

## FMCA Compliance Annual Report 2024

### DETAILS OF THE SCHEME

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

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

The offer of interests in the Scheme was originally made under the Unit Trust Act 1960. The Scheme transitioned to compliance with the FMCA on 30 November 2016.

Accordingly, a Product Disclosure Statement has not been prepared for the Scheme as no regulated offers of units have been made pursuant to the FMCA. The Scheme units are listed on the New Zealand Stock Exchange (NZX code: VHP).

Vital's latest financial statements and the auditor's report for those statements were lodged with the Disclose Register on 8 August 2024.

### DESCRIPTION OF THE SCHEME

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

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

From time to time, Vital may invest at earlier stages of the development process, including undertaking the design, refurbishment or development of healthcare properties for particular health service operators or entities engaged in health related activities. Vital seeks to earn investment income from the real estate it owns and leases (including by providing ancillary activities such as car parking) to health related tenants who operate the facilities.

### INFORMATION ON COMPOSITION OF THE SCHEME

This Annual Report covers the accounting period from 1 July 2023 to 30 June 2024. The number of managed investment products, being units in the Scheme (**Units**) on issue at

the start of the accounting period was 661,013,614. The number of Units on issue at the end of the accounting period was 671,923,373.

## CHANGES RELATING TO THE SCHEME

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

### TRUST DEED

Clause 32 of the Trust Deed provides that the Trust Deed may be varied by a deed executed by the Supervisor and the Manager if the amendment is authorised pursuant to section 139 of the FMCA.

On 25 June 2024 the Supervisor and the Manager entered into a Deed of Amendment of the Trust Deed and the Supervisor, for the purposes of section 139(2)(a)(ii) of the FMCA, certified that the amendment and restatement of the Trust Deed did not have a material adverse effect on the Unit Holders and that the amended and restated Trust Deed would comply with the requirements of the FMCA on the basis set out in the certificate.

A summary of the key variations to the Trust Deed is set out below<sup>1</sup>:

Variation	Explanatory Note
<b>Notices</b> (clauses 34.1, 34.2 and 34.4)	<p>In line with sustainability efforts, changes have been made to allow all materials to be sent to Unit Holders electronically, rather than by post. The general rule will be that annual and interim reports will be sent to Unit Holders electronically. Other materials can be sent electronically or by post.</p> <p>In any case, a Unit Holder can elect to receive all materials by post at any time by notifying the Manager.</p>

<sup>1</sup> Capitalised words used, but not otherwise defined in the table have the meanings given to them in the Trust Deed. The summary is of key variations (not all variations) and is not intended to replace a detailed review of the amended Trust Deed.

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

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

## TERMS OF THE OFFER OF UNITS

Vital continues to be a closed ended fund and does not continuously offer units for subscription. Vital offers units for subscription from time to time to raise equity capital. During the period 1 July 2023 to 30 June 2024, the following offer was made:

- ▶ an active dividend reinvestment plan, the terms of which remained unchanged during the current accounting period.

## STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (SIPO)

The SIPO was lodged on the Disclose Register on 9 August 2018 and amended and lodged on 6 December 2021, 9 November 2023 and 15 March 2024. The amendments to the SIPO lodged on 15 March 2024 were to ensure that strategies potentially to be used by Vital for capital partnering initiatives were referenced and to ensure that as broad as possible potential healthcare asset classes were also reflected.

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

## RELATED PARTY TRANSACTIONS

During the period 1 July 2023 to 30 June 2024 there were no changes to the nature and scale of related party transactions.

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

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

## VALUATION AND PRICING METHODOLOGIES

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

## FINANCIAL CONDITION AND PERFORMANCE OF THE SCHEME

Vital's high-quality ~\$3.2 billion property portfolio has continued to be revitalised through ~\$251m in divestment of non-core and lower quartile assets and the reinvestment of sales proceeds into new developments.

Vital's weighted average lease expiry (**WALE**) was 18.3 years at 30 June 2024 compared to 17.8 years at 30 June 2023. The average building age has been lowered to 9.5 years consistent with the Manager's strategy to maintain or lower this key metric as a means of maintaining relatively low capital maintenance expenditure and ensuring Vital's assets continue to meet tenant / patient demand.

