

SECURING TODAY
WITH A FOCUS ON
TOMORROW

VALUE OF
PORTFOLIO

\$781.9M

WALT

17.6 YEARS*

* As at 1 July 2015

OCCUPANCY

99.4%

AVERAGE ANNUAL LEASE EXPIRY (BY
INCOME) OVER THE NEXT TEN YEARS

3.0%

STAYING TRUE
TO OUR
STRATEGY HAS
DELIVERED A
HIGH QUALITY
AND DIVERSIFIED
PORTFOLIO WELL
POSITIONED FOR
THE FUTURE.

ACTION:

Australia's over 65 demographic is forecast to double over the next 30-40 years to 6 million people.

**RESULT:**

Almost 80% of this over 65 demographic has some form of chronic disease, explaining why they use healthcare services at four times the rate of the general population. This is why healthcare demand will continue to rise well into the future.

ACTION:

Strategically acquiring real estate around our assets provides Vital and its partners a platform to meet the rising demand for healthcare services.



RESULT:

Delivery of larger, more efficient and modernised hospitals with a more diverse offering of healthcare services.

STRATEGICALLY GROWING CAPACITY...

ACTION:

In the last twelve months we have already made three strategic acquisitions with the backing of our partners, and there's more to come.



RESULT:

These acquisitions play an important role in allowing our partners to expand their businesses and for Vital to enhance the long-term value of its assets.

...TO KEEP UP
WITH DEMAND

12-MONTH TOTAL RETURN

27.7%



DEVELOPMENT PROGRAMME DELIVERS
REVALUATION UPLIFT ON 30 JUNE 2015 BOOK VALUE

\$84.0M



UP 12.1%

NET TANGIBLE ASSET INCREASE TO

\$1.27



UP 22.5%

CONTINUED INVESTOR SUPPORT
OF STRATEGY DELIVERS

12.4%

10-YEAR
COMPOUND
ANNUAL
GROWTH
RATE

GROSS RENTAL INCOME

\$60.8M



UP 2.3%

NET DISTRIBUTABLE INCOME

\$36.3M



UP 4.6%

CASH DISTRIBUTION PER UNIT

8.0 CENTS

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FINANCIAL SUMMARY

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

	2011 \$000s	2012 \$000s	2013 \$000s	2014 \$000s	2015 \$000s
FINANCIAL PERFORMANCE					
Net property income	36,614	47,962	57,856	57,967	59,430
Profit before financial income/(expenses) and other gains/(losses)*	32,067	40,868	50,637	49,988	48,490
Revaluation gain/(loss)	(10,523)	(6,241)	10,337	15,211	84,031
Profit/(loss) for the year (after taxation)	7,380	8,977	34,721	37,433	96,506
Earnings per unit – cents per unit	3.34	3.08	11.56	11.21	28.31
DISTRIBUTABLE INCOME					
Gross distributable income	19,966	25,359	33,614	34,928	40,950
Net distributable income	18,186	23,258	28,195	34,702	36,290
Net distributable income – cents per unit	8.24	7.98	9.38	10.40	10.64
Cash distribution to unitholders – cents per unit	8.10	7.70	7.90	7.90	8.00
FINANCIAL POSITION					
Total assets	533,433	580,790	629,476	615,968	784,565
Borrowings	196,690	245,769	266,650	192,633	257,340
Total equity	301,106	287,430	308,994	353,520	435,983
Debt to total assets ratio	36.9%	42.3%	42.4%	31.4%	32.9%
Net assets backing per unit – dollars per unit	1.04	0.98	1.01	1.04	1.27

PROPERTY METRICS

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

	2011	2012	2013	2014	2015
Investment properties (\$m)	513.9	567.2	618.7	613.1	781.9
Number of properties	25	25	24	24	25
Number of tenants	128	124	108	105	108
Occupancy factor	99.2%	99.3%	99.5%	99.3%	99.4%
Weighted average lease term (yrs)	11.4	11.9	11.8	15.1	17.1
12 month lease expiry	1.6%	2.5%	1.6%	3.8%	1.1%

*Adjusted to reflect 2014 Financial Statement presentation format.

STRONG DELIVERY ON STRATEGY

Vital's 2015 annual result caps another outstanding year for investors. The financial and portfolio position are in their best shape ever and this provides a strong platform to deliver sustainable returns to investors well into the future as we continue to secure today, with a focus on tomorrow.

Now in my eighth year as a Director it's again my pleasure to present my fourth Annual Report as Independent Chairman of Vital's Manager.

Strong delivery of strategy, lift in 2016 distribution guidance

Vital's strong position reflects five years of prudent and astute execution of our strategy. David Carr and his management team have delivered investors with an investment portfolio of high quality real estate unrivalled in our market. The Board has confirmed a final 2015 quarter distribution of 2.0 cents per unit, bringing the annual distribution to 8.0 cents per unit as was confirmed throughout the year. With a stable platform and strong underlying performance balanced with a prudent capital position, the Board has confirmed an increase in cash distribution guidance for the 2016 financial year to 8.1 cents per unit. David will comment on the financial and portfolio results in detail later in this report. However, I would like to cover areas relating to investor returns, lease expiry management, strategy and governance.

Healthcare outperforming

From an investors perspective, Vital had an outstanding year delivering a 27.7% total return, outperforming listed peers and the wider equity market. As can be seen in the table below, Vital has outperformed the wider market on a total return basis, over almost any period over the last ten years.

In my opinion, the independent valuations of the portfolio which led to a strong portfolio revaluation gain of \$84.0m was a direct validation that our creating capacity strategy has been the right one.

The revaluation gain was also the main driver of our NTA uplift from \$1.04 to \$1.27, or 22.5%.

Vital uniquely positioned with its low lease expiry profile

Resolving the Allamanda Private Hospital lease expiry was a key objective for management in 2015 and the long-term lease to Ramsay Health Care certainly met, and in many respects exceeded expectations. The addition of Ramsay, one of the world's leading private hospital operators to the portfolio provides great diversification of income and establishes what will hopefully be a long-term strategic relationship. The result sees Vital with one of the lowest lease expiry profiles of any listed vehicle over the next decade, a significant achievement in my view. The long term income stability it provides investors is very reassuring.

Strategically we've secured today, with a focus on tomorrow

Vital's current portfolio position did not happen overnight. If I look back, the acquisition of Australian-based healthcare assets in 2010 provided Vital with a rare opportunity to deliver substantial financial and portfolio benefits over the medium to long term. During the last five years Vital has undertaken more than A\$160m in brownfield redevelopment to reposition the portfolio to deliver improved long-term value and investment returns to Vital.

Compound annual return (as at 30 June 2015)	1yr	3yr	5yr	7yr	10yr
VHP	27.7%	10.1%	14.6%	14.3%	12.4%
NZX Property Gross	19.1%	8.7%	15.1%	8.9%	8.3%
NZX 50 Index Gross	11.4%	8.9%	14.0%	8.7%	5.8%
S&P/ASX 200 AREIT	15.5%	6.3%	7.9%	-1.9%	-3.7%



"Our revaluation gain shows that our **creating capacity** strategy has been the right one."

The extensive capital works has seen many hospitals across the portfolio undergo substantial reconfiguration, modernisation and refurbishment. These include new wards, beds and theatres, consulting suites, car parking, hydrotherapy pools and gymnasiums supported by a raft of new healthcare services. This additional capacity was driven by strong underlying healthcare fundamentals and rising demand for services by a growing and ageing population. The redevelopment programme is forecast to continue over the medium term. This will be driven by pressure in the health sector and hospital operators focused on adding further capacity to meet this embedded demand.

Governance

The effectiveness of the current Board's skills, experience and diversity has been reflected in the strong delivery of our strategy. All of the management company directors have been of immense value in bringing a local and global healthcare real estate perspective to the business. Experience and knowledge are invaluable qualities and Vital has certainly benefited from these over recent years as evidenced through results.

Claire Higgins provides an important Australian healthcare perspective while Andrew Evans (New Zealand), Paul Dalla Lana and Bernard Crotty (International) bring their significant real estate and capital markets experience to the table. I believe I have brought extensive valuation, strategy and governance experience to Vital. I retire my position by rotation this year and being eligible, will stand for re-election.

Outlook and guidance

Looking forward, Vital's financial and portfolio position is in great shape. We will continue to deliver on our strategy to provide greater scale and diversification through strong existing relationships and partnerships with a focus on delivering sustainable returns to investors.

The fundamental drivers of healthcare including a growing and ageing population, prevalence of chronic illness and high utilisation rates will continue well into the future. For these reasons I remain very positive on the outlook for the sector and Vital as a specialised healthcare real estate investor.

Vital's Annual Meeting will be held on 10 November 2015 in Auckland and I look forward to updating you further at this time.

I would also like to thank all investors for their continued strong support in 2015 and look forward to another great year in 2016.

Graeme Horsley MNZM
Independent Chairman
Vital Healthcare Management Limited

YEAR ON YEAR GROWTH



The 2015 year has seen Vital deliver its strongest financial and portfolio results in its history. Our proven and well executed strategy now sees Vital strongly positioned for the future.

Consistently strong results

The 2015 financial year has been great for Vital with strong validation of our strategy and direction from both the investment and real estate markets. First, our unit price reached an all-time high of \$1.74 and we closed the year having delivered a 27.7% total return to investors. Second, the independent market valuations of the portfolio delivered a 12.1% increase of \$84.0m over the pre year-end book value – a clear endorsement of our strategy.

Over the last few years we had been asked some tough questions by investors and the wider market about resolving certain material lease expiry events. We have categorically answered these through our actions.

In April 2015 we announced that we had re-leased Allamanda Private Hospital to Ramsay Health Care, some two and a half years prior to the expiry of the current lease. Ramsay is Australia's largest private hospital operator and listed on the ASX with a current market capitalisation of approximately A\$13.0bn. This was an outstanding result by Vital's Australian team led by Richard Roos, and confirms our credibility and capability in managing end of term lease expiry risks well ahead of time.

Pre-currency movement, we achieved gross rental income growth of 4.5% over the year. The increase was driven by the combination of built-in rental growth and part period contributions from acquisitions and completed projects. Post currency, we delivered 2.3% growth to \$60.8m, up \$1.4m. The net profit after tax of \$96.5m up 158% was influenced by the revaluation gain during the year while our net distributable income grew 4.6% to \$36.3m.

Treasury and capital management

Vital's loan-to-value ratio (or LVR) as at 30 June 2015 was 32.9% compared to 31.4% last year and well below bank and Trust Deed covenants of 50%.

Although Vital had a higher drawn debt position at year-end, Vital's LVR remained relatively stable principally due to the strong portfolio revaluation gains achieved during the period. The weighted average interest rate at period-end was 5.32% compared to 5.66% last year. This reflects lower Australian interest rates and a higher unhedged position compared to the prior year-end.

Portfolio in its best ever shape

The annual portfolio revaluation saw an increase of \$84.0m compared to \$15.2m last year. The Australian portfolio contributed 93% of our total revaluation uplift with a gain of A\$68.9m. Of the total uplift, approximately 70% was from development properties. This was a strong reflection of the underlying strength of the healthcare sector and deep working relationships we have with our key hospital operating partners. The New Zealand portfolio delivered a \$6.1m net gain. Across the portfolio 20 assets had gains and five declined in value. The weighted average market capitalisation rate firmed by 95 basis points to 8.0% and the portfolio is now valued at \$781.9m. As a result of the revaluation gain an incentive fee of \$3.8m was paid to the Manager in units.

As at 30 June 2015, Vital's net tangible asset backing (NTA) per unit was \$1.27 or 22.5% higher compared to \$1.04 last year. The NTA change was driven by a range of factors but primarily by our strong portfolio revaluation gains this year.

Our weighted average lease term (WALT) increased from 15.1 to 17.6¹ years, well over three times the New Zealand listed property sector average. The WALT improvement includes the effect of the new 21.3 year lease to Ramsay Health Care. Our average lease expiry now sits at 3.0% per annum over the next ten years. With year-end occupancy at 99.4%, Vital maintains a five-year average occupancy level above 99%.



“The fundamental drivers of healthcare remain strong and will **continue to support our strategy** of scale and diversification.”

Organic growth and strategic acquisitions

In the year to 30 June we announced six new value-add brownfield capital projects totalling A\$55.3m which were driven by capacity constraints at those hospitals due to the rising demand for health services. These developments are forecast to be completed between September 2015 and June 2016.

With a degree of maturity in our brownfield development programme and continued forecast capacity constraints by operators, we have completed several acquisitions adjacent to existing strategic properties. These incremental acquisitions protect asset value over the long term. They also provide flexibility to add more infrastructure, offer more medical and healthcare services and for Vital to grow with our partners as required.

Underlying healthcare trends

Long-term healthcare trends continue to support our real estate activities and initiatives. The growing and ageing population is a core driver of growth and it's only going to get bigger from here. The forecast doubling of the over 65 demographic over the next 30-40 years is a significant influence on demand for healthcare services. The fact that in this demographic almost 80% of people have some form of chronic disease² underpins why this demographic utilises healthcare services at four times the general population.

