Vital

Healthcare
Property Trust

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2013

	Note	Unaudited 6 months Dec-13 $000s	Unaudited 6 months Dec-12 $000s
Gross property income from rentals		**29,889**	28,782
Gross property income from expense recoveries		**3,031**	3,098
Property expenses		**(4,049)**	(3,602)
Net property income	3	**28,871**	28,278
Administration expenses		**2,629**	2,850
Other expenses		**533**	605
		3,162	3,455
Profit before finance income/(expense) and other gains/(losses)		**25,709**	24,823
Finance income/(expense)			
Finance income		**59**	121
Finance expense		**(7,855)**	(8,509)
Fair value gain/(loss) on interest rate derivatives		**3,071**	1,033
		(4,725)	(7,355)
Other gains/(losses)			
Revaluation gains/(losses) on investment property	6	**–**	–
Receipts/(payments) under transaction hedging foreign exchange contracts		**1,083**	66
Fair value gain/(loss) on foreign exchange derivatives		**286**	52
Unrealised gain/(loss) on foreign exchange		**(6,419)**	111
		(5,050)	229
Profit/(Loss) before income tax		**15,934**	17,697
Taxation (expense)/credit	4	**645**	(3,135)
Profit/(Loss) for the year attributable to unitholders of the Trust		**16,579**	14,562
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Movement in foreign currency translation reserve		**(27,688)**	(3,084)
Realised foreign exchange gains/(losses) on hedges		**18,206**	3,884
Current taxation (expense)/credit		**(5,097)**	(1,088)
Unrealised foreign exchange gains/(losses) on hedges		**(6,263)**	1,677
Deferred taxation (expense)/credit		**1,754**	(470)
Fair value gain on net investment hedges		**18,171**	(3,158)
Deferred taxation (expense)/credit		**(5,088)**	883
Total other comprehensive (loss)/income after tax		**(6,005)**	(1,355)
Total comprehensive income after tax		**10,574**	13,207
All amounts are from continuing operations			
Earnings per unit			
Basic and diluted earnings per unit (cents)	5	**5.05**	4.92

The notes on pages Fin-05 to Fin-15 form part of and are to be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	Unaudited Dec-13 $000s	Audited Dec-12 $000s
Non-current assets			
Investment properties	6	**595,398**	618,727
Derivative financial instruments		**1,846**	1,424
Other non-current assets		**67**	500
Total non-current assets		**597,311**	620,651
Current assets			
Cash and cash equivalents		**1,094**	1,372
Trade and other receivables		**244**	335
Other current assets		**231**	531
Derivative financial instruments		**827**	6,587
Total current assets		**2,396**	8,825
Total assets		**599,707**	629,476
Unitholders' funds			
Units on issue	8	**358,025**	318,088
Reserves		**(18,590)**	(12,585)
Retained earnings/(accumulated losses)		**6,198**	3,491
Total unitholders' funds		**345,633**	308,994
Non-current liabilities			
Borrowings	9	**201,241**	266,101
Derivative financial instruments		**8,300**	11,342
Deferred tax		**35,320**	32,929
Total non-current liabilities		**244,861**	310,372
Current liabilities			
Trade and other payables		**3,721**	4,631
Derivative financial instruments		**412**	363
Taxation payable		**5,080**	5,116
Total current liabilities		**9,213**	10,110
Total liabilities		**254,074**	320,482
Total unitholders' funds and liabilities		**599,707**	629,476

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

G Horsley, **Chairman**

C Higgins, **Director**

13 February 2014

The notes on pages Fin-05 to Fin-15 form part of and are to be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2013