Net property income increased by 3.7% over FY24 (on a same property, constant currency basis), reflecting contributions from the structured rent reviews within the portfolio and developments.

Cash from operations available to Unit Holders, measured by adjusted funds from operations (**AFFO**) decreased 0.6% to \$72.9m. AFFO per unit was 10.90cpu; a 2.5% decrease from FY23, reflecting a higher interest rate environment offset by increased net operating income (**NOI**) and lower current tax expense.

Expenses were \$70.6m, 6.8% lower than FY23 reflecting higher borrowings costs and higher property related taxes in both Australia and New Zealand offset by lower management fees.

Vital's NTA per unit decreased by 9.1% to \$2.69 primarily due to \$165.2m of property revaluation losses driven by market forces. The revaluation losses recognised were largely

attributable to +27bps portfolio capitalisation rate softening, partially offset by development margin gains, rental growth and leasing.

Vital had a weighted average debt maturity of 3.5 years at 30 June 2024, and management continues to investigate measures to extend Vital's debt tenor. Vital's all-in weighted average cost of debt was 5.15% at 30 June 2024 (30 June 2023: 4.93%) reflecting a debt cost environment that remains challenging.

\$9.2m (before costs) of equity was raised via the Distribution Reinvestment Plan (**DRP**) offered to Unit Holders. The debt to total assets or balance sheet gearing ratio was 39.1% at 30 June 2024 (30 June 2023: 36.3%). Vital currently has approximately A\$144m (~\$158m) of headroom under its debt facilities which is more than enough to fund the balance of Vital's committed development pipeline.

## FY24 Highlights

- ▶ Vital was acknowledged as Sector Leader (the highest possible achievement) by GRESB for ESG in healthcare for listed entities globally across performance, management, and developments.
- ▶ A 3.7% increase in underlying net property income (**NPI**) primarily reflecting the impact of development income and rent reviews.
- ▶ 10.90 cpu in AFFO.
- ▶ Maintenance of distributions at 9.75 cpu (consistent with guidance) on a prudent 89% AFFO pay-out ratio.
- ▶ Practical completion was reached at five developments:
- ▶ A\$57.4m fund-through development of Macarthur Health Precinct (Stage 1), Campbelltown, Sydney in February 2024. This development comprises ~2,700 square metres of net lettable area, is 100% leased to GenesisCare and is on track to achieve a 6 Star Green Star rating (as built).
- ▶ A\$28.5m fund-through conversion of a former aged care facility into Avive Clinic, Mornington Peninsula in December 2023. This 60-bed mental health facility is fully leased to Avive Health.
- ▶ A\$43.4m (excl land) Playford Health Hub (Stage 2), Adelaide in May 2024. This development comprises ~6,400 square metres of net lettable area, is ~67% leased and is on track to achieve a 6 Star Green Star rating (as built).
- ▶ \$38.1m (excl land) expansion of Ormiston Hospital (Stage 1), Auckland in June 2024 to double the size of this Southern Cross majority occupied hospital to ~9,000 square metres of net lettable area. The property is ~94% leased.
- ▶ \$5.3m expansion of Bowen Hospital, Wellington in November 2023. This development included an operating theatre fit out and ward refurbishment. The property is fully leased to Evolution Healthcare.

As at 30 June 2024 Vital had net assets of \$1,805.1 million (2023: \$1,957.4 million), comprising total current assets of \$59.4 million (2023: \$115.3 million), total non-current assets of \$3,245.4 million (2023: \$3,314.4 million) and total liabilities of \$1,499.6 million (2023: \$1,472.3 million).

Total comprehensive income for the 12-month period to 30 June 2024 was (loss \$101.5 million) (2023: loss \$172.8 million), and total Unit Holder distributions paid were \$66.4 million (2023:

\$64.8 million), representing 9.75 cents per Unit (2023: 9.75 cents per Unit).

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

## FEES

The following fees and expenses were charged in respect of the Scheme in dollars and as a percentage of the Scheme's property for the 12-month period to 30 June 2024.