At around 47%³ Australia's healthcare sector remains well supported by solid private health insurance (PHI) levels and has now seen 40 consecutive quarters of PHI growth. New Zealand's PHI levels of around 30% have remained relatively flat in a less supportive regulatory environment versus Australia. That said, we will watch with interest any progress on the Affordable Healthcare Bill, which may bring about any potential regulatory change resulting in stronger private health insurance levels and strengthening private hospital performance in New Zealand.

Focused on tomorrow

Vital has finished the 2015 financial year with solid operational results and a portfolio in great shape. The 2016 year brings new opportunities and we'll continue to focus our efforts on remaining a leading owner, manager and investor in high quality healthcare real estate.

The fundamental drivers of healthcare – an ageing population, strong private health insurance levels and high demand for hospital services provide strong tailwinds in delivering on our strategy. These drivers are also supporting other real estate tied to healthcare, including aged care facilities, life sciences laboratories and medical distribution type facilities. Our scale and diversification strategy clearly flows through to these areas as we continue to consider appropriate opportunities to diversify our tenant base, improve our portfolio metrics and deliver long-term earnings stability to investors.

I would like to thank all investors for their ongoing support. Also, thank you to my team for their fantastic efforts over the year. I look forward to updating investors on activities through 2016.

David Carr
Chief Executive Officer
Vital Healthcare Management Limited

1. As at 1 July 2015

2. Source: AIHW Chronic disease – Australia's biggest health challenge

3. Source: PHIAC data to 30 June 2015



Hurstville Private Hospital
Sydney | New South Wales

MARKET VALUE A\$58,240,000

MARKET CAPITALISATION RATE 8.3%

WALT 26.8 years

OCCUPANCY 100%

MAJOR TENANT Hurstville Private Pty Limited

A highlight for 2015 has been the near completion of our A\$34m redevelopment of Hurstville Private Hospital, located 16 kilometres south-west of the Sydney CBD and specialising in surgical services, obstetrics and oncology.

STRATEGY DELIVERING VALUE

Acquired in May 2012, Hurstville was always earmarked for substantial refurbishment and redevelopment given the rising demand for healthcare services in its catchment area.

Since September 2013 we have delivered substantial value and operational capacity to the hospital through the following improvements:

- Four new operating theatres (increasing the total to seven)
- An extended and modern day surgery, supported by three new inpatient wards
- Total bed numbers rising to 114, with 72 of those being single private rooms
- Additional surgical consulting suites
- An oncology day patient ward and an increase in on-site parking
- As part of the redevelopment negotiations a ten-year lease extension was secured



"The Hurstville project has been a clear example of Vital **focusing on tomorrow** by supporting the long-term growth of our operators businesses and creating long-term value for our investors."


RICHARD ROOS – Managing Director - Australia

Acquisitions and developments

How Vital's portfolio has grown from June 2010 to June 2015.

 **+1200**
315% GROWTH

TOTAL NUMBER OF BEDS NOW,
approximately 1600

 **+46**
184% GROWTH

TOTAL NUMBER OF THEATRES,
from 25 to 71

\$490m  UP 168%

INVESTMENT PROPERTIES VALUE,
from \$291.9m to \$781.9m

 **+5**

GEOGRAPHIC LOCATIONS,
from NZ + 1 Australian state
to NZ + 6 Australian states





Lingard Private Hospital

Merewether | NSW

MARKET VALUE A\$70,500,000

MARKET CAPITALISATION RATE 8.0%

WALT 25.7 years

OCCUPANCY 100%

MAJOR TENANT
Healthe Care Lingard Pty Limited



TOTAL NOW 7
OPERATING THEATRES

Lingard Private Hospital is a 101-bed acute medical and surgical hospital located four kilometres south of the Newcastle CBD.

Over recent years Lingard has undergone significant redevelopment and is now a leading private hospital in the region. After the redevelopment work at the hospital over the last four years we have been very pleased with a revaluation at 30 June 2015 to A\$70.5m, up A\$18.3m (or 35%) on 30 June 2015 book value. The redevelopment work at Lingard has been extensive and has included the following improvements:

- A new 40-bed ward
- Additional operating theatres (total now seven)
- Improved diagnostic imaging areas
- Upgrade of patient recovery areas
- A new six-bed Intensive Care Unit
- A new 22 single-bed inpatient ward
- Two new cath labs allowing the ICU to facilitate more complex surgeries such as cardiac, higher acuity orthopaedics and neurosurgery



Allamanda Private Hospital

Southport | Queensland

MARKET VALUE A\$41,200,000

MARKET CAPITALISATION RATE 7.3%

WALT 22.7 years

OCCUPANCY 100%

MAJOR TENANT Queensland
Surgicentre Allamanda



Belmont Private Hospital

Carina Heights | Queensland

MARKET VALUE A\$39,831,000

MARKET CAPITALISATION RATE 8.0%

WALT 20.6 years

OCCUPANCY 100%

MAJOR TENANT Healthe Care
Belmont Pty Limited



Dubbo Private Hospital

Dubbo | New South Wales

MARKET VALUE A\$7,500,000

MARKET CAPITALISATION RATE 9.3%

WALT 16.6 years

OCCUPANCY 100%

MAJOR TENANT Healthe Care
Dubbo Pty Limited



Epworth Eastern Medical Centre

Box Hill | Victoria

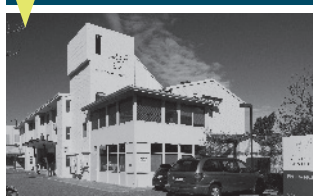
MARKET VALUE A\$19,000,000

MARKET CAPITALISATION RATE 8.3%

WALT 6.1 years

OCCUPANCY 98.6%

MAJOR TENANT Peter MacCullum
Cancer Institute



Marian Centre

Perth | Western Australia

MARKET VALUE A\$17,539,000

MARKET CAPITALISATION RATE 9.0%

WALT 19.1 years

OCCUPANCY 100%

MAJOR TENANT Healthe Care
Marian Centre Pty Limited



Mayo Private Hospital

Taree | New South Wales

MARKET VALUE A\$25,750,000

MARKET CAPITALISATION RATE 8.5%

WALT 16.5 years

OCCUPANCY 100%

MAJOR TENANT Mayo Healthcare
Group Pty Limited



Melbourne Pathology Building

Noble Park | Victoria

MARKET VALUE A\$700,000

MARKET CAPITALISATION RATE 8.3%

WALT 25.7 years

OCCUPANCY 100%

MAJOR TENANT Healthe Care
South Eastern Pty Limited



North West Private Hospital

Burnie | Tasmania

MARKET VALUE A\$13,500,000

MARKET CAPITALISATION RATE 9.3%

WALT 16.6 years

OCCUPANCY 100%

MAJOR TENANT Healthe Care
Burnie Pty Limited





Epworth Eastern Hospital
Box Hill | Victoria

UP 20%

A\$12.6M

REVALUATION UPLIFT

MARKET VALUE A\$76,000,000

MARKET CAPITALISATION RATE 7.5%

WALT 9.8 years

OCCUPANCY 100%

MAJOR TENANT Epworth Foundation

Epworth Eastern Hospital is located 14 kilometres from the Melbourne CBD in Box Hill, a significant regional hub for the middle and outer eastern suburbs.

Epworth Eastern Hospital also received a very positive revaluation this year to A\$76m, up A\$12.6m (or 20%) on 30 June 2015 book value.

Epworth Eastern hospital was completed in 2005 and accommodates a ground-floor reception, radiology and café, nine operating theatres and 223 surgical and medical beds. The basement car park can accommodate 284 vehicles. The property represents a relationship with one of Australia's leading healthcare providers and in December 2014, due to capacity constraints at the existing site, the Trust acquired additional properties adjacent to Epworth Eastern (25 Nelson Road) which will support the master plan vision for future expansion.



Epworth Rehabilitation
Brighton | Victoria

MARKET VALUE A\$17,100,000

MARKET CAPITALISATION RATE 8.0%

WALT 3.6 years

OCCUPANCY 100%

MAJOR TENANT Epworth Foundation



Gold Coast Surgery Centre
Southport | Queensland

MARKET VALUE A\$14,000,000

MARKET CAPITALISATION RATE 10.0%

WALT 9.3 years

OCCUPANCY 92.2%

MAJOR TENANT Queensland Surgicentre Southport



Hurstville Private Hospital
Sydney | New South Wales

MARKET VALUE A\$58,240,000

MARKET CAPITALISATION RATE 8.3%

WALT 26.8 years

OCCUPANCY 100%

MAJOR TENANT Hurstville Private Pty Limited



Maitland Private Hospital
East Maitland | New South Wales

MARKET VALUE A\$44,225,000

MARKET CAPITALISATION RATE 8.0%

WALT 17.5 years

OCCUPANCY 100%

MAJOR TENANT East Maitland Private Hospital



Palm Beach Currumbin Clinic
Currumbin | Queensland

MARKET VALUE A\$27,950,000

MARKET CAPITALISATION RATE 8.0%

WALT 16.6 years

OCCUPANCY 100%

MAJOR TENANT Healthe Care Palm Beach Pty Limited



South Eastern Private Hospital
Noble Park | Victoria

MARKET VALUE A\$21,057,000

MARKET CAPITALISATION RATE 8.3%

WALT 25.7 years

OCCUPANCY 100%

MAJOR TENANT Healthe Care South Eastern Pty Limited



Sportsmed SA
Adelaide | South Australia

MARKET VALUE A\$32,550,000

MARKET CAPITALISATION RATE 8.7%

WALT 17.4 years

OCCUPANCY 100%

MAJOR TENANT Sportsmed SA Hospitals Pty Limited



Toronto Private Hospital
Toronto | New South Wales

MARKET VALUE A\$16,200,000

MARKET CAPITALISATION RATE 9.0%

WALT 27.5 years

OCCUPANCY 100%

MAJOR TENANT Central Lakes Hospitals Pty Limited



Ascot Central

Greenlane | Auckland

MARKET VALUE
NZ\$25,600,000

MARKET CAPITALISATION RATE
6.9%

WALT
4.6 years

OCCUPANCY
100%

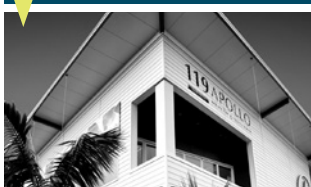
MAJOR TENANT
Fertility Associates Limited

Ascot Central is a 5-level medical office building co-located with the Trust's asset Ascot Hospital.

Ascot Central was developed in 2007 on land that the Trust had owned since 1999 when Ascot Hospital was originally constructed. It is a 5-level building, with basement carparking and was awarded a New Zealand Green Building Council – 4 star design rating.

Following construction, the Trust secured various tenants for the building including the main tenant, Fertility Associates – New Zealand's largest fertility services provider. Leading radiology providers and other medical professionals are also located in the building.

Ascot Central has most recently been valued at \$25.6m, an uplift of \$1.7m (or 7%) on 30 June 2015 book value, and is currently 100% occupied.



Apollo Health and Wellness Centre

Albany | Auckland

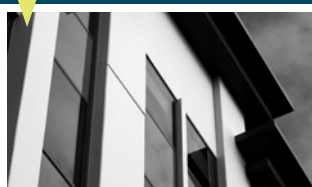
MARKET VALUE NZ\$21,403,000

MARKET CAPITALISATION RATE 7.9%

WALT 4.6 years

OCCUPANCY 90.6%

MAJOR TENANT Apollo Health Limited



Ascot Central Car Park (ground lease)

Greenlane | Auckland

MARKET VALUE NZ\$1,550,000

MARKET CAPITALISATION RATE 10.8%

WALT 4.1 years

OCCUPANCY 100%

MAJOR TENANT Fertility Associates Limited



Ascot Hospital

Greenlane | Auckland

MARKET VALUE NZ\$81,505,000

MARKET CAPITALISATION RATE 7.0%

WALT 20.3 years

OCCUPANCY 99.5%

MAJOR TENANT Ascot Hospital and Clinics Limited



Ascot Hospital Car Park (ground lease)

Greenlane | Auckland

MARKET VALUE NZ\$1,700,000

MARKET CAPITALISATION RATE 9.8%

WALT 28.0 years

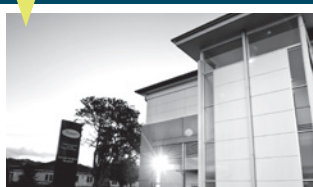
OCCUPANCY 100%

MAJOR TENANT Ascot Hospital and Clinics Limited



\$25.6M
 VALUATION
 UP 7%

Ascot Central is a high quality medical consulting building, which complements the adjacent Ascot Hospital.



Kensington Hospital
 Whangarei | Northland

MARKET VALUE NZ\$13,550,000

MARKET CAPITALISATION RATE 8.5%

WALT 5.7 years

OCCUPANCY 100%

MAJOR TENANT
 Kensington Hospital Limited



Napier Health Centre
 Napier | Hawke's Bay

MARKET VALUE NZ\$10,400,000

MARKET CAPITALISATION RATE 10.3%

WALT 4.5 years

OCCUPANCY 100%

MAJOR TENANT
 Hawke's Bay District Health Board

OUR BOARD

Our Board has overall responsibility for managing the Trust. It comprises three Independent Directors and two non-Independent Directors. Directors are chosen for their complementary skills and knowledge. They are committed to maintaining the highest ethical standards and accountability.