Group	Units on issue	Retained earnings / (accumulated losses)	Translation of foreign operations	Foreign exchange hedges	Total unitholders' funds
For the six months ended 31 December 2013:					
Balance at the start of the period	**318,088**	**3,491**	**(34,043)**	**21,458**	**308,994**
Changes in unitholders' funds	**39,937**	**–**	**–**	**–**	**39,937**
Profit for the period	**–**	**16,579**	**–**	**–**	**16,579**
Distributions to unitholders	**–**	**(13,872)**	**–**	**–**	**(13,872)**
Other comprehensive income for the period					
Movement in foreign currency translation reserve	**–**	**–**	**(27,688)**	**–**	**(27,688)**
Realised foreign exchange gains on hedges	**–**	**–**	**–**	**13,109**	**13,109**
Unrealised foreign exchange gains/(losses) on hedges	**–**	**–**	**–**	**(4,509)**	**(4,509)**
Fair value gain on net investment hedges	**–**	**–**	**–**	**13,083**	**13,083**
Balance at the end of the period	**358,025**	**6,198**	**(61,731)**	**43,141**	**345,633**
For the six months ended 31 December 2012:					
Balance at the start of the period	301,159	(8,049)	(8,203)	2,523	287,430
Changes in unitholders' funds	11,134	–	–	–	11,134
Profit for the period	–	14,562	–	–	14,562
Distributions to unitholders	–	(11,417)	–	–	(11,417)
Other comprehensive income for the period					
Movement in foreign currency translation reserve	–	–	(3,084)	–	(3,084)
Realised foreign exchange gains on hedges	–	–	–	2,796	2,796
Unrealised foreign exchange gains/(losses) on hedges	–	–	–	1,207	1,207
Fair value gain on net investment hedges	–	–	–	(2,274)	(2,274)
Balance at the end of the period	**312,293**	**(4,904)**	**(11,287)**	**4,252**	**300,354**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 31 December 2013

	Note	Unaudited 6 months Dec-13 $000s	Unaudited 6 months Dec-12 $000s
Cash flows from operating activities			
Cash was provided from:			
Property income		**30,069**	27,575
Recovery of property expenses		**3,036**	2,958
Interest received		**59**	492
Other income		**–**	–
Cash was applied to:			
Property expenses		**(4,187)**	(2,909)
Management and trustee fees		**(2,485)**	(2,543)
Interest paid		**(7,823)**	(8,490)
Tax paid		**(2,524)**	(918)
Other trust expenses		**(1,784)**	(1,693)
Net cash from/(used in) operating activities		**14,361**	14,472
Cash flows from investing activities			
Cash was provided from:			
Sale of investment properties		**–**	12,800
Receipts from foreign exchange contracts		**18,206**	3,950
Other		**746**	162
Cash was applied to:			
Capital additions on investment properties		**(14,818)**	(27,190)
Purchase of properties		**–**	(40,244)
Net cash from/(used in) investing activities		**4,134**	(50,522)
Cash flows from financing activities			
Cash was provided from:			
Debt drawdown		**12,782**	53,697
Loan repayments from tenants		**81**	55
Issue of units (net of issue costs)		**39,910**	7,794
Cash was applied to:			
Repayment of debt		**(58,583)**	(18,079)
Costs associated with Distribution Reinvestment Plan		**(27)**	(4)
Distributions paid to unitholders		**(12,559)**	(7,798)
Net cash from/(used in) financing activities		**(18,396)**	35,665
Net increase/(decrease) in cash and cash equivalents		**99**	(385)
Effect of exchange rate changes on cash and cash equivalents		**44**	4
Cash and cash equivalents at the beginning of the period		**951**	1,332
Cash and cash equivalents at the end of the period		**1,094**	951

The notes on pages Fin-05 to Fin-15 form part of and are to be read in conjunction with these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2013

1 GENERAL INFORMATION

Vital Healthcare Property Trust ("VHP" or the "Trust") is a unit trust established under the Unit Trusts Act 1960 by a Trust Deed dated 11 February 1994 which was amended and replaced by Deed of Trust dated 1 September 1999 and which was subsequently amended by Deeds of Amendments dated 10 November 2003, 12 November 2007, 12 December 2007, 5 August 2008, 27 September 2010 and 31 October 2012. The Trust is an issuer under the Financial Reporting Act 1993. The Trust is incorporated and domiciled in New Zealand.

The Trust's principal activity is the investment in high quality health sector related properties.

The condensed consolidated interim financial statements are presented in New Zealand dollars which is the Trust's functional currency and have been rounded to the nearest thousand dollars ($000).

These condensed consolidated interim financial statements were approved by the Board of Directors of the Manager on 13 February 2014.

