

## **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 Vital Healthcare Management Limited (Manager) and supervised by Trustees Executors Limited (Supervisor), a supervisor licensed under the Financial Markets Supervisors Act 2011.

The offer of interests in the Scheme was originally made under the Unit Trust Act 1960.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 Registrar on 26 October 2017.

## **DESCRIPTION OF THE SCHEME**

Vital's main function is to identify, acquire and manage healthcare properties that are leased or for lease to operators across the healthcare continuum. From time to time, Vital may undertake the design, refurbishment or development of healthcare properties for particular health service operators. Vital may invest directly in real property, or in companies or trusts (listed on a recognised stock exchange or unlisted) which themselves own, directly or indirectly, real property with healthcare related qualities.

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.

## **INFORMATION ON COMPOSITION OF THE SCHEME**

This Annual Report covers the accounting period from 1 July 2016 to 30 June 2017.

The number of managed investment products, being units in the Scheme (Units) on issue at the start of the accounting period was 345,997,825.

The number of Units on issue at the end of the accounting period was 428,562,486.

## **CHANGES RELATING TO THE SCHEME**

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

### **STATEMENT OF INVESTMENT POLICIES AND OBJECTIONS (SIPO)**

The SIPO was lodged on 29 November 2016. There have been no changes to the SIPO since it was lodged.

## TRUST DEED

As advised to Unit Holders on 19 December 2016, during the period between 1 July 2016 to 30 June 2017, Vital's Trust Deed (Trust Deed) was amended with effect from 30 November 2016 by a Deed of Amendment to the Trust Deed. The amendments to the Trust Deed, as approved by the Manager, the Supervisor and NZX Regulation, bring the Trust Deed into compliance with the FMCA and the Financial Markets Conduct Regulations 2014 (FMC Regulations).

The amendments to the Trust Deed include:

- a) updating terminology to reflect the terminology used in the FMCA;
- b) referring to relevant sections of the FMCA;
- c) changes to the basis of preparation and filing of Vital's annual accounts and requirements relating to audits of Vital;
- d) changes to the procedure for meetings of Unit Holders;
- e) providing that the Supervisor and Manager are indemnified, and related party transactions may only be entered into, to the extent permitted by the FMCA; and
- f) certain other minor amendments of a formal or technical nature.

Vital is required by the Trust Deed to give formal notice to Unit Holders of the amendments made. Copies of the amended and restated Trust Deed and a copy of the Trust Deed marked to show the amendments are available on the Vital website ([www.vhpt.co.nz](http://www.vhpt.co.nz)) under the section About/Our Structure.

The amended and restated Trust Deed is also available on the Disclose Register accessible on the Companies Office website (<https://disclose-register.companiesoffice.govt.nz/disclose>).

## RELATED PARTY TRANSACTIONS

During the period 1 July 2016 to 30 June 2017 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 can be found in the financial statements for Vital which have been lodged with the Registrar.

## VALUATION AND PRICING METHODOLOGIES

There was no change to the valuation and pricing methodologies for the Scheme during the reporting period.

## FINANCIAL CONDITION AND PERFORMANCE OF THE SCHEME

The 2017 financial year has been a positive and productive one for Vital. We have enhanced almost every aspect of the business with solid portfolio performance underpinning the financial position. Execution to plan was validated with the successful \$160m rights issue last July and again at year end with the strong revaluation results. Population and ageing demographic drivers continue to support demand for healthcare services, and with a stable platform we look to continue to execute on our long term strategy.

### HIGHLIGHTS:

- ▶ Operating profit before tax of \$53.0m up 37.0%;
- ▶ Net distributable income of \$61.8m, up 53.6%;
- ▶ Distribution of 8.5 cpu, up 2.4% on FY16, adjusted<sup>1</sup> payout ratio of 72%;
- ▶ Cash earnings (or AFFO<sup>2</sup>) of 14.5 cpu, up 24.3%;
- ▶ Successful \$160m capital raising with 87% take up;
- ▶ Loan to valuation ratio (LVR) at 29.3%;
- ▶ Revaluation gain of \$168.5m for the year, like for like increase of 17%;
- ▶ Portfolio WACR firmed 113 basis points (bps) to 6.04%;
- ▶ Net tangible asset (NTA) per unit of \$2.05, up 36.0%;
- ▶ Occupancy maintained at over 99% for the eighth consecutive year, WALE of 17.7 years;
- ▶ Seven major acquisitions across Australasia totalling \$190m, five have future brownfield potential;
- ▶ Spent \$31.9m on brownfield developments, A\$34.6m still to be completed.

<b>COMPREHENSIVE INCOME</b>	<b>2017</b>	<b>2016</b>
	<b>\$000s</b>	<b>\$000s</b>
<b>Profit before income tax</b>	<b>231,148</b>	138,255
Taxation expense	<b>(13,526)</b>	(21,047)
<b>Profit for the year attributable to unitholders of the Trust</b>	<b>217,622</b>	117,208
<b>Total other comprehensive income/(loss) after tax</b>	<b>(174)</b>	(13,960)
<b>Total comprehensive income after tax</b>	<b>217,448</b>	103,248
<b>Distributions to Unitholders</b>	<b>36,592</b>	28,196
Distribution paid in the financial year (cents per unit)	<b>8.50</b>	8.20

<sup>1</sup> Adjusting for the one-off \$13.8m lease termination receipt  
<sup>2</sup> Adjusted funds from operations

<b>FINANCIAL POSITION</b>	<b>2017</b>	<b>2016</b>
	<b>\$000s</b>	<b>\$000s</b>
<b>Total non-current assets</b>	<b>1,378,069</b>	952,237
<b>Total current assets</b>	<b>14,159</b>	25,937
<b>Total assets</b>	<b>1,392,228</b>	978,174
<b>Total liabilities</b>	<b>512,407</b>	454,455
<b>Net Assets</b>	<b>879,821</b>	523,719

With a relatively optimistic outlook as it relates to Vital's scale and diversification strategy the Board continues to adopt a conservative and prudent capital management plan. Recognising market support for distribution sustainability, or a conservative payout ratio, and the prudent application of retained earnings to ongoing growth initiatives, the Board has determined to maintain cash distribution guidance at 8.5 cpa for the 2018 financial year.