GRAEME HORSLEY MNZM
Chairman and Independent Director

Graeme Horsley has over 40 years' property valuation and consultancy experience, including 14 years with Ernst & Young New Zealand, where he was Partner and National Director of the Real Estate Group.

A professional Director, Graeme is an Independent Director of Precinct Properties New Zealand, Willis Bond Capital Partners and Accessible Properties Limited. He is a Member of the New Zealand Order of Merit, a Life Fellow of the Property Institute of New Zealand, an Eminent Fellow of the Royal Institution of Chartered Surveyors and a Chartered Fellow of the Institute of Directors.

Graeme has extensive experience in valuing specialised property and infrastructure assets and establishing and implementing corporate real estate strategies. He has written and presented extensively on public and private real estate matters.



ANDREW EVANS
Independent Director

Andrew Evans has over 25 years' experience in commercial real estate and asset management, previously holding executive positions in listed and unlisted real estate investment businesses. Andrew is a Director of Argosy Property Limited, Holmes Group Limited, Holmes GP Fire Limited, Trust Investments Management Limited and Hughes and Cossar Limited. In addition, Andrew is a past National President of the Property Council of New Zealand, a foundation member of the New Zealand Property Institute, a government appointee to the Land Valuation Tribunal (Waikato No.1) and sits on the board of Marist Brothers Old Boys Rugby club. He is a member of the Institute of Directors and is on the Auckland Branch Committee.

Andrew has a Bachelor of Business Studies and MBA (with distinctions) from Massey University and a Diploma in Finance from Auckland University.



CLAIRE HIGGINS
Independent Director

Claire Higgins is an Australian based professional Director. She is the Chair of REI Superannuation Pty Ltd. Claire is also a Director of Ryman Healthcare Limited, Pancare Foundation Inc and several Victorian Government Statutory Boards. Formerly the Chair of Barwon Health and the County Fire Authority in Victoria, Claire has also had extensive executive experience with BHP and Arrium Limited (formerly OneSteel).

Claire's areas of expertise are in governance, accounting, finance, economics and healthcare. Claire has a Bachelor of Commerce (Accounting, Economics and Commercial Law) from The University of Melbourne and is a present Fellow at the Australian Institute of Company Directors, the Australian Society of Certified Practising Accountants and the Institute of Public Administration Australia.



Local and global healthcare expertise

PAUL DALLA LANA Director

Paul Dalla Lana is the founder and CEO of NorthWest Healthcare Properties REIT – the 100% owner of Vital Healthcare Management Limited, the Manager of Vital Healthcare Property Trust. Over the past 23 years, Paul has led NorthWest in the acquisition and development of over \$3.0 billion worth of real estate transactions, with a significant focus on healthcare properties.

Prior to founding NorthWest, Paul was a professional in the Real Estate Capital Markets Group of Citibank, N.A. and an economist with B.C. Central Credit Union. Paul received his BA (Economics) and his MBA (Finance and Real Estate) from The University of British Columbia.

Paul serves as Chairman of the Board of NorthWest Healthcare Properties REIT. Additionally, he is actively involved in addressing public health and education issues in Canada and around the world. He is an Advisory Board member of the Dalla Lana School of Public Health and on the President's Advisory Council at the University of Toronto.

BERNARD CROTTY Director

Bernard Crotty is a Trustee of NorthWest Healthcare Properties REIT and a Director of Vital Healthcare Management Ltd.

Bernard is a Principal of Silver and White Management, Inc., a private investment firm and from October 2013 until June 2015 was President of NorthWest International Healthcare Properties REIT.

From September 2001 to February 2008, Bernard acted as Chairman and/or Chief Executive Officer of Certicom Corp, a provider of cryptographic software and services that was acquired by Research in Motion Ltd. From January 2004 to February 2007, Bernard acted as Chairman and/or Chief Executive Officer of Comnetix Inc., a provider of biometric identification and authorisation solutions that was acquired by L-1 Identity Solutions, Inc.

In addition Bernard has served on a variety of public company boards and was counsel to the law firm Gibson, Dunn & Crutcher LLP in Los Angeles from April 1998 to March 2000. Prior to April 1998, Bernard was a partner at the law firm McCarthy Tétrault, LLP in Toronto and London, England.

Bernard received his B.A. from the University of Alberta, LL.B. from the University of Toronto, LL.M from the London School of Economics, his M.B.A. from Duke University and is also a graduate of the Toronto ICD-Rotman Directors Education Program.



OUR PEOPLE

Our small, successful management team come from a diverse range of property investment, development and finance backgrounds. They understand the importance of partnering with operators to deliver long term real estate solutions to them and sustainable returns to investors.

01 / DAVID CARR Chief Executive Officer

David has over 21 years' experience in property and capital markets including as the Chief Executive of Vital since October 2006. David has overall accountability for implementing and delivering the Trust's strategy and for its overall performance. He is responsible for all investment and capital initiatives for Vital and leads a team of passionate professionals in New Zealand and Australia. David has extensive experience in property investment, management and development across a range of asset classes. He has a Bachelor of Business Studies in Property Valuation and Management.

During David's tenure Vital has delivered a ten-year compound annual total return of approximately 12.4%, outperforming both the NZX 50 Index Gross and NZX Property Gross Index. David attributes Vital's success to the team's credibility and execution capability as specialist healthcare real estate managers and investors. Vital remains Australasia's largest listed healthcare real estate investment vehicle with assets of approximately \$780m and a market capitalisation of over \$560m.

02 / STUART HARRISON Chief Financial Officer and Company Secretary

Stuart has nearly three decades of financial reporting and management experience within the Chartered Accountancy, utilities and hospitality/property industries and joined the team in September 2008. As Chief Financial Officer, he has been responsible for overseeing the financial and management reporting, treasury management and tax compliance within both New Zealand and Australia. The efficient implementation of these functions have been supportive of the Trust's operating performances in recent years – including equity raising, debt facility renewals and strategic acquisitions.

In his capacity as Company Secretary, Stuart has been responsible for the ongoing compliance requirements of the Trust and its underlying subsidiary entities and for the corporate functions of the Trust.

Stuart's previous experience includes being the Chief Financial Officer and Company Secretary for NZX-listed Argosy Property Trust; the Vice President – Finance for NZX-listed Millennium and Copthorne Hotels New Zealand Limited and CDL Investments Limited; and working with Ernst & Young in New Zealand and the United Kingdom. Stuart holds a Bachelor of Commerce and Chartered Accountants Australia and New Zealand qualifications, as well as being a member of the New Zealand Institute of Directors.

03 / RICHARD ROOS Managing Director – Australia

Richard moved to Melbourne with his family to join Vital just over two years ago after spending the previous six years in a senior executive role with a Canadian healthcare property trust. He brings over 20 years of career experience in commercial real estate financing, acquisitions and management to the role of Managing Director with Vital, in which he is providing valuable support to the ongoing growth and performance of the Australian portfolio.

In his short tenure with Vital, Richard is proud to have led the successful effort to secure a new long-term tenancy at Allamanda Private Hospital. He has also focused on strengthening the Australian property management team in order to provide a solid platform for strong tenant relationships and continued growth.

04 / MARK NORMAN Australian Fund Manager

Mark is based in Melbourne and is responsible for managing the financial performance of our property assets in Australia. He also oversees all acquisitions and development projects. Mark has more than 20 years' experience in the healthcare property industry. Before setting up our Australian office in 2011, he was an Asset Manager and Development Manager in New Zealand, involved in the delivery of most of our major assets, including Ascot Hospital, Epworth Eastern Campus and the Napier Health Centre.

05 / DRUGH WOODS New Zealand Asset Manager

Drugh has been with Vital for over seven years and is responsible for managing the financial performance of the New Zealand portfolio including asset acquisitions and disposals. Drugh has over ten years of experience following the completion of a Bachelor of Property degree at Auckland University and was involved in a diverse range of property projects in Auckland and Christchurch prior to joining Vital.

06 / ALESHA PATTEN Operations and Risk Manager

07 / JADE MURPHY Financial Controller

08 / KATIE MURPHY Executive Assistant

09 / LISA CAVE Group Accountant

10 / MARGARET KNELL Property Administrator

11 / RACHEL BELJULJI Property Manager

12 / STEPHEN FREUNDLICH Fund Analyst and Investor Relations Manager

CORPORATE GOVERNANCE

THE TRUST

Vital Healthcare Property Trust is a unit trust established under the Unit Trust Act 1960 by a Trust Deed dated 11 February 1994, as amended by Deeds of Variation and Restatement dated 1 September 1999, 10 November 2003, 12 November 2007, 12 December 2007, 5 August 2008, 27 September 2010 and 1 November 2012.

Vital Healthcare Property Trust units are listed on the New Zealand Stock Exchange (NZSX code: VHP).

A consolidated copy of the amended Trust Deed is available from Vital Healthcare Management Limited (the 'Manager') on request or can be viewed at the Manager's registered office at Level 16, AIG Building, 41 Shortland Street, Auckland, during normal business hours. A copy has also been filed with the Companies Office of the Ministry of Business, Innovation and Employment and may be viewed on the Companies Office website at www.business.govt.nz/companies.

The Trustee

The Trustee of the Trust is Trustees Executors Limited ('Trustees Executors').

Trustees Executors is empowered as a statutory trust company by its own Act of Parliament and has been re-registered under the Companies Act 1993, and acts as trustee for unit trusts under the Unit Trust Act 1960.

The role of the Trustee is to supervise the administration and management of the Trust in accordance with the Trust Deed, and to ensure that the Manager complies with its duties and responsibilities under the Trust Deed. Where the approval of the Trustee is required, the Trustee is to have regard to the interests of unitholders and has the explicit obligation to veto any proposal that it does not consider to be in the interests of unitholders. The Trustee must also be satisfied that any proposal involves an investment of a type authorised under the Trust Deed and within the investment policies of the Trust.

The Trustee holds title to the assets of the Trust in trust for the unitholders, upon and subject to the terms and conditions of the Trust Deed. The Trustee also has certain discretions and powers to approve investment and divestment proposals recommended to it by the Manager and reviews and authorises all payments made by the Trust.

The Trustee is entitled to receive fees in respect of its services based on the average gross value of the assets of the Trust as follows: 0.10% per annum on the first \$100m, then 0.08% per annum on the next \$25m, then 0.05% per annum on the next

\$25m and 0.03% per annum on any amount over \$150m.

The Trustee is also entitled to reasonable reimbursement for special attendances.

The Manager

The Manager of the Trust is Vital Healthcare Management Limited, a wholly owned subsidiary of NWI Healthcare Properties LP (2014: NorthWest Value Partners Inc).

The Manager has responsibility for the management of the Trust in accordance with the Trust Deed. As a Unit Trust managed by an external manager, the Trust does not engage any Directors or employees of its own.

The Manager provides professional management expertise in selecting assets and managing them on behalf of unitholders. The Manager's role and duties extend to the overall strategic direction of the Trust, portfolio management, selection and review, negotiation of acquisition and disposal of assets, treasury and funding management, property management, ensuring adherence to financial and reporting requirements, and liaison with unitholders.

Day-to-day management of the properties in the portfolio is carried out by NWI NZ Management Company Limited and NWI Australia Management Company Pty Limited, which provide tenancy management, account management, building management, risk management and property investigation services in respect of the Trust's properties. To facilitate the effective execution of its responsibilities, the Board has developed a delegated authority for Management. This clarifies which matters are dealt with by the Board and which matters are the responsibility of Management.

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 the Trust for the quarter ended on the last day of that month. The Incentive Fee is an amount equal to 10% per annum of the average annual increase in the Gross Value of the Trust over the relevant financial year and two preceding financial years. Should there be a distribution of Capital, that amount will be added back for the purposes of this calculation. Where an asset is acquired at any time during a financial year, it is deemed to have been purchased on the first day of that financial year. Any increase in the Gross Value of the assets of the Trust arising solely by subscriptions received for new units is ignored.

The Manager is required to apply the incentive fee in subscribing for new Units in the Trust issued at the weighted average price. The remuneration of the Manager is subject to an overall limit of 1.75% per annum of the Gross Value of the Trust and includes the remuneration of the Chief Executive Officer and management team.

Reimbursement of expenses

The Trustee and the Manager are each entitled to be reimbursed out of the Trust Fund for all expenses, costs or liabilities incurred by them respectively in acting as Trustee or Manager.

CORPORATE GOVERNANCE

Philosophy

Ultimate responsibility for corporate governance of the Trust resides with the Board of Directors of the Manager. The Board sees strong corporate governance and stewardship as fundamental to the strong performance of the Trust and, accordingly, their commitment is to the highest standards of business behaviour and accountability.