2 BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), NZ IAS 34 and IAS 34 Interim Financial Reporting, as applicable to a profit orientated entity. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the 2013 Annual Report except as stated below, and should be read in conjunction with the 2013 Annual Report. The 2013 Annual report complies with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) issued and other applicable Financial Reporting Standards issued and effective at the time of preparing those statements as applicable to the Trust as a profit oriented entity.

Basis of measurement

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

2 BASIS OF PREPARATION (continued)

Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates that affect the application of policies and reported amount of assets and liabilities, income and expenses. 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 4 – taxation

Note 6 – valuation of investment property

Note 7 – financial instruments

Amendments to NZ IFRS

The Group has adopted the following new standard during the period:

NZ IFRS 13 Fair Value Measurement: This standard establishes a single framework for measuring fair value, which takes into account assumptions that market participants would use when pricing an asset or liability, including assumptions about risk. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Counterparty credit risk adjustments are applied to all derivative assets. Own credit risk adjustments are applied to reflect the Trust's own credit risk when valuing derivative liabilities. Bilateral credit risk adjustments consider the expected cash flows between the Trust and its counterparties under the relevant term of derivative instruments and the effect of the credit risk profile of the counterparties on the valuation of these cash flows.

The adoption of the standard has not had a significant impact on the condensed consolidated interim financial statements, other than some additional disclosure.

All other standards effective in the current period have been adopted and have no impact on these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

3 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 period ended 31 December 2013 (Unaudited):			
Net property income	**21,786**	**7,085**	**28,871**
Administration expenses	**(1,751)**	**(878)**	**(2,629)**
Other income/(expenses)	**(234)**	**(299)**	**(533)**
Finance income	**11**	**48**	**59**
Finance (expense)	**(1,110)**	**(6,745)**	**(7,855)**
	18,702	**(789)**	**17,913**
Unrealised interest rate swaps gain/(loss)	**897**	**2,174**	**3,071**
Fair value loss on derivatives	**–**	**286**	**286**
Payments under transaction hedging foreign exchange contracts	**–**	**1,083**	**1,083**
Unrealised foreign exchange gain/(loss)	**–**	**(6,419)**	**(6,419)**
Total segment profit/(loss)	**19,599**	**(3,665)**	**15,934**
Taxation			**645**
Profit for the period			**16,579**
Segment profit/(loss) for the period ended 31 December 2012 (Unaudited):			
Net property income	20,960	7,318	28,278
Administration expenses	(1,834)	(1,016)	(2,850)
Other income/(expenses)	(605)	–	(605)
Finance income	31	90	121
Finance (expense)	(878)	(7,631)	(8,509)
	17,674	(1,239)	16,435
Unrealised interest rate swaps gain/(loss)	75	958	1,033
Fair value gain on derivatives	–	52	52
Payments under transaction hedging foreign exchange contracts	–	66	66
Unrealised foreign exchange gain/(loss)	111	–	111
Total segment profit/(loss)	17,860	(163)	17,697
Taxation			(3,135)
Profit for the period			14,562

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

3 SEGMENT INFORMATION (continued)

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 $22.9m, one in New Zealand and 3 in Australia (31 December 2012: four tenants totalling $21.8m).

There were no inter-segment sales during the period (31 December 2012: 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 of the Trust, which is the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	Australia $000s	New Zealand $000s	Total $000s
Segment assets at 31 December 2013 (Unaudited);			
Investment properties	**440,354**	**155,044**	**595,398**
Other non-current assets	**22**	**1,891**	**1,913**
Other current assets	**375**	**2,021**	**2,396**
Consolidated assets	**440,751**	**158,956**	**599,707**
Segment assets at 30 June 2013 (Audited):			
Investment properties	463,697	155,030	618,727
Other non-current assets	38	1,886	1,924
Other current assets	766	8,059	8,825
Consolidated assets	464,501	164,975	629,476
Segment liabilities at 31 December 2013 (Unaudited):			
Borrowings	**–**	**201,241**	**201,241**
Other liabilities	**30,122**	**22,711**	**52,833**
Consolidated liabilities	**30,122**	**223,952**	**254,074**
Segment liabilities at 30 June 2013 (Audited):			
Borrowings	–	266,101	266,101
Other liabilities	34,484	19,897	54,381
Consolidated liabilities	34,484	285,998	320,482