	2024 \$000s	Percentage of Scheme's Property <sup>1</sup>
<b>Total fees and expenses incurred</b>		
Management fees	18,084	0.55%
Manager's incentive fee	6,600	0.20%
Leasing / Licensing fees	247	0.01%
Property management fees	2,299	0.07%
Disposal fees	789	0.02%
AFSL fee	1,341	0.04%
	29,360	0.89%
<b>Service fees capitalised</b>		
Acquisition fees	(180)	(0.01%)
Leasing / Licensing fees	2,544	0.08%
Project management fees	55	0.00%
Development management fees	3,745	0.11%
<b>Total fees charged by the Manager and associated persons</b>	<b>35,524</b>	<b>1.07%</b>
Auditor's remuneration	219	0.01%
Supervisor's fees	569	0.02%
Other operating income/expenses	5,008	0.15%
<b>Total fees &amp; expenses</b>	<b>5,796</b>	<b>0.18%</b>

1: Totals may not add due to rounding

## MANAGER'S FEES

### Remuneration of the Manager

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

## **Current Fee Arrangements Base Fee**

The Base Fee structure is as follows:

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

## **Incentive Fee**

The Incentive Fee is determined as 10% of the average annual increase in Vital's Net Tangible Assets (NTA) (being a defined term in the Trust Deed) over the respective financial year and the two preceding financial years, with payment being made by way of subscribing for new units.

The incentive fee calculations are also subject to a 'three year High Watermark Net Tangible Asset" requirement (being a defined term in the Trust Deed), such that for the purpose of determining the increase in NTA for a Financial Year, the annual NTA increase for that Financial Year will reduce to zero if the actual NTA does not exceed the High Watermark Net Tangible Asset requirement.

## **Activity Fees**

The Activity Fee structure is as follows:

- a) Leases or licences

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

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

- b) Property management

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

- c) Facilities management

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

d) Project management

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

### **Additional Costs**

The Additional Costs structure is as follows:

a) Acquisitions

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

b) Disposals

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

c) Development Management

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

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

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

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

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

## SCHEME PROPERTY

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

	2024 \$000s	2023 \$000s
<b>Non-current assets</b>		
Investment Properties	3,213,689	3,288,356
Derivative financial instruments	17,720	26,047
Other non-current assets	13,980	-
<b>Total non-current assets</b>	<b>3,245,389</b>	<b>3,314,403</b>
<b>Current assets</b>		
Non-current assets classified as held for sale	26,284	92,364
Cash and cash equivalents	18,934	10,885
Trade and other receivables	10,081	5,783
Other current assets	3,888	5,763
Derivative financial instruments	183	514
<b>Total current assets</b>	<b>59,370</b>	<b>115,309</b>
<b>Total assets</b>	<b>3,304,759</b>	<b>3,429,712</b>

## CHANGES TO PERSONS INVOLVED IN THE SCHEME

Effective 9 August 2023 Paul Dalla Lana was replaced by Michael Brady as director of the Manager. On 9 November 2023 Dr Michael Stanford was re-elected as director of the Manager. There have been no other changes to the Manager involved in the Scheme during the accounting period.

The following changes to the Supervisor involved in the Scheme during the accounting period have occurred:

- ▶ The following director ceased to be a director of the Supervisor during the accounting period:
  - Richard KLIPIN - Ceased date: 31 March 2024

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

## HOW TO FIND FURTHER INFORMATION

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

You have the right, free of charge and during normal office hours, to inspect that part of the Unit Register that relates to your Units on giving written notice to the Manager in accordance with the Financial Markets Conduct Regulation 2014.

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

## CONTACT DETAILS AND COMPLAINTS

### Manager

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

Attn: Company Secretary  
Telephone: 0800 225 265  
Email: [enquiry@vhpt.co.nz](mailto:enquiry@vhpt.co.nz)  
Website: [www.vhpt.co.nz](http://www.vhpt.co.nz)

### Trustee and Supervisor

Trustees Executors Limited  
Level 9, Spark Central,  
42-52 Willis Street,  
Wellington, 6011,  
New Zealand  
**Telephone:** +64 9 308 7100

### Making Complaints:

Write to us:  
Trustees Executors Complaint Register  
PO Box 4197  
Auckland 1140  
New Zealand  
Email: [complaints@trustees.co.nz](mailto:complaints@trustees.co.nz)  
Phone: +64 9 308 7100  
Attention: Client Manager – Trustees Corporate Supervision

### Registrar

Computershare Investor Services Limited  
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