Outlined below are the main corporate governance practices in place throughout the year, which, in the Board's opinion materially comply with the NZX Corporate Governance Best Practice Code (NZX Code) and the Securities Commission's Principles of Corporate Governance and Guidelines, unless otherwise stated.

Ethical standards

The Board has adopted a Code of Ethics, which sets out the ethical and behavioural standards expected of the Manager's Directors, officers and employees. The purpose of the Code of Ethics is to uphold the highest ethical standards, acting in good faith and in the best interests of unitholders at all times. The Code of Ethics outlines the Manager's policies in respect of conflicts of interest, fair dealing, compliance with applicable laws and regulations, maintaining confidentiality of information, dealing with Trust assets and use of Trust information. Procedures for dealing with breaches of these policies are contained in the Code of Ethics, which forms part of every employee's conditions of employment with the Manager.

Insider Trading and Restricted Persons Trading

The Manager's Directors, officers and employees, their families and related parties must comply with the Insider Trading policy and the Restricted Persons Trading policy. The Manager is committed to ensuring compliance with legal and regulatory requirements with respect to insider trading and restricted persons trading.

To assist with such compliance, the Manager's Insider Trading and Restricted Persons Trading policies identify circumstances where Directors, officers and other restricted persons are permitted to trade, or are prohibited from trading, units in the Trust. Compliance with these policies is monitored by the Board. In addition, all trading by Directors and officers of the Manager is required to be reported to NZSX in accordance with the Financial Markets Conduct Act 2013. The holdings of Directors of the Manager is disclosed on page 23.

THE BOARD

Composition of the Board

The Manager is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of the Trust and returns to unitholders. The Constitution of the Manager provides for there to be not more than seven Directors nor less than three Directors. All the members of the Board are Non-Executive Directors. The members of the Board are listed in the table below. All bring a significant level of expertise to the Trust. Their brief resumés are included in the Board of Directors section on pages 16-17.

Attendance of Directors	Date of appointment
Graeme Horsley (Chair) 5 of 5	20 August 2007
Andrew Evans 5 of 5	20 August 2007
Claire Higgins 5 of 5	16 January 2012
Paul Dalla Lana 5 of 5	16 January 2012
Bernard Crotty 5 of 5	16 January 2012

The Board does not impose a restriction on the tenure of any Director as it considers that such a restriction may lead to the loss of experience and expertise from the Board.

Independent Directors

The Manager recognises that Independent Directors are important in assuring unitholders that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance. The procedures in place for determining independence is whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

As required under Rule 3.3.2, the Board has determined that Graeme Horsley (Chairman), Andrew Evans and Claire Higgins are considered to be Independent Directors under the NZSX Listing Rules as none have a Disqualifying Relationship with the Trust. Paul Dalla Lana and Bernard Crotty are considered not to be independent.

Unitholders have the opportunity to nominate two of the Independent Directors of the Manager required by the NZSX Listing Rule 3.3.1.(c). Unitholders are able to nominate and vote on one Independent Director of the Manager each year. The nominee receiving the most votes will be approved as a Director of the Manager by the Manager's shareholders, and will hold the position for a two-year term.

Diversity

The Manager is committed to providing a positive working environment where diversity in all its forms is respected and embraced. As at 30 June 2015, the Manager has one female Director out of the five currently appointed Directors and both of the officers of the Manager are male (unchanged from 30 June 2014).

Board and Director performance

Assessment of individual Directors' performance is a process determined by the Chairman, taking into account the attendance, contribution and experience of each individual Director concerned.

Directors and officers indemnification and insurance

The Trust has arranged Directors' and Officers' liability insurance covering Directors, senior executives and employees for their personal liability arising out of duties as Directors and Officers and reimburse the Trust where it has indemnified its Directors.

BOARD COMMITTEES

Board committees assist with the execution of the Board's responsibilities to unitholders. Each committee operates under a charter agreed by the Board, setting out its role, responsibilities, authority, relationship with the Board, reporting requirements, composition, structure and membership.

Audit Committee

The Board has established an Audit Committee, which is responsible for overseeing the financial and accounting responsibilities of the Trust. The minimum number of members on the Audit Committee is three. All members must be Directors, the majority must be Independent Directors and at least one member must have an accounting or financial background.

The members of the Audit Committee are Claire Higgins (Chair), Andrew Evans and Bernard Crotty.

The Audit Committee assists the Board in fulfilling its corporate governance and disclosure responsibilities with particular reference to financial matters, and internal and external audit, and is specifically responsible for:

- Recommending to the Board the appointment of the external auditor of the Trust
- Supervising and monitoring external audit requirements
- Reviewing annual and interim financial statements prior to submission for Board approvals
- Reviewing and approving quarterly distributions with recommendation of the same for Board approvals
- Reviewing the performance and independence of the external auditor
- Monitoring compliance with the Unit Trusts Act 1960, Financial Reporting Act 2013, Companies Act 1993 and the NZSX Listing Rules

Attendance at Audit Committee	Date of appointment
Claire Higgins (Chair) 4 of 4	16 January 2012
Andrew Evans 4 of 4	14 November 2011
Bernard Crotty 4 of 4	16 January 2012

EXTERNAL AUDIT FIRM GUIDELINES

In addition to the formal charter under which the Audit Committee operates, the Audit Committee has also developed a Charter of Audit Independence, which sets out the procedures that need to be followed to ensure the independence of the Trust's external auditor.

The Audit Committee is responsible for recommending the appointment of the external auditor and maintaining procedures for the rotation of the external audit engagement partner. Under the Audit Charter, the external audit engagement partner must be rotated every five years.

The charter covers provision of non-audit services with the general principle being applied that the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. It is however appropriate for the external auditor to provide services of due diligence on proposed transactions and accounting policy advice.

External audit for Vital Healthcare Property Trust – following careful consideration and recommendation from the Audit Committee, the Board appointed the firm of Deloitte as the Trust's statutory auditor. External audit of the Manager – the firm of KPMG (2014: BDO) has been appointed as the auditor of the Manager – Vital Healthcare Management Limited.

UNITHOLDER COMMUNICATIONS

The Board aims to ensure that unitholders are informed of all details necessary to assess the Trust's performance. It does so through a communication strategy which includes:

- Periodic and continuous disclosure to NZSX
- Information provided to analysts and media
- Annual and Interim Reports distributed to all unitholders
- The Annual Meeting for the unitholders and any other meetings called to obtain approval for Manager actions as appropriate
- Notices and explanatory memoranda for Annual and Special Meetings
- Trust newsletters and investor roadshow
- The Trust's website www.vitalhealthcareproperty.co.nz

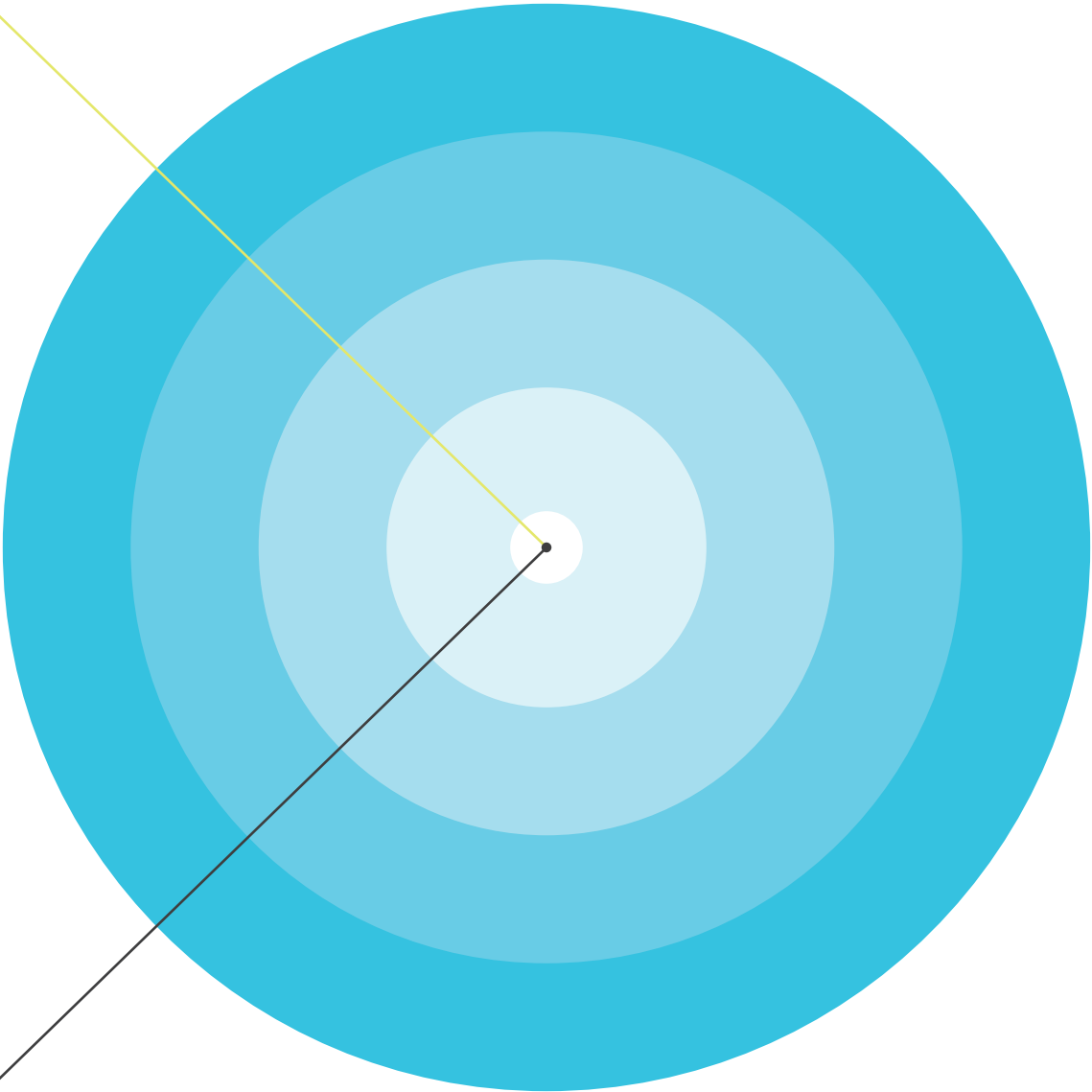
Unitholders may raise matters for discussion at Annual and Special Meetings and have the opportunity to question the Directors, the Trustee and the external auditor at such meetings.

Holdings of Directors of the Manager as at 30 June 2015

	Holdings (number of units) non-beneficial	Holdings (number of units) beneficial
Graeme Horsley	48,972	223,004
Andrew Evans	223,004	328,998
Claire Higgins	43,311	
Paul Dalla Lana*	82,064,900	
Bernard Crotty*		

* Paul Dalla Lana (Chairman, CEO and trustee) and Bernard Crotty (trustee) are Officers and/or shareholders of NorthWest Healthcare Properties Real Estate Investment Trust (an Ontario, Canada, corporation). NorthWest Healthcare Properties Real Estate Investment Trust directly or indirectly holds approximately 82.06 million units in Vital Healthcare Property Trust.

DELIVERING FOR OUR INVESTORS



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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	Group 2015 \$000s	Group 2014 \$000s
Gross property income from rentals		60,786	59,432
Gross property income from expense recoveries		6,925	6,286
Property expenses		(8,281)	(7,751)
Net property income	4	59,430	57,967
Other expenses	5	10,940	7,979
Profit before finance income/(expense) and other gains/(losses)		48,490	49,988
Finance income/(expense)			
Finance income		103	96
Finance expense	6	(12,095)	(17,537)
Fair value gain/(loss) on interest rate derivatives		(5,345)	805
		(17,337)	(16,636)
Other gains/(losses)			
Revaluation gain/(loss) on investment property	10	84,031	15,211
Receipts/(payments) under transaction hedging foreign exchange derivatives		679	1,839
Fair value gain/(loss) on foreign exchange derivatives		(1,167)	(219)
Unrealised gain/(loss) on foreign exchange		(1,792)	(7,334)
		81,751	9,497
Profit/(Loss) before income tax		112,904	42,849
Taxation expense	7	(16,398)	(5,416)
Profit/(Loss) for the year attributable to unitholders of the Trust		96,506	37,433
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Movement in foreign currency translation reserve		17,249	(30,888)
Realised foreign exchange gains/(losses) on hedges		(772)	18,206
– Current taxation (expense)/credit		216	(5,098)
Unrealised foreign exchange gains/(losses) on hedges		(5,197)	(4,871)
– Deferred taxation (expense)/credit		1,455	1,364
Fair value gain on net investment hedges		(4,036)	19,932
– Deferred taxation (expense)/credit		904	550
– Current taxation (expense)/credit		227	(6,131)
Total other comprehensive income/(loss) after tax		10,046	(6,936)
Total comprehensive income after tax		106,552	30,497
All amounts are from continuing operations			
Earnings per unit			
Basic and diluted earnings per unit (cents)	8	28.31	11.21