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

- all assets are allocated to reportable segments.
- all liabilities are allocated to reportable segments other than foreign exchange movement on intercompany balance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

4 TAXATION

	Unaudited 6 months Dec-13 $000s	Unaudited 6 months Dec-12 $000s
Profit/(loss) before tax for the period	**15,934**	17,697
Taxation (charge) (28%)	**(4,461)**	(4,955)
Effect of different tax rates in foreign jurisdictions	**1,552**	1,729
Tax exempt income	**1,704**	(354)
Non deductible expenses	**(1)**	(27)
Over/(under) provided in prior periods	**2,692**	–
Other adjustments	**(841)**	472
Taxation (expense)/credit	**645**	(3,135)
The taxation (charge)/credit is made up as follows:		
Current taxation	**1,592**	(2,610)
Deferred taxation	**(947)**	(525)
Total taxation (expense)/credit	**645**	(3,135)

5 EARNINGS PER UNIT

Basic and diluted earnings/(loss) 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 period.

	Unaudited Dec-13	Unaudited Dec-12
Profit attributable to unitholders of the Trust ($000s)	**16,579**	14,562
Weighted average number of units on issue (000's of units)	**328,535**	296,083
Basic and diluted earnings per unit (cents)	**5.05**	4.92

On 13 February 2014 a gross distribution of 1.975 cents per unit was announced by the Trust. Any continuation of the DRP programme will increase the number of units on issue.

Distributable Income		
Profit before income tax	**15,934**	17,697
Revaluation losses/(gains)	**–**	–
Unrealised foreign exchange (gain)/loss	**6,419**	(111)
Unrealised foreign exchange (gain)/loss derivatives	**(286)**	(52)
Derivative Fair Value adjustment loss/(gain)	**(3,071)**	(1,033)
Managers Incentive fee	**–**	–
Profit used in calculating Gross distributable income	**18,996**	16,501
Current Tax charge/(credit)	**(1,592)**	2,610
Profit used in calculating Net distributable income	**20,588**	13,891
Gross distributable income (cpu)*	**5.78**	5.57
Net distributable income (cpu)*	**6.27**	4.69

* Based on weighted average number of units on issue.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

6 INVESTMENT PROPERTIES

	Unaudited 6 months Dec-13 $000s	Audited 12 months Jun-13 $000s
Balance at the beginning of the period	**618,727**	567,226
Acquisition of properties	**–**	36,566
Capitalised costs	**14,259**	39,715
Capitalised interest costs	**71**	512
Net capitalised incentives	**(46)**	(238)
Disposals	**–**	(5,200)
Foreign exchange translation difference	**(37,613)**	(30,191)
Change in fair value	**–**	10,337
Closing balance	**595,398**	618,727
Fair value of investment property at the beginning of the period	**618,727**	567,226
Fair value of investment property at the end of the period	**595,398**	618,727

Investment Properties Valuation

The Group's policy is for investment property to be measured at fair value for which the Group completes property valuations at least annually by independent registered valuers. There was no independent valuation for investment properties as at 31 December 2013. The board and management have carefully reviewed the portfolio using available market information and consider that there has been no significant change to the valuation completed at 30 June 2013.

The Group holds the freehold to all properties except the car parks at the rear of Ascot Hospital and Ascot Central. The total value of leasehold property at 31 December 2013 was $2,880,000 (30 June 2013: $2,880,000) representing 0.5% of the total investment property portfolio (30 June 2013: 0.5%). The weighted average lease length of leasehold property at 31 December 2013 was 5.3 years (30 June 2013: 5.8 years). The Group has an option to extend the ground lease for two further terms of 20 years each, following expiry of the lease.

Acquisition of properties

During the period, the Group acquired no properties. (30 June 2013: 1 healthcare property located in Adelaide, South Australia). The purchase price included stamp duty and other transaction costs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

7 FINANCIAL INSTRUMENTS

	Unaudited 6 months Dec-13 $000s	Audited 12 months Jun-13 $000s
Nominal value of forward exchange contracts – AUD	**88,750**	88,750
Nominal value of interest rate swaps – AUD	**215,000**	245,000

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 forward exchange contracts.