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 Scheme's net assets for the 12 month period to 30 June 2017.

	<b>2017</b>	<b>Percentage</b>
	<b>\$000s</b>	<b>of Vital's</b>
		<b>net assets</b>
<b>Total fees and expenses incurred</b>		
Management fees	<b>8,073</b>	<b>0.92%</b>
Manager's incentive fees	<b>12,314</b>	<b>1.40%</b>
Expenses charged by Vital Healthcare Management Limited	<b>2,088</b>	<b>0.24%</b>
Expenses charged by Vital Healthcare Australian Property Pty Limited	<b>2,949</b>	<b>0.34%</b>
<b>Fees charged by the Manager and associated persons</b>	<b>25,424</b>	<b>2.89%</b>
Auditor's remuneration	<b>139</b>	<b>0.02%</b>
Other operating income/expenses	<b>1,544</b>	<b>0.18%</b>
<b>Total fees &amp; expenses</b>	<b>27,107</b>	<b>3.08%</b>

## MANAGER'S BASE FEE

Stipulated within the Trust Deed is the basis on which the Manager is entitled to receive management fees and incentive fees.

Management fees are charged, in respect of each month, a base fee equal to 0.75% per annum of the monthly average of the Gross Value of the assets of Vital for the quarter ended on the last day of that month.

The remuneration of the Manager includes the remuneration of the CEO and management team.

## MANAGER'S INCENTIVE FEE

The Manager's incentive fee is an amount equal to 10% per annum of the average annual increase in the Gross Value of Vital over the relevant financial year and two preceding financial years.

The Manager is required to apply the incentive fee in subscribing for new Units in Vital issued at the weighted average price.

## EXPENSES CHARGED BY THE MANAGER & ASSOCIATED PERSONS

The Manager (and the Supervisor) is entitled to be reimbursed by Vital for all expenses, costs or liabilities incurred in acting as Manager (or Supervisor). Certain services are provided by the Manager in lieu of using external providers. Fees and expenses charged or changes to fees and expenses charged requires 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 as at 30 June 2017 and 30 June 2016:

	2017 \$000s	2016 \$000s
<b>Non-current assets</b>		
Investment properties	1,376,243	951,879
Derivative financial instruments	1,499	-
Other non-current assets	327	358
<b>Total non-current assets</b>	<b>1,378,069</b>	<b>952,237</b>
<b>Current assets</b>		
Cash and cash equivalents	3,352	12,980
Trade and other receivables	367	358
Other current assets	7,886	3,113
Derivative financial instruments	2,554	9,486
<b>Total current assets</b>	<b>14,159</b>	<b>25,937</b>
<b>Total assets</b>	<b>1,392,228</b>	<b>978,174</b>

## CHANGES TO PERSONS INVOLVED IN THE SCHEME

There has been no change to the Manager, directors of the Manager or the Managers key personnel involved in the Scheme during the accounting period.

The Supervisor appointed Andrew Scott-Howman as a director of the Supervisor on 24 April 2017 and Paul Hocking retired as director on 7 December 2016. Whilst outside of the accounting period it is also noted that on 18 July 2017 Francesca Banga was appointed a director.

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

## **HOW TO FIND FURTHER INFORMATION**

Copies of documents relating to the Scheme, such as the Trust Deed, SIPO and the annual financial statements are available on the Disclose register at [www.companies.govt.nz/disclose](http://www.companies.govt.nz/disclose), scheme number SCH11214 or on request from the Manager.

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

You also have the right, free of charge, on giving 5 working days' notice and during normal office hours, to inspect a copy of the Trust Deed, SIPO and annual financial statements at the Manager's registered office, which is located at: Level 16, AIG Building, 41 Shortland Street, Auckland. Alternatively, you can obtain a copy free of charge by writing to us at: PO Box 6945, Wellesley Street, Auckland 1141.

## **CONTACT DETAILS AND COMPLAINTS**

### **Manager**

Vital Healthcare Management Limited  
Level 16, AIG Building, 41 Shortland Street, Auckland  
PO Box 6945, Wellesley Street, Auckland 1141  
Attn: Company Secretary  
Telephone: 0800 225 264  
Email: [enquiries@vhpt.co.nz](mailto:enquiries@vhpt.co.nz)  
Website: [www.vhpt.co.nz](http://www.vhpt.co.nz)

### **Trustee and Supervisor**

Trustees Executors Limited  
Level 7, 51 Shortland Street, Auckland 1010  
PO Box 4197, Auckland 1140  
Attn: Client Services Manager – Governance and Investor Oversight  
Telephone: +64 9 308 7100

## Registrar

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

## Complaints

Complaints may be made to the Manager or Supervisor.

As a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008, the Manager is a member of an approved dispute resolution scheme (registration number FSP33302).

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

Level 8, 81 Molesworth Street, Wellington 6011  
Telephone: +64 4 499 7612  
Email: info@ifso.nz

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