The notes on pages Fin-5 to Fin-27 form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Group 2015 \$000s	Group 2014 \$000s
Non-current assets			
Investment properties	10	781,862	613,136
Other non-current assets		407	43
Total non-current assets		782,269	613,179
Current assets			
Cash and cash equivalents	9	1,022	839
Trade and other receivables		1,073	235
Other current assets		178	218
Derivative financial instruments	11	23	1,497
Total current assets		2,296	2,789
Total assets		784,565	615,968
Unitholders' funds			
Units on issue	13	362,853	359,480
Reserves		(9,475)	(19,521)
Retained earnings		82,605	13,561
Total unitholders' funds		435,983	353,520
Non-current liabilities			
Borrowings	14	256,384	191,364
Income in advance		5,866	8,000
Derivative financial instruments	11	13,475	8,838
Deferred tax	12	45,251	34,100
Total non-current liabilities		320,976	242,302
Current liabilities			
Trade and other payables	15	11,805	7,017
Income in advance		2,115	2,000
Derivative financial instruments	11	5,690	57
Taxation payable		7,996	11,072
Total current liabilities		27,606	20,146
Total liabilities		348,582	262,448
Total unitholders' funds and liabilities		784,565	615,968

For and on behalf of the Manager, Vital Healthcare Management Limited



G Horsley, Chairman
12 August 2015



C Higgins, Director

The notes on pages Fin-5 to Fin-27 form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

Group	Units on issue \$000s	Retained earnings \$000s	Translation of foreign operations \$000s	Foreign exchange hedges \$000s	Total unitholders' funds \$000s
For the year ended 30 June 2015:					
Balance at the start of the year	359,480	13,561	(64,931)	45,410	353,520
Changes in unitholders' funds	3,373	–	–	–	3,373
Profit for the period	–	96,506	–	–	96,506
Distributions to unitholders	–	(27,462)	–	–	(27,462)
Other comprehensive income for the year					
Movement in foreign currency translation reserve	–	–	17,249	–	17,249
Realised foreign exchange gains/(losses) on hedges	–	–	–	(556)	(556)
Unrealised foreign exchange gains/(losses) on hedges	–	–	–	(3,742)	(3,742)
Fair value gains/(losses) on net investment hedges	–	–	–	(2,905)	(2,905)
Balance at the end of the year	362,853	82,605	(47,682)	38,207	435,983
For the year ended 30 June 2014:					
Balance at the start of the year	318,088	3,491	(34,043)	21,458	308,994
Changes in unitholders' funds	41,392	–	–	–	41,392
Profit for the period	–	37,433	–	–	37,433
Distributions to unitholders	–	(27,363)	–	–	(27,363)
Other comprehensive income for the year					
Movement in foreign currency translation reserve	–	–	(30,888)	–	(30,888)
Realised foreign exchange gains/(losses) on hedges	–	–	–	13,108	13,108
Unrealised foreign exchange gains/(losses) on hedges	–	–	–	(3,507)	(3,057)
Fair value gains/(losses) on net investment hedges	–	–	–	14,351	14,351
Balance at the end of the year	359,480	13,561	(64,931)	45,410	353,520

The notes on pages Fin-5 to Fin-27 form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	Group 2015 \$000s	Group 2014 \$000s
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Property income		58,380	69,556
Recovery of property expenses		6,711	6,464
Interest received		103	96
<i>Cash was applied to:</i>			
Property expenses		(8,043)	(7,845)
Management and trustee fees		(5,117)	(4,913)
Interest paid		(13,269)	(17,957)
Tax paid		(7,834)	(6,010)
Other trust expenses		(5,822)	(1,408)
Net cash from/(used in) operating activities	9	25,109	37,983
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Sale of investment properties		4,139	–
Receipts from foreign exchange derivatives		–	20,046
Loan repayments from tenants		–	449
Other		–	1,490
<i>Cash was applied to:</i>			
Capital additions on investment properties		(37,516)	(20,960)
Purchase of properties		(20,027)	–
Payments for foreign exchange derivatives		(93)	–
Net cash from/(used in) investing activities		(53,497)	1,025
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Debt drawdown		85,901	22,739
Issue of units (net of issue costs)		–	39,149
<i>Cash was applied to:</i>			
Repayment of debt		(32,696)	(75,475)
Loan issue costs		–	(610)
Costs associated with Distribution Reinvestment Plan		(16)	(519)
Distributions paid to unitholders		(24,616)	(24,602)
Net cash from/(used in) financing activities		28,573	(39,588)
Net increase/(decrease) in cash and cash equivalents		185	(580)
Effect of exchange rate changes on cash and cash equivalents		(2)	48
Cash and cash equivalents at the beginning of the year		839	1,371
Cash and cash equivalents at the end of the year		1,022	839

The notes on pages Fin-5 to Fin-27 form part of and are to be read in conjunction with these financial statements.

Notes to the Consolidated Financial Statements

1 REPORTING ENTITY

The reporting entity is Vital Healthcare Property Trust ("VHP" or the "Trust"), 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 Vital Healthcare Management Limited (the "Manager") and the address of its registered office is Level 16, AIG Building, 41 Shortland Street, Auckland.

The consolidated financial statements of VHP for the year ended 30 June 2015 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 Manager is an issuer for the purposes of the Financial Reporting Act 2013. The Trust's principal activity is the investment in high quality health sector related properties.

These consolidated financial statements were approved by the Board of Directors of the Manager on 12 August 2015.

2 BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for derivative financial instruments and investment properties which are measured at fair value.

(c) Functional and presentation currency

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

(d) 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, the results of which form the basis of making the judgements. Actual results may differ from

the estimates, judgements and assumptions made by the Board and management.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of a material adjustment in the next financial year are disclosed where applicable in the relevant notes to the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- Note 10 – valuation of investment property
- Note 11 – valuation of derivative financial instruments
- Note 12 – deferred tax (and taxation in Note 7).

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Group's financial statements incorporate the financial statements of the Trust and entities controlled by the Trust (its subsidiaries) as set out in Note 17. Control is achieved where the Trust has the power over the investees; are exposed, or have rights, to variable returns from their involvement with the investees; and have the ability to use its power to affect their returns. The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

(b) Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each group entity are expressed in New Zealand dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the end of the reporting period.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedge accounting policies).

Notes to the Consolidated Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign operations

For the purposes of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as a separate component of equity in the Group's foreign currency translation reserve.

(d) Goods and service tax

The statement of comprehensive income and statement of cash flows have been prepared so that all components are stated exclusive of goods and services tax (GST) to the extent that GST is recoverable. All items in the statement of financial position are stated exclusive of GST with the exception of receivables and payables, which include GST invoiced. Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

(e) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both. Investment properties are initially stated at cost, including any related transaction costs. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred. Initial direct costs incurred in negotiating and arranging operating leases and lease incentives granted are added to the carrying amount of the leased asset.

After initial recognition, investment properties are stated at fair value as determined every year by independent valuers, with any change therein recognised in the statement of comprehensive income. In accordance with the valuation policy of the Trust, complete property valuations are carried out by independent registered valuers having appropriately recognised professional qualifications and experience in the location and category of property being valued. The valuation policy stipulates that the same valuer may not value a building for more than two consecutive valuations. The fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared using a discounted cash flow methodology based on the estimated rental cash flows expected to be received from the property adjusted by a discount rate that appropriately reflects the risks inherent in the expected cash flows.

Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal, being the difference between the carrying amount of the investment property at the time of disposal and the proceeds on disposal, are recognised in the statement of comprehensive income in the year in which the disposal occurred.

(f) Development of investment properties

Investment property that is being redeveloped for continuing use is measured at fair value and subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Borrowing costs are capitalised if they are directly attributable to the development of a qualifying property. Capitalisation of borrowing costs commences when the activities to prepare the property are in progress and expenditure and borrowing costs are being incurred. The amount capitalised is the actual rate payable on borrowings for development purposes. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

(g) Investments

The Trust holds its investments in subsidiaries at cost, less any impairment.

(h) Financial instruments

(h.1) Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

(h.2) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and call deposits.

(h.3) Trade and other receivables

Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

(h.4) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(h.5) Bank borrowings

Interest-bearing bank loans are initially measured at fair value net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference being recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method. Accrued interest is classified separately under trade and other payables.

(h.6.1) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps and forward exchange contracts to reduce its exposure to interest rate risk and foreign exchange risk. Derivative financial instruments are initially recognised, and subsequently measured at fair value. Gains and losses arising from changes in fair value of a derivative are recognised as they arise in the profit and loss in the statement of comprehensive income unless the derivative is a hedging instrument in a qualifying hedge relationship, in which case the gains and losses are recognised in other comprehensive income. Derivatives are recognised on the date the contract is entered into.

(h.6.2) Hedge accounting

The Group has entered into hedge relationships for hedges of net investments in foreign operations. Hedge relationships are formally documented at the inception of the hedge and this documentation identifies the hedged item, hedging instrument, risks that are being hedged, strategies for undertaking the hedge, and the way effectiveness will be assessed.

In the hedge of a net investment in a foreign operation, the portion of foreign exchange differences arising on the hedging instrument determined to be an effective hedge is recognised directly in other comprehensive income. Any ineffective portion is recognised directly in the profit and loss in the statement of comprehensive income. The Group uses derivative financial instruments and non-derivative financial instruments as hedging instruments of a net investment in a foreign operation. On disposal of the foreign operation, the cumulative value of such gains or losses recognised in other comprehensive income is reclassified to the profit and loss in the statement of comprehensive income.

(i) Recognition of income

Rental income from the investment properties held by the Group is recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives provided in relation to letting the investment property are

amortised on a straight line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income. Operating expenses attributable to tenants are offset by recoveries from tenants. Operating expenses not attributable to tenants are offset by rental income.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

(j) Finance income and expense

Interest income is recognised on a time-proportional basis using the effective interest rate.

Finance expense comprises interest payable on borrowings and realised gains and losses on the interest rate hedging instruments that are recognised in profit or loss. All borrowing costs (other than borrowing costs attributable to property under development) are recognised in the statement of comprehensive income using the effective interest method.

(k) Taxation

(k.1) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax expense is recognised in profit or loss in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity.

(k.2) Current tax

The tax currently payable is based on taxable profit for the reporting period, using tax rates enacted or substantively enacted at the reporting date in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Taxable profit differs from profit reported in the statement of comprehensive income because it excludes items that are never taxable or deductible.

(k.3) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax rules) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Items carried at fair value

The items which are carried at fair value include investment property and financial instruments. These items are classified into the following levels in the fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(m) Operating lease commitments

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

(n) Capital

(n.1) Units

Units are classified as equity. External costs, net of tax, directly attributable to the issue of new units are deducted from unitholders' funds as permitted by the Trust Deed.

(n.2) Distributions

Distributions to the Group's unit holders are recognised as a liability in the Group's financial statements in the period in which the distributions are approved.

(o) Statement of cash flows

The statement of cash flows is prepared on a GST exclusive basis, which is consistent with the statement of comprehensive income.

The following terms are used in the statement of cash flows:

Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

(p) Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements the following new standards, amendments and interpretations to existing standards have been published but are not yet effective, which have not been analysed but may affect presentation, measurement and disclosure:

NZ IFRS 9 Financial Instruments incorporates requirements for classification and measurement of financial instruments, impairment, general hedge accounting and derecognition and is applicable for annual periods beginning on or after 1 January 2018.

NZ IFRS 15 Revenue from Contracts with Customers provides a single, comprehensive principles based model to be applied to most contracts with customers. Leases are excluded from the scope of the standard. This may change the timing of revenue recognition for certain revenue streams. The standard is effective for reporting periods beginning on or after 1 January 2017 with early application permitted.

Other new standards, amendments and interpretations issued by the International Accounting Standards Board and the New Zealand Accounting Standards Board that are not yet effective and have not been early adopted by the Trust are not expected to materially impact the Trust's financial statements in the period of initial application.

(q) Standards, interpretations and amendments adopted by Vital Healthcare Property Trust

The following new standards, amendments and interpretations issued by the International Accounting Standards Board and the New Zealand Accounting Standards Board have been adopted by the Trust. The adoption of these standards, amendments and interpretations did not have a material impact the Trust's financial statements.

NZ IFRIC 21 Levies – provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. Effective for annual periods beginning on or after 1 January 2014.

The adoption of this and other new standards, amendments and interpretations effective for the year ending 30 June 2015 did not have an impact on the Group.

(r) Changes in accounting policy and presentation

There have been no significant changes in accounting policies during the current financial year. All accounting policies have been applied on a basis consistent with the prior years financial statements.