The Group has designated Australian denominated borrowings and forward exchange contracts 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 in other comprehensive income. Any ineffective portion is recognised in profit or loss.

The face value of hedging instruments designated in net investment hedges is:

	Group Dec-13 $000s	Group Jun-13 $000s
Borrowings	**199,533**	243,737
Forward exchange contracts	**96,373**	104,881

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 of the fair value hierarchy on the basis that the valuation techniques used to determine the values at balance date use observable inputs.

Forward exchange contracts

Forward exchange contracts are measured using a valuation model based on the applicable forward price curves derived from observable forward prices. The Group has determined the forward exchange contracts are level 2 of the fair value hierarchy on the basis that the valuation techniques used to determine the values at balance date use observable inputs. The forward prices used to determine the fair value of NZD versus AUD is 0.9193 at 31 December 2013 (30 June 2013: 0.8450).

There have been no reclassifications of fair value instruments between levels in the period ended 31 December 2013 and 30 June 2013.

Derivatives are all carried at fair value on the Statement of Financial Position. The carrying amounts of all other financial instruments approximate their fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

8 UNITS ON ISSUE

	Group Dec-13 $000s	Group Jun-13 $000s
Balance at the beginning of the year	**318,088**	301,159
Issue of units under Distribution Reinvestment Plan	**1,312**	17,278
Issue of units under Rights Issue	**39,149**	–
Issue of units to satisfy Manager's incentive fee	**–**	–
Issue costs of units	**(524)**	(349)
	39,937	16,929
Balance at the end of the period	**358,025**	318,088

	Unaudited Dec-13 000s	Unaudited Jun-13 000s
Reconciliation of number of units		
Balance at the beginning of the year	**307,039**	293,345
Units issued under Rights Issue	**30,705**	–
Issue of units under the Distribution Reinvestment Plan	**1,000**	13,694
Balance at the end of the year	**338,744**	307,039

The number of units on issue at 31 December 2013 was 338,744,436 (30 June 2013: 307,038,608). 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.

There was no incentive fee during the period (30 June 2013 – nil).

Capital risk management

The Group's capital includes units, reserves and retained earnings with Total Unitholders' Funds sitting at $345.6m (30 June 2013: $309.0m).

The Group maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain the Group's future on-going activities and development of the business. The impact of the level of capital on Unitholders returns is also recognised along with the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is subject to imposed capital requirements arising from the Trust Deed, which requires the total borrowings to 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%, (30 June 2013: 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 period.

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 strategy during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

9 BORROWINGS

	Unaudited Dec-13 $000s	Audited Jun-13 $000s
AUD denominated loans	**201,623**	265,850
NZD denominated loans	–	800
Borrowing costs	**(382)**	(549)
Total borrowings	**201,241**	266,101

The Group has borrowings from the ANZ Bank New Zealand Limited. The A$225,000,000 and NZ$20,000,000 facility, a multi-currency facility, is split between Tranche A: A$125,000,000 which is due to expire on 31 March 2017 and Tranche B: A$100,000,000 / NZ$20,000,000 which is due to expire on 31 March 2015.

The effective interest rate on the borrowings as at 31 December 2013 was 6.58% per annum (30 June 2013: 6.52%).

Borrowings are secured by a Security Trust Deed dated 1 April 2003 and as amended and restated on 4 April 2012. 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 as trustee for Vital Healthcare Australian Property Trust and Vital Healthcare Investment Trust.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

10 COMMITMENTS

	Unaudited Dec-13 $000s	Audited Jun-13 $000s
Capital Commitments		
The Group was party to contracts to purchase or construct property for the following amounts:	**31,547**	9,565
	31,547	9,565

Lease Commitments

Vital Healthcare Property Limited has non-cancellable operating lease rentals (these relate to a ground lease from the Auckland Racing Club on the rear car park at Ascot Hospital and Ascot Central) which are payable as follows:

	Unaudited Dec-13 $000s	Audited Jun-13 $000s
Not later than one year	**232**	240
Later than one year and not later than five years	**960**	960
Later than five years	**65**	185
	1,257	1,385

The Group has a variety of operating leases relating to the investment property it owns with lease terms of between one month and 30 years.

