23 $000s	Jun-23 $000s
Current assets		
Interest rate derivative assets	-	276
Non-current assets		
Interest rate derivative assets	12,826	26,041
Current liabilities		
Interest rate derivative liabilities	-	-
Non-current liabilities		
Interest rate derivative liabilities	(3,798)	-
Total	9,028	26,317

During the period the Group recognised an unrealised fair value loss of $17.3m (31 December 2022: $1.0m gain) on interest rate contracts. The Group's interest rate swaps outstanding at the reporting date are as follows:

	Dec-23 $000s	Jun-23 $000s
Nominal value of interest rate swaps - AUD	863,630	797,630
Nominal value of interest rate swaps - NZD	46,350	-
Average fixed interest rate A$	3.44%	3.02%
Average fixed interest rate NZ$	4.63%	-
Floating rates based on AUD BBSW	4.40%	4.21%
Floating rates based on NZD BKBM	5.69%	-

Interest rate derivatives mature over the next five years and have fixed interest rates ranging from 2.50% to 4.63% (30 June 2023: from 2.41% to 3.91%).

Notes to the Consolidated Financial Statements

Recognition and measurement

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

(11.b) Forward Exchange Contracts

	Dec-23 $000s	Jun-23 $000s
Current assets		
Foreign exchange derivative assets	**217**	238
Non-current assets		
Foreign exchange derivative assets	**12**	6
Current liabilities		
Foreign exchange derivative liabilities	**(8)**	(8)
Non-current liabilities		
Foreign exchange derivative liabilities	**(5)**	-
Total	**216**	236

During the period the Group recognised an unrealised fair value loss of $0.02m (31 December 2022: $1.07m gain) on forward exchange contracts. The Group's forward exchange contracts outstanding at the reporting date are as follows:

	Dec-23 $000s	Jun-23 $000s
Nominal value of foreign exchange contracts - AUD	**21,750**	13,850
Average foreign exchange rate	**0.9146**	0.8992

Recognition and measurement

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

(11.c) Fair value hierarchy

The Group has determined that interest rate swaps and foreign exchange contract derivatives are Level 2 fair value measurement instruments, that are measured using observable prices of similar instruments. There have been no reclassifications between levels in the current period (2022: nil).

12. Commitments and Contingencies

Other than the contractual obligations disclosed in Note 6.e and Note 12.a, there are no other commitments and contingencies in effect at the reporting date (31 December 2022: nil).

(12.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 Trust for listing on the NZX is $75,000.

(12.b) Other Contingent Liabilities

The Australian Federal Government has proposed legislation to clarify uncertainty associated with State property taxes and double tax treaty agreements. The legilsation is proposed to be retrospective to 1 January 2018, remains to be approved and may potentially impact the Group's position of absentee owner surcharges.

13. Trade and Other Receivables

	Dec-23 $000s	Jun-23 $000s
Trade receivables	**3,679**	1,517
Loss allowance	**(394)**	(388)
	3,285	1,129
Other receivables	**4,506**	3,135
Tenant fitout loans	**-**	1,519
Trade and other receivables (current)	**7,791**	5,783
Other receivables (non-current)	**14,479**	-
Total trade and other receivables	**22,270**	5,783

Notes to the Consolidated Financial Statements

Other Notes

14. Subsequent Events

- On 15 February 2024 a cash distribution of 2.4375 cents per unit was announced by the Trust. The Record Date for the final distribution is 7 March 2024, and payment is scheduled to be made to Unit Holders on 21 March 2024. Imputation credits of 0.9479 cents per unit will be attached to the distribution.

- Settled the disposal of a residential property at 9 Abbotsford Street, West Leederville, WA Australia for A$1.8m (excluding transaction costs) on 15 January 2024.

15. Related Party Transactions

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

The ultimate parent of NWIHLP is Toronto listed Northwest Healthcare Properties Real Estate Investment Trust (NW REIT) that, as at reporting date, holds a 28.6% (31 December 2022: 28.2%) interest in Vital. NW REIT and its controlled entities (including the Manager) are considered related parties to Vital and its controlled entities by virtue of common ownership and/or directorships.

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

Remuneration of the Manager

Vital pays fees to the Manager in accordance with the Trust Deed, with capitalised terms being defined terms in 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.

Fee arrangements

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

Base Fee

The Base Fee structure is as follows:

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

Incentive Fee

The Incentive Fee is determined as 10% of the average annual increase in Vital's Net Tangible Assets (NTA) (as defined by the Trust Deed) over the respective Financial Year and the two preceding Financial Years, with payment being made by way of subscribing for new units. The incentive fee calculations are also subject to a 'three year High Watermark Net Tangible Asset" requirement, 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

The Activity Fee structure is as follows:

a. Leases or licences

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

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

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

b. Property management
Vital pays the Manager property management fees where the Manager acts as the property manager. These fees are charged at 1% - 2% of gross income depending on the number of tenants at the property and may be recovered from tenants if permitted under lease agreements.