4 SEGMENT INFORMATION

The principal business activity of the Trust and its subsidiaries is to invest in Health Sector related properties. NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The information reported to the Group's chief operating decision maker is based on primarily one industry sector, investing in Health Sector related properties. The Group operates in both Australia and New Zealand.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Australia \$000s	New Zealand \$000s	Total \$000s
Segment profit/(loss) for the year ended 30 June 2015:			
Net property income	45,986	13,444	59,430
Other (expense)	(4,673)	(6,267)	(10,940)
Finance income	10	93	103
Finance (expense)	(4,515)	(7,580)	(12,095)
	36,808	(310)	36,498
Fair value gain/(loss) on interest rate derivatives	90	(5,435)	(5,345)
Revaluation gains/(losses) on investment properties	77,896	6,135	84,031
Receipts/(payments) under transaction hedging foreign exchange derivatives	–	679	679
Fair value gain/(loss) on foreign exchange derivatives	–	(1,167)	(1,167)
Unrealised gain/(loss) on foreign exchange	(3)	(1,789)	(1,792)
Total segment profit/(loss) before income tax	114,791	(1,887)	112,904
Taxation (expense)			(16,398)
Profit for the year			96,506
Segment profit/(loss) for the year ended 30 June 2014:			
Net property income	43,926	14,041	57,967
Other (expense)	(4,835)	(3,144)	(7,979)
Finance income	18	78	96
Finance (expense)	(4,342)	(13,195)	(17,537)
	34,767	(2,220)	32,547
Fair value gain/(loss) on interest rate derivatives	3,581	(2,776)	805
Revaluation gain/(losses) on investment properties	8,882	6,329	15,211
Receipts/(payments) under transaction hedging foreign exchange derivatives	–	1,839	1,839
Fair value gain/(loss) on foreign exchange derivatives	–	(219)	(219)
Unrealised gain/(loss) on foreign exchange	–	(7,334)	(7,334)
Total segment profit/(loss) before income tax	47,230	(4,381)	42,849
Taxation (expense)			(5,416)
Profit for the year			37,433

Net property income consists of revenue generated from external tenants less property operating expenditure. The Group has four tenants with over 10% of gross property income from rentals totalling \$46.8m, one in New Zealand and three in Australia (2014: four tenants totalling \$40.9m).

There were no inter-segment sales during the year (2014: nil).

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 of Directors, who are the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

4 SEGMENT INFORMATION (continued)

	Australia \$000s	New Zealand \$000s	Total \$000s
Segment assets as at 30 June 2015			
Investment properties	618,174	163,688	781,862
Other non-current assets	320	87	407
Current assets	912	1,384	2,296
Consolidated assets	619,406	165,159	784,565
Segment assets as at 30 June 2014			
Investment properties	451,541	161,595	613,136
Other non-current assets	9	34	43
Current assets	179	2,610	2,789
Consolidated assets	451,729	164,239	615,968
Segment liabilities as at 30 June 2015			
Borrowings	139,309	117,075	256,384
Other liabilities	54,285	37,913	92,198
Consolidated liabilities	193,594	154,988	348,582
Segment liabilities as at 30 June 2014			
Borrowings	106,965	84,399	191,364
Other liabilities	30,903	40,181	71,084
Consolidated liabilities	137,868	124,580	262,448

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments, and
- all liabilities are allocated to reportable segments.

5 OTHER EXPENSES

	Group 2015 \$000s	Group 2014 \$000s
Expenses		
<i>Auditors' remuneration:</i>		
Audit and review of financial statements	120	108
Other assurance services	–	7
Manager's fees	4,863	4,625
Manager's incentive fee	3,773	542
Other operating expenses	2,184	2,697
	10,940	7,979

6 FINANCE EXPENSES

	Group 2015 \$000s	Group 2014 \$000s
Expenses		
Interest expense	13,066	17,726
Borrowing costs capitalised	(971)	(189)
Total finance expenses	12,095	17,537

Notes to the Consolidated Financial Statements

7 TAXATION

	Group 2015 \$000s	Group 2014 \$000s
Profit/(loss) before tax for the year	112,904	42,849
Taxation (charge)/credit – 28% on profit before income tax	(31,614)	(11,998)
Effect of different tax rates in foreign jurisdictions	11,441	2,091
Tax exempt income	2,167	3,027
Foreign tax credits	4,384	3,736
Over/(under) provided in prior periods	275	3,084
Tax charges on overseas investments	(3,399)	(3,535)
Other adjustments	348	(1,821)
Taxation (expense)/credit	(16,398)	(5,416)
The taxation (expense)/credit is made up as follows:		
Current taxation	(4,660)	(226)
Deferred taxation	(11,738)	(5,190)
Total taxation (expense)/credit	(16,398)	(5,416)

Key assumptions in calculating income tax

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

Tax rate:

The New Zealand entities are subject to New Zealand tax on assessable income at the rate of 28%.

VHIT – The Australian Trust was established so that it qualifies as a Managed Investment Trust for Australian tax purposes and is subject to Australian tax on assessable income at the rate of 15%.

VHAPT – The Australian Trust is subject to Australian tax on assessable income at the rate of 30%.

Imputation credits

Imputation (deficit)/credits at end of year	(242)	9,448
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8 EARNINGS PER UNIT

Basic and diluted earnings per unit is calculated by dividing the profit attributable to unitholders of the Trust by the weighted average number of ordinary units on issue during the year.

	Group 2015	Group 2014
Profit attributable to unitholders of the Trust (\$000s)	96,506	37,433
Weighted average number of units on issue (000's of units)	340,940	333,780
Basic and diluted earnings per unit (cents)	28.31	11.21
	\$000s	\$000s
DISTRIBUTABLE INCOME		
Profit before income tax	112,904	42,849
Revaluation (gains)/losses	(84,031)	(15,211)
Unrealised foreign exchange (gain)/loss	1,792	7,334
Unrealised foreign exchange (gain)/loss derivatives	1,167	219
Unrealised interest rate (gain)/loss derivatives	5,345	(805)
Manager's incentive fee	3,773	542
Profit used in calculating gross distributable income	40,950	34,928
Current tax charge	4,660	226
Profit used in calculating net distributable income	36,290	34,702
Gross distributable income (cpu) *	12.01	10.46
Net distributable income (cpu) *	10.64	10.40

* Based on weighted average number of units on issue.

Distributions paid in the financial year were 7.975 cents per unit.

Notes to the Consolidated Financial Statements

9 STATEMENT OF CASH FLOWS RECONCILIATION FROM OPERATING ACTIVITIES

	Group 2015 \$000s	Group 2014 \$000s
Cash and cash equivalents		
Australian financial institutions	98	23
New Zealand financial institutions	924	816
Cash at bank	1,022	839
Reconciliation of profit after income tax to net cash flows from operating activities		
Profit after tax for the year	96,506	37,433
<i>Adjustments for non-cash items</i>		
Change in fair value of investment properties	(84,031)	(15,211)
Fair value (gain)/loss on derivative financial instruments	6,512	(586)
Unrealised foreign exchange gain	1,792	7,334
Deferred taxation	11,738	5,190
Income in advance	(2,019)	–
Other	(3,750)	983
Effect of exchange rate changes on cash balances	(2)	48
Operating cash flow before changes in working capital	26,746	35,191
Change in trade and other payables	282	10,233
Change in taxation payable	(219)	(5,784)
Change in trade and other receivables	(118)	181
Items classified as investing activities	(1,582)	(1,838)
Net cash from operating activities	25,109	37,983

During the 2015 year, distributions of \$2,847,433 (2014: \$2,761,481) have been reinvested under the Distribution Reinvestment Plan ('DRP'), which is excluded from investing and financing activities.

10 INVESTMENT PROPERTIES

	Group 2015 \$000s	Group 2014 \$000s
Carrying value of investment property at the beginning of the year	613,136	618,727
Acquisition of properties	20,027	–
Capitalised costs	42,007	20,960
Capitalised interest costs	971	189
Net capitalised incentives	904	(106)
Disposals	(4,200)	–
Foreign exchange translation difference	24,986	(41,845)
Change in fair value	84,031	15,211
Carrying value of investment property at the end of the year	781,862	613,136
Carrying value of investment property includes;		
Fair value of investment properties	773,881	613,136
Income in advance	7,981	–
Carrying value of investment property at the end of the year	781,862	613,136

The capitalised cost consist of \$41.7m relating to Australian investment properties and \$0.3m relating to New Zealand investment properties. The foreign exchange translation difference relates to Australian investment properties. Interest was capitalised at an average of 3.9%.

The Group holds the freehold title to all properties except the car parks at the rear of Ascot Hospital and Ascot Central. The total value of leasehold property at 30 June 2015 was \$3.3m (2014: \$3.0m) representing 0.4% of the total investment property portfolio (2014: 0.5%). The weighted average lease length of leasehold property at 30 June 2015 was 3.8 years (2014: 4.8 years). The Group has an option to extend the ground lease for a further 20 years following expiry of the lease, and has secured an additional right of renewal of 20 years. This will extend the final expiry to 2059.

Income in advance relates to a termination payment received of \$10.0m, and will be amortised over a five year period to March 2019.

Investment properties are classified as Level 3 under the fair value hierarchy as adjustments need to be made to observable data on similar properties to derive fair value.

Acquisition of properties

During the year, the Group acquired one healthcare property located in Perth, Western Australia and one development property located in Box Hill, Victoria (2014: none).

Investment properties are stated at fair value by independent valuers supported by market evidence of property sale transactions and leasing activity. These valuations are reviewed by the Manager. The methods used for assessing the current market value are the Direct Comparison, Discounted Cash Flow, Capitalisation of Contract and Market Income approaches and are unchanged from the prior year. The principal assumptions in establishing the valuation include the capitalisation rate, occupancy and the weighted average lease term ("WALT") with the below table identifying the respective levels adopted by the Valuers within the Group's segment.

Generally as occupancy and weighted average lease terms increase, yields firm, resulting in increased fair values for investment properties.

Notes to the Consolidated Financial Statements

10 INVESTMENT PROPERTIES (continued)

Properties	Location	30 June 2015 Valuer
Ascot Hospital & Clinics	Greenlane, Auckland	Absolute Value
Ascot Hospital Carpark, Auckland (ground lease)	Greenlane, Auckland	Absolute Value
Epworth Rehabilitation	Brighton, Victoria	Knight Frank
Epworth Eastern Medical Centre	Box Hill, Victoria	Knight Frank
Epworth Eastern Hospital	Box Hill, Victoria	Knight Frank
Kensington Hospital	Whangarei, Northland	CBRE Limited
Hibiscus Coast Community Health Centre	Whangaparaoa, Rodney	
Napier Health Centre	Napier, Hawke's Bay	Absolute Value
Apollo Health and Wellness Centre	Albany, Auckland	Colliers International New Zealand Limited
Ascot Central, Auckland	Greenlane, Auckland	Colliers International New Zealand Limited
Ascot Central Carpark, Auckland (ground lease)	Greenlane, Auckland	Colliers International New Zealand Limited
Allamanda Private Hospital	Southport, Queensland	CBRE Limited
Gold Coast Surgery Centre	Southport, Queensland	CBRE Limited
South Eastern Private Hospital	Noble Park, Victoria	M3
Belmont Private Hospital	Carina Heights, Queensland	Ernst & Young
Dubbo Private Hospital	Dubbo, New South Wales	Ernst & Young
North West Private Hospital	Burnie, Tasmania	Ernst & Young
Palm Beach Currumbin Clinic	Currumbin, Queensland	Ernst & Young
Melbourne Pathology Building	Noble Park, Victoria	M3
Lingard Private Hospital	Merewether, New South Wales	Jones Lang LaSalle Australia
Toronto Private Hospital	Toronto, New South Wales	Ernst & Young
Maitland Private Hospital	East Maitland, New South Wales	Ernst & Young
Mayo Private Hospital	Taree, New South Wales	Jones Lang LaSalle Australia
Hurstville Private Hospital	Sydney, New South Wales	M3
Sportsmed Hospital & Clinic	Adelaide, South Australia	Ernst & Young
Marian Centre	Perth, Western Australia	Ernst & Young
Development Property		
25 Nelson Road	Box Hill, Victoria	
TOTAL FAIR VALUE OF INVESTMENT PROPERTIES		
Income in advance		
TOTAL CARRYING VALUE		

Fair value		Market capitalisation rate		Occupancy		WALT	
\$000s 2015	\$000s 2014	% 2015	% 2014	% 2015	% 2014	Years 2015	Years 2014
81,505	85,000	7.0	7.4	99.5	99.7	20.3	20.9
1,700	1,520	9.8	10.1	100.0	100.0	28.0	29.0
19,344	17,867	8.0	8.0	100.0	100.0	3.6	4.6
16,176	19,804	8.3	8.0	98.6	100.0	6.1	2.7
91,288	68,238	7.5	8.3	100.0	100.0	9.8	10.1
13,550	14,000	8.5	8.5	100.0	100.0	5.7	6.7
–	4,200	–	8.8	–	100.0	–	5.0
10,400	10,100	10.3	9.3	100.0	100.0	4.5	5.5
21,403	21,375	7.9	7.8	90.6	79.9	4.6	5.2
25,600	23,900	6.9	7.1	100.0	97.0	4.6	5.4
1,550	1,500	10.8	10.5	100.0	100.0	4.1	4.7
46,605	47,358	7.3	10.8	100.0	100.0	22.7	3.3
15,837	14,530	10.0	9.3	92.2	93.3	9.3	8.0
23,820	18,566	8.3	9.8	100.0	100.0	25.7	26.7
45,057	30,675	8.0	9.3	100.0	100.0	20.6	16.6
8,484	7,534	9.3	9.8	100.0	100.0	16.6	17.6
15,271	13,508	9.3	9.8	100.0	100.0	16.6	17.6
31,617	25,509	8.0	9.3	100.0	100.0	16.6	17.6
792	753	8.3	8.5	100.0	100.0	25.7	26.7
79,750	54,246	8.0	10.5	100.0	100.0	25.7	26.7
18,325	15,499	9.0	9.8	100.0	100.0	27.5	28.5
50,027	35,249	8.0	9.5	100.0	100.0	17.5	18.5
29,128	23,679	8.5	9.8	100.0	100.0	16.5	17.5
65,881	25,160	8.3	9.5	100.0	100.0	26.8	27.8
36,821	33,366	8.7	8.9	100.0	100.0	17.4	18.4
19,840	–	9.0	–	100.0	–	19.1	–
4,110							
773,881	613,136	8.0	8.9	99.4	99.3	17.1	15.1
7,981	–						
781,862							

Notes to the Consolidated Financial Statements

11 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2015 \$000s	Group 2014 \$000s
Current assets		
Foreign exchange derivative assets	23	1,497
Current liabilities		
Interest rate derivative liabilities	(800)	(57)
Foreign exchange derivative liabilities	(4,890)	–
Non-current liabilities		
Interest rate derivative liabilities	(13,475)	(8,838)
Balance	(19,142)	(7,398)

Interest rate swaps

Interest rate swaps are measured using a valuation model based on the present value of estimated future cash flows and discounted based on the applicable yield curves derived from observable market interest rates. The Group has determined the interest rate swaps are Level 2 fair value measurements (refer to Note 3.(l)). There have been no reclassifications between levels in the years ended 30 June 2015 and 2014.