The property rental income expected 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:

	Unaudited Dec-13 $000s	Audited Jun-13 $000s
Not later than one year	**51,967**	60,266
Later than one year and not later than five years	**201,477**	221,298
Later than five years	**640,205**	432,108
	893,649	713,672

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 $75,000.

11 CONTINGENCIES

There were no contingencies as at 31 December 2013 (30 June 2013: nil).

12 SUBSEQUENT EVENTS

On 13 February 2014 a gross distribution of 1.975 cents per unit was announced by the Trust. The record date for the distribution is 4 March 2013 and a payment is scheduled to unitholders on 18 March 2013. There will be 0.2481 cents per unit of imputation credits attached to the distribution.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONT.)

13 RELATED PARTY TRANSACTIONS

Fees paid to the Manager

The Trust is managed by Vital Healthcare Management Limited (the "Manager"). The Manager is a wholly owned subsidiary of North West Value Partners Inc. The Manager is related to the Trust and its subsidiaries as the manager of the Trust.

The Trust reimbursed the Manager for fees paid to the Manager's directors and shareholders.

Transactions with related parties include:

	Unaudited Dec-13 $000s	Unaudited Dec-12 $000s
Total fees incurred		
Management fees	**2,319**	2,294
Manager's incentive fees	**–**	–
Expenses charged by Vital Healthcare Management Limited	**51**	53
Expenses charged by Vital Healthcare Australian Property Pty Limited	**287**	–
	2,657	2,347

Properties owned by the Trust have been managed, on normal commercial terms by Vital Healthcare Management Limited, a subsidiary of North West Value Partners Inc. Property management fees charged are either included in property expenses or capitalised. The amount paid to Vital Healthcare Management Limited was $51,257 (31 December 2012: $53,133). The amount not recovered from tenants was nil (31 December 2012: nil).

There are no related party borrowings as at 31 December 2013. (31 December 2012: nil).

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% 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 is 10% of the amount of the increase with payment being made by way of subscribing for new Units issued at the weighted average price. The management and incentive fees shall not exceed an amount equal to 1.75% per annum of the gross value of the Trust.

Deloitte.

REVIEW REPORT TO THE UNITHOLDERS OF VITAL HEALTHCARE PROPERTY TRUST

We have reviewed the condensed consolidated interim financial statements on pages FIN-01 to FIN-15. The condensed consolidated interim financial statements provide information about the past financial performance of Vital Healthcare Property Trust and subsidiaries (together "the Group") and its financial position as at 31 December 2013. This information is stated in accordance with the accounting policies on pages FIN-05 to FIN-06.

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

Manager's Responsibilities

The Board of Directors of the Manager is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the condensed consolidated interim financial statements which present fairly the financial position of the Group as at 31 December 2013 and of the results of operations and cash flows for the 6 months ended on that date.

Independent Accountant's Responsibilities

We are responsible for reviewing the condensed consolidated interim financial statements presented by the Board of Directors of the Manager in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the condensed consolidated interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of management personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the condensed consolidated interim financial statements of the Group for the 6 months ended 31 December 2013 in accordance with the Review Engagement Standards issued by the External Reporting Board.

Other than in our capacity as auditors and the provision of other assurance services, we have no relationship with or interests in Vital Healthcare Property Trust or its subsidiaries.

Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements on pages FIN-01 to FIN-15 do not present fairly the financial position of the Group as at 31 December 2013 and the results of operations and cash flows for the 6 months ended on that date in accordance with NZ IAS 34: Interim Financial Reporting and IAS 34 Interim Financial Reporting.

Our review was completed on 13 February 2014 and our review opinion is expressed as at that date.

Yours faithfully

Deloitte

Deloitte
Chartered Accountants
Auckland, New Zealand

This review report relates to the unaudited condensed consolidated interim financial statements of Vital Healthcare Property Trust for the six months ended 31 December 2013 included Vital Healthcare Property Trust's website. The entity's governing body is responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and related review report dated 13 February 2014 to confirm the information included in the unaudited condensed consolidated interim 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.