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

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

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

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

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

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

Additional Costs
The Additional Costs structure is as follows:

a. Acquisitions
Vital pays fees to the Manager for managing the due diligence, financing, legal aspects and settlement of the purchase of an investment or property instead of, or alongside, a third party agent. These fees are charged at 1.5% of the capitalised cost of the relevant investment or property, being the contracted price payable, excluding any deductions netted off the settlement price (such as rates), together with other related capitalised acquisition costs.

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

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

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

Notes to the Consolidated Financial Statements

c. Development Management

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

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

Other amounts

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

Transactions with related parties

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

	31 December 2023 $000s				31 December 2022 $000s			30 June 2023 $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	9,164	-	9,164	-	9,237	-	9,237	18,546
Incentive Fee[1]	3,300	-	3,300	3,300	7,510	-	7,510	14,986
Activity Fees:								
Leasing/licensing[2]	71	2,240	2,311	1,462	74	755	829	495
Property management[3]	1,158	-	1,158	315	1,123	-	1,123	1,978
Facilities management[3]	-	-	-	-	-	-	-	-
Project management[4]	-	-	-	-	-	47	47	46
AFSL fee	688	-	688	-	687	-	687	1,397
	14,381	2,240	16,621	5,077	18,631	802	19,433	37,448
Additional Costs:								
Acquisitions[5]	-	(180)	(180)	270	-	(907)	(907)	(571)
Disposals[6]	308	-	308	175	8	-	8	733
Development management[7]	-	2,137	2,137	3,134	-	3,811	3,811	6,767
	308	1,957	2,265	3,579	8	2,904	2,912	6,929
Other Amounts:								
Reimbursement of third party expenses:								
Other expenses	105	-	105	-	131	-	131	189
Amounts paid to directors:[8]								
Graham Stuart	75	-	75	-	90	-	90	180
Angela Bull	50	-	50	-	8	-	8	58
Michael Stanford	10	-	10	-	-	-	-	-
	240	-	240	-	229	-	229	427
	14,929	4,197	19,126	8,656	18,868	3,706	22,574	38,232

1 Manager's incentive fee accrued at 31 December 2023 of $3.3m (Jun 23: $15.0m) is payable to Northwest Healthcare Properties Management Limited

2 Amounts outstanding at 31 December 2023 are: Northwest Healthcare Properties Management Limited $0.4m (Jun 23:$0.02m); Northwest Healthcare Australian Property Limited $1.1m (Jun 23: $0.1m)

3 Property Management and Facilities Management fees, exclusive of recoveries from tenants, incurred by the Trust totalled $1.2m and nil respectively for the 31 December 2023 period (Jun 23: $2.0m and nil respectively).
Amounts outstanding at 31 December 2023 are: Northwest Healthcare Properties Management Limited $0.1m (Jun 23: $0.1m); Northwest Healthcare Australian Property Limited $0.2m (Jun 23:$0.2m)

4 Amounts outstanding at 31 December 2023 are: Northwest Healthcare Properties Management Limited Nil (Jun 23: Nil) Northwest Healthcare Australian Property Limited Nil (Jun 23: Nil)

5 Amounts outstanding at 31 December 2023 are: Northwest Healthcare Properties Management Limited nil (Jun 23: $0.2m); Northwest Healthcare Australian Property Limited $0.3m (Jun 23: $1.7m)

6 Amounts outstanding at 31 December 2023 are: Northwest Healthcare Properties Management Limited nil (Jun 23: nil); Northwest Healthcare Australian Property Limited $0.2m (Jun 23: $0.7m)

7 Amounts outstanding at 31 December 2023 are: Northwest Healthcare Properties Management Limited $1.3m (Jun 23: $1.4m); Northwest Healthcare Australian Property Limited $1.9m (Jun 23: $1.3m)

8 Directors' fees for Graham Stuart are currently paid by the Manager (from Nov23)

Notes to the Consolidated Financial Statements

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 is to purchase 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 payable, 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.

Deloitte.

Independent Auditor's Review Report
to The Unitholders of Vital Healthcare Property Trust

Conclusion
We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of Vital Healthcare Property Trust and its subsidiaries ('the Group ' or 'the Trust') on pages 26 to 54 which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, and notes to the interim financial statements, including material accounting policy information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Trust do not present fairly, in all material respects, the financial position of the Group as at 31 December 2023 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

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

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

In addition to this review and the audit of the Group's annual financial statements, we have carried out other assignments for the Group as independent AGM vote scrutineer. These services have not impaired our independence as auditor of the Group. The firm has no other relationships with, or interests in, the Group.

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

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

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

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

Deloitte Limited

Andrew Boivin
Partner
for Deloitte Limited
Auckland, New Zealand
15 February 2024

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Angela Bull – Independent Director
Craig Mitchell – Director
Dr Michael Stanford – Independent Director
Aaron Hockly – Fund Manager
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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