Interest rate derivatives mature over the next nine years and have fixed interest rates ranging from 2.69% to 5.72% (2014: from 3.19% to 5.72%)

Nominal value of interest rate swaps – AUD	190,000	200,000
Average fixed interest rate	4.24%	4.26%
Floating rates based on NZD BBR	2.20%	2.71%

Foreign exchange derivatives

Foreign exchange derivatives are measured using a valuation model based on the applicable forward price curves derived from observable forward prices. The Group has determined the foreign exchange derivatives are Level 2 fair value measurements (refer to Note 3.(l)). There have been no reclassifications between levels in the years ended 30 June 2015 and 2014.

Nominal value of foreign exchange contracts – AUD	153,000	106,250
Nominal value of foreign exchange options – AUD	80,000	–
Average foreign exchange rate	0.9004	0.9199

12 DEFERRED TAX

The following are the major deferred tax liabilities and (assets) recognised by the Group, and the movements thereon during the current and prior reporting years:

	Interest rate swaps \$000s	Revaluation of buildings \$000s	Borrowings \$000s	Other \$000s	Total \$000s
At 1 July 2014	(2,506)	29,496	5,991	1,119	34,100
Charge to profit and loss for the year	(1,494)	15,935	–	(2,702)	11,739
Change in exchange rate	(11)	1,787	–	(5)	1,771
Charge to other comprehensive income	–	–	(904)	(1,455)	(2,359)
At 30 June 2015	(4,011)	47,218	5,087	(3,043)	45,251
At 1 July 2013	(3,019)	27,482	6,541	1,923	32,927
Charge to profit and loss for the year	338	4,138	–	714	5,190
Change in exchange rate	175	(2,124)	–	(154)	(2,103)
Charge to other comprehensive income	–	–	(550)	(1,364)	(1,914)
At 30 June 2014	(2,506)	29,496	5,991	1,119	34,100

Significant estimates and judgements made in the determination of deferred tax (with an impact on current tax) include:

Deferred tax on depreciation – deferred tax is provided in respect of depreciation expected to be recovered on the sale of investment property at fair value.

Deferred tax on changes in fair value of investment properties – deferred tax is provided on New Zealand-based properties for depreciation recovery on the building components, being the taxable temporary difference. Deferred tax for Australian-based properties is provided on the capital gains tax expected to be assessable on the land and building component from the sale of investment properties at fair value. Investment properties are valued each year by independent valuers (as outlined in Note 10). These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on depreciation recovered and capital gains tax is based on the split provided by the valuers.

Deferred tax on fixtures and fittings – it is assumed that all fixtures and fittings will be sold at their tax book value.

Notes to the Consolidated Financial Statements

13 UNITS ON ISSUE

	Group 2015 \$000s	Group 2014 \$000s
Balance at the beginning of the year	359,480	318,088
Issue of units under Distribution Reinvestment Plan	2,847	2,761
Issue of units under Rights Issue	–	39,149
Issue of units to satisfy Manager's incentive fee	542	–
Issue costs of units	(16)	(518)
	3,373	41,392
Balance at the end of the year	362,853	359,480

	Group 2015 000s	Group 2014 000s
Reconciliation of number of units		
Balance at the beginning of the year	339,851	307,039
Units issued under Rights Issue	–	30,705
Units issued to satisfy manager's incentive fee	405	–
Issue of units under the Distribution Reinvestment Plan	1,824	2,107
Balance at the end of the year	342,080	339,851

The number of units on issue at 30 June 2015 was 342,080,378 (2014: 339,851,030). The units have no par value and are fully paid. Fully paid ordinary units carry one vote per unit and carry the right to distributions.

On 20 August 2014, 405,036 units were issued against the 2014 Manager's incentive fee of \$542,234 (2014: nil).

Capital risk management

The Group is subject to imposed capital requirements arising from the Trust Deed, which requires that the total borrowings do not exceed 50% of the gross value of the Trust Fund.

The Group's banking covenants require that the aggregate principal amount of the loan outstanding does not exceed 50% (2014: 50%) of the fair market value of property at all times calculated to the New Zealand dollar equivalent. All banking covenants have been met during the year.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in the Group's overall capital risk management strategy during the year.

14 BORROWINGS

	Group 2015 \$000s	Group 2014 \$000s
AUD denominated loans	257,340	192,633
Borrowing costs	(956)	(1,269)
Total borrowings	256,384	191,364
Shown as:		
Current	—	—
Term	256,384	191,364

The Group has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. The A\$325.0m and NZ\$20.0m facility, a multi-currency facility, is split between Tranche A: A\$125.0m and Tranche B: A\$100.0m which are due to expire on 31 March 2019, and Tranche C: A\$100.0m and NZ Dollar Facility: NZ\$20.0m which are due to expire on 31 March 2017 (2014: no change to 2015).

The effective interest rate on the borrowings as at 30 June 2015 was 5.32% per annum (2014: 5.66%).

Borrowings are secured by a Security Trust Deed dated 1 April 2003 and as amended and restated on 26 June 2014. The Security Provider comprises T.E.A. Custodians Limited in its capacity as nominee of the VHP Trustee as trustee of the Trust and the Trust's subsidiaries. Pursuant to the Deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a General Security Deed over the assets and undertakings of Vital Healthcare Property Limited and fixed and floating charges over the assets and undertakings of Vital Healthcare Australian Property Pty Limited in its capacity as trustee for Vital Healthcare Australian Property Trust and Vital Healthcare Investment Trust.

15 TRADE AND OTHER PAYABLES

	Group 2015 \$000s	Group 2014 \$000s
Interest accrued on borrowings	1,387	1,183
Other creditors and accruals	10,418	5,834
Total trade and other payables	11,805	7,017

Notes to the Consolidated Financial Statements

16 FINANCIAL RISK MANAGEMENT

Financial risk management

The Group's activities expose it primarily to credit risk, market risk (interest rate risk and foreign exchange risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial derivatives to manage market risks. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles that are consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Credit risk

In the normal course of business the Group incurs credit risk from trade receivables and transactions with financial institutions. The risk associated with trade receivables is managed with a credit policy which includes performing credit evaluations on customers requiring credit. Generally collateral is not required. The risk from financial institutions is managed by only entering into derivative transactions and placing cash and deposits with high credit quality financial institutions. The Group places its cash deposits with ANZ Bank New Zealand Limited and Australia and New Zealand Banking Group Limited.

The carrying amount of financial assets best represents the maximum exposure to credit risk at year end.

Interest rate risk

Interest rate risk arises from the variability in cash flows arising from floating rate bank loans. The Group's policy is to convert a portion of its floating rate debt to fixed rates using interest rate swaps to maintain 70% to 100% of its borrowings in fixed rate instruments. At 30 June 2015, 83.5% of borrowings were at fixed rates (2014: 100.0%). The Group does not apply hedge accounting to interest rate swaps. Any gains or losses arising on revaluation are recognised immediately in the statement of comprehensive income.

Interest rate repricing analysis

The following table indicates the effective interest rates and the earliest period in which financial instruments reprice. Fixed rate balances are presented with the effect of hedging derivatives:

	Weighted effective interest rate %	Less than 1 year \$000s	1-2 years \$000s	2-3 years \$000s	3+ years \$000s	Total \$000s
Group						
30 June 2015						
Cash and cash equivalents (floating rates)	2.20%	1,022	—	—	—	1,022
Borrowings (floating rates)	2.76%	(42,412)	—	—	—	(42,412)
Borrowings (fixed rates)	4.81%	(24,321)	—	(22,624)	(167,983)	(214,928)
		(65,711)	—	(22,624)	(167,983)	(256,318)
30 June 2014						
Cash and cash equivalents (floating rates)	2.71%	839	—	—	—	839
Borrowings (floating rates)	3.27%	—	—	—	—	—
Borrowings (fixed rates)	4.82%	(43,053)	(23,141)	—	(126,439)	(192,633)
		(42,214)	(23,141)	—	(126,439)	(191,794)

Interest rate sensitivity

The Group's sensitivity to interest rate risk can be expressed in two ways:

Fair value sensitivity

A change in interest rates impacts the fair value of the Group's fixed rate assets and liabilities, and its interest rate swaps. Fair value changes impact profit or loss or equity only where the instruments are carried at fair value. Accordingly, the fair value sensitivity to a 100 bps movement in interest rates (based on the assets and liabilities held at year end) is:

	Impact on profit/(loss) Group 2015 \$000s	Impact on unitholders' funds Group 2015 \$000s	Impact on profit/(loss) Group 2014 \$000s	Impact on unitholders' funds Group 2014 \$000s
Group				
If interest rates had been 100 bps higher:	8,965	8,965	8,893	8,893
If interest rates had been 100 bps lower:	(9,548)	(9,548)	(9,506)	(9,506)

Cash flow sensitivity analysis

A change in interest rates would also impact on interest payments and receipts on the Group's floating rate assets and liabilities. Accordingly, the one-year cash flow sensitivity to a 100 bps movement in interest rates (based on assets and liabilities held at year end) is:

Group				
If interest rates had been 100 bps higher:	(424)	(424)	11	11
If interest rates had been 100 bps lower:	424	424	(11)	(11)

Foreign exchange risk

Foreign exchange risk arises due to the exposure of Australian denominated assets and liabilities to movements in foreign exchange rates. The Group minimises foreign exchange risk by matching as far as possible, its foreign denominated assets and associated borrowings in the same currency and entering into foreign exchange derivatives where necessary.

Foreign exchange exposure

The exposure to Australian dollars arising from foreign currency denominated assets and liabilities is:

	Group 2015 \$000s	Group 2014 \$000s
Non-financial instrument assets and liabilities denominated in Australian dollars		
Investment properties	618,174	451,541
Other assets	3,185	2,050
Deferred tax	(43,468)	(25,578)
Total non-financial instrument assets and liabilities	577,891	428,013
Non-derivative financial instruments		
Cash and cash equivalents	98	38
Trade and other receivables	(19)	108
Trade and other payables	(9,270)	(2,398)
Borrowings	(257,340)	(192,633)
Total exposure from non-derivative financial instruments	(266,531)	(194,885)
Derivative financial instruments		
Foreign exchange derivatives	(4,867)	1,497
Interest rate swaps	(14,274)	(8,895)
Total exposure from derivative instruments	(19,141)	(7,398)
Net exposure to currency risk	292,219	225,730

Notes to the Consolidated Financial Statements

16 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year and equity in regard to the exchange rates for the Australian Dollar. It assumes a 10% change in exchange rate (2014: 10%):

	Group 2015 \$000s	Group 2014 \$000s
If the New Zealand Dollar versus the Australian Dollar was 10% higher for the year:		
Profit and loss	2,708	1,326
Other comprehensive income	(3,631)	(9,879)
Unitholders' funds	(923)	(8,553)
If the New Zealand Dollar versus the Australian Dollar was 10% lower for the year:		
Profit and loss	(3,309)	(1,621)
Other comprehensive income	4,438	12,075
Unitholders' funds	1,129	10,454

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations as they fall due. The Group's policy is to maintain unutilised credit facilities to meet contractual obligations when they fall due. The Group monitors its liquidity requirements on an on going basis.

The Group has a multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand of A\$325.0m and NZ\$20.0m. As at 30 June 2015, after translation to NZD \$257.3m (2014: NZD \$192.6m) had been drawn-down. The effective interest rate was 5.32% (2014: 5.66%).

Liquidity risk exposure

The following table details the Group's exposure to liquidity risk based on the contractual undiscounted cash flows relating to financial liabilities and foreign exchange contracts:

	Carrying value \$000s	Contractual cash flows \$000s	Less than 1 year \$000s	1-2 years \$000s	2-3 years \$000s	3+ years \$000s
Group						
30 June 2015						
Non-derivative financial instruments						
Borrowings (excluding borrowing costs)	(257,340)	(277,205)	(5,493)	(119,223)	(3,772)	(148,717)
Trade and other payables	(11,805)	(11,805)	(11,805)	–	–	–
	(269,145)	(289,010)	(17,298)	(119,223)	(3,772)	(148,717)
Derivative financial instruments						
Interest rate swaps	(14,275)	(15,131)	(4,651)	(3,536)	(2,832)	(4,112)
Foreign exchange derivatives	(4,867)	(4,867)	(4,867)	–	–	–
	(19,142)	(19,998)	(9,518)	(3,536)	(2,832)	(4,112)
30 June 2014						
Non-derivative financial instruments						
Borrowings (excluding borrowing costs)	(192,633)	(214,479)	(5,083)	(5,478)	(113,192)	(90,726)
Trade and other payables	(7,017)	(7,017)	(7,017)	–	–	–
	(199,650)	(221,496)	(12,100)	(5,478)	(113,192)	(90,726)
Derivative financial instruments						
Interest rate swaps	(8,895)	(10,112)	(3,285)	(3,118)	(1,855)	(1,854)
Foreign exchange derivatives	1,497	1,497	1,497	–	–	–
	(7,398)	(8,615)	(1,788)	(3,118)	(1,855)	(1,854)

Hedge accounting

The Group is exposed to foreign exchange risk on its net investment in its Australian functional currency subsidiaries and hedges this risk using Australian-denominated borrowings and foreign exchange derivatives.

The Group has designated Australian denominated borrowings and foreign exchange derivatives as hedges of a net investment in a foreign operation (net investment hedge). The Group prospectively and retrospectively tests the hedges for effectiveness on a semi-annual basis. The portion of the foreign exchange differences arising on the hedging instruments determined to be an effective hedge is recognised directly in other comprehensive income. Any ineffective portion is recognised in profit or loss.

There has been no ineffectiveness on the net investment hedges during the year ended 30 June 2015 (2014: nil). The face value of hedging instruments designated in net investment hedges is:

	Group 2015 \$000s	Group 2014 \$000s
Borrowings	101,808	75,342
Foreign exchange derivatives (nominal amount)	263,570	114,358

Categories of financial instruments

The Group's financial instruments are classified as:

	Loans and receivables \$000s	Financial liabilities at amortised cost \$000s	Financial assets at fair value through profit or loss \$000s	Financial liabilities at fair value through profit or loss \$000s
Group				
30 June 2015	2,095	(268,189)	23	(19,165)
30 June 2014	1,107	(199,381)	1,497	(8,895)

Borrowings

The carrying values of these balances are approximately equivalent to their fair values because the loans have floating rates of interest that reset every 90 days.

Cash, cash equivalents, trade and other receivables, trade and other payables

The carrying values of these balances are approximately equivalent to their fair values because of their short terms to maturity.

17 INVESTMENT IN SUBSIDIARIES

The Trust has control over the following subsidiaries:

Name of subsidiary	Principal activity	Place of incorporation and operation	Holding	
			2015	2014
Vital Healthcare Australian Property Trust*	Property investment	Australia	100%	100%
Vital Healthcare Investment Trust**	Property investment	Australia	100%	100%
Vital Healthcare Property Limited	Property investment	New Zealand	100%	100%
Colma Services Limited	Holding company	New Zealand	100%	100%

* Vital Healthcare Australian Property Trust is a 100% owned subsidiary of Vital Healthcare Property Limited and Colma Services Limited owns 0.0%.

** Vital Healthcare Investment Trust is a 99.9% owned subsidiary of Vital Healthcare Property Limited and is 0.1% owned by Colma Services Limited.

The subsidiaries have the same reporting date as the Trust.

Notes to the Consolidated Financial Statements

18 COMMITMENTS

	Group 2015 \$000s	Group 2014 \$000s
Capital commitments		
The Group was party to contracts to purchase or construct property for the following amounts:	44,051	24,024
The property rental income to be earned by the Group from its investment property, all of which is leased out under operating leases, is set out in the table below:		
Not later than one year	64,867	58,446
Later than one year and not later than five years	238,938	250,767
Later than five years	790,236	610,230
	1,094,041	919,443

As a condition of listing on the New Zealand Stock Exchange (NZSX), NZSX requires all issuers to provide a bank bond to NZSX under NZSX/DX Listing Rule 2.6.2. The bank bond required by the Trust for listing on the NZSX is \$50,000.

19 CONTINGENCIES

There were no contingencies as at 30 June 2015 (2014: nil).

20 SUBSEQUENT EVENTS

On 12 August 2015 a final cash distribution of 2.0 cents per unit was announced by the Trust. The record date for the final distribution is 10 September 2015 and a payment is scheduled to unitholders on 24 September 2015. There will be no imputation credits attached to the distribution.

21 RELATED PARTY TRANSACTIONS

The Manager

The Trust is managed by Vital Healthcare Management Limited (the "Manager"). Effective 1 January 2015, NWI Healthcare Properties LP purchased the management rights from NorthWest Value Partners Inc. The Manager is a wholly owned subsidiary of NWI Healthcare Properties LP (2014: NorthWest Value Partners Inc.). The Manager is related to the Trust and its subsidiaries as the Manager of the Trust.

Other related parties by virtue of common ownership and/or ownership and/or directorship to the Manager of the Trust include Australian Properties Limited and Vital Healthcare Australian Property Pty Limited ("VHAPPL").

Remuneration of the Manager

The Trust paid management fees to the Manager. The calculation of management fees and incentive fees is stipulated in the Trust Deed. Management fees have been charged at 0.75% per annum of the monthly average of the gross value of the assets of the Trust for the quarter ended on the last day of that month. Incentive fees are payable when there is an average annual increase in the Gross Value of the assets of the Trust Fund over the relevant financial year and the two preceding financial years. The incentive fee calculation may give rise to an excess or deficit to be applied in the calculation of future incentive fees. The incentive fee is 10% of the amount of the increase with payment being made by way of subscribing for new units. The management and incentive fees shall not exceed an amount equal to 1.75% per annum of the gross value of the Trust.

The Trust also reimbursed the Manager for fees paid to the Managers directors and shareholders.

Transactions with related parties include:

	Group 2015 \$000s	Group 2014 \$000s
Total fees incurred		
Management fees	4,863	4,625
Manager's incentive fees	3,773	542
Expenses charged by Vital Healthcare Management Limited	146	168
Expenses charged by Vital Healthcare Australian Property Pty Limited	889	440
	9,671	5,775
Amounts outstanding		
Management fees	–	–
Managers incentive fees	3,773	542
Expenses charged by Vital Healthcare Management Limited	–	8
Expenses charged by Vital Healthcare Australian Property Pty Limited	–	42
	3,773	592

Expenses charged by related parties include property costs and other operating expenses.

Expenses capitalised to projects

Expenses charged by Vital Healthcare Australian Property Pty Limited – management fees	553	409
	553	409

Properties owned by the Trust have been managed on normal commercial terms by Vital Healthcare Management Limited, a subsidiary of NWI Healthcare Properties LP (2014: NorthWest Value Partners Inc.). Property management fees charged are either included in property expenses or capitalised. The amount paid to Vital Healthcare Management Limited for reimbursement of expenses was \$145,652 (2014: \$167,982) and Vital Healthcare Australian Property Pty Limited was \$312,346 (2014: \$30,921). The amount not recovered from tenants was nil (2014: nil).

Included in the expenses charged by Vital Healthcare Management Limited were amounts paid to the following:

	Expenses		Amounts Outstanding	
	2015 \$000s	2014 \$000s	2015 \$000s	2014 \$000s
Graeme Horsley	–	4	–	–
Andrew Evans	–	–	–	–
Claire Higgins	–	2	–	–
Bernard Crotty	–	5	–	–

TO THE UNITHOLDERS OF VITAL HEALTHCARE PROPERTY TRUST**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Vital Healthcare Property Trust on pages Fin-1 to Fin-27, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trust's unit holders, as a body. Our audit has been undertaken so that we might state to the Trust's unit holders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's unit holders as a body, for our audit work, for this report, or for the opinions we have formed.

Manager's Responsibility for the Financial Statements

The Board of Directors of Vital Healthcare Management Limited (the 'Manager') is responsible for the preparation and fair presentation of these financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors of the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor, we have no relationship with or interests in Vital Healthcare Property Trust.

Opinion

In our opinion, the financial statements on pages Fin-1 to Fin-27 present fairly, in all material respects, the financial position of Vital Healthcare Property Trust as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand.



Chartered Accountants
12 August 2015
Auckland, New Zealand

This audit report relates to the consolidated financial statements of Vital Healthcare Property Trust for the year ended 30 June 2015 included on Vital Healthcare Property Trust's website. The Manager is responsible for the maintenance and integrity of Vital Healthcare Property Trust's website. We have not been engaged to report on the integrity of Vital Healthcare Property Trust's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 12 August 2015 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Analysis of shareholding as at 31 August 2015

Holding Range	Number of unitholders	Total units	% of total units issued
1 to 1,999	324	276,900	0.08
2,000 to 4,999	618	2,181,032	0.63
5,000 to 9,999	1,188	8,703,400	2.53
10,000 to 49,999	2,431	52,004,093	15.10
50,000 to 99,999	281	18,536,892	5.38
100,000 to 499,999	134	23,248,760	6.75
500,000 to 999,999	6	4,434,823	1.29
1,000,000 and above	18	234,983,674	68.24
Total	5,000	344,369,574	100.0

Substantial security holders as at 31 August 2015

Unitholder	Date notice filed	Number of units	% of total issued units
Macquarie Group Limited	21 March 2014	67,547,578	19.90
NorthWest Healthcare Properties Real Estate Investment Trust	6 July 2015	82,064,900	24.02
Bank of New Zealand	3 September 2015	18,459,968	5.40

Twenty largest security holders as at 31 August 2015

Unitholder	Total	% total issued units
New Zealand Central Securities Depository Limited	108,891,732	31.62
FNZ Custodians Limited	21,405,772	6.21
Custodial Services Limited	19,176,111	5.56
Investment Custodial Services Limited	16,086,898	4.67
FNZ Custodians Limited	14,789,287	4.29
Forsyth Barr Custodians Limited	12,351,957	3.58
Custodial Services Limited	8,473,453	2.46
Forsyth Barr Custodians Limited	6,130,034	1.78
Custodial Services Limited	5,036,220	1.46
Custodial Services Limited	4,913,278	1.42
Custodial Services Limited	3,113,915	0.90
Superlife Trustee Nominees Limited	2,998,432	0.87
Forsyth Barr Custodians Limited	2,967,674	0.86
FNZ Custodians Limited	2,862,052	0.83
NZPT Custodians (Grosvenor) Limited	1,707,303	0.49
Custodial Services Limited	1,581,293	0.45
James Harvey Mansell & Christine Anne Mansell & Douglas Tony Brown	1,250,000	0.36
New Zealand Depository Nominee Limited	1,248,263	0.36
Jarden Custodians Limited	910,000	0.26
Forsyth Barr Custodians Limited	875,075	0.25
Totals	236,768,749	68.68
Total units on issue	344,369,574	

Breakdown of security holders within the New Zealand Central Securities Depository Limited

Unitholder	Number of units
Citibank Nominees (NZ) Ltd	73,515,054
BNP Paribas Nominees (NZ) Ltd	10,331,410
JPMorgan Chase Bank NA NZ Branch	5,834,653
HSBC Nominees (NZ) Ltd	5,646,989
Accident Compensation Corporation	3,129,228
National Nominees NZ Ltd	2,486,653
HSBC Noms (NZ) Ltd State Street	1,468,896
MFL Mutual Fund Ltd	1,286,376
Tea Custodians Ltd	1,190,739
ANZ Wholesale Property Securities	885,131
Public Trust Class 30 Nominees Ltd	788,127
Mint Nominees Ltd	778,421
Guardian Nominees No 2 A/C	573,269
Sovereign Services Ltd	405,970
Public Trust Class 10 Nominees Ltd	204,580
Private Nominees Ltd	155,020
BNP Paribas Nominees (NZ) Ltd	107,841
BNP Paribas Nominees (NZ) Ltd	76,641
ANZ Wholesale Trans-Tasman Property	26,734
Total	108,891,732

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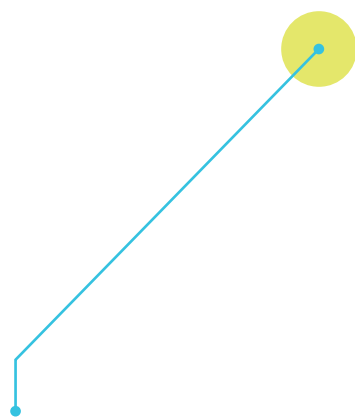
Bank of New Zealand

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