Calan Healthcare Properties Trust

Interim report for the six months ended 31 December 2006

Contents

Highlights

Total property revenue increased by 5.6%

Revaluations increased the value of the portfolio by $2.1 million

2.2% increase in interim distributions

100% acquisition of the Ascot Central development

Manager's report

Overview

The six months to 31 December 2006 has seen Calan Healthcare Properties Trust (the “Trust”) deliver an unaudited net surplus after tax of $5.0 million, a decrease of 6.1% on $5.3 million for the same period last year. This includes write-offs of $0.4 million property evaluation costs ($0.01 million last year) and $0.1 million property assets ($nil last year).

Total property revenue has increased to $9.7 million, 5.6% above the $9.2 million for the same period last year.

The operating cashflow for the six months to 31 December 2006 increased to $7.0 million, 25% above the $5.6 million for the same period last year.

The pre-tax income distribution increased 2.2% to 4.7 cents per unit from 4.6 cents for the previous half year to 31 December 2005.

At period end, the net tangible asset backing was $1.28 per unit, down from $1.30 as at 30 June 2006. The decline can be attributed to the strong exchange rate over the period.

Portfolio revaluations

Strong appreciation in the value of the portfolio continued in the first half of the financial year. The Trust re-valued seven properties as at 31 December 2006, resulting in a revaluation gain of $2.1 million or 4.3% of the properties revalued. Of particular note were the valuation increases for Kensington Hospital, Whangarei, which increased in value by $837,000, up 6.8%, and Eastmed, St Heliers which increased by $699,000 (up 9.7%).

However, these gains were more than offset by the conversion of the Australian properties' values into New Zealand dollars. The 9% appreciation in the NZD/AUD exchange rate between 30 June 2006 and 31 December 2006 resulted in a decline in carrying value of Australian properties of $7.2 million when expressed in New Zealand dollars. The carrying value in Australian dollars of the Australian properties remained unchanged at AUD$72.8 million.

Overall, the value of the Trust's property portfolio decreased by 1.5% to $221 million compared to $224 million at 30 June 2006.

Portfolio position

The Trust's weighted average lease term remains by far the longest of the New Zealand Listed Property sector, at 10.2 years. (The New Zealand Listed Property Trust average as at 31 December 2006 was 6.5 years.) Of the 82 leases in the portfolio, a total of three leases expired and two leases were renewed or renegotiated.

Vacancy levels remain at a low 0.7% of the portfolio and, due to increased interest, levels are expected to reduce further during 2007.

During the six months to 31 December 2006, 11 rent reviews were completed, including nine structured reviews (CPI or fixed increases) and two market reviews. The average annual increase in rent of those leases that were reviewed was 3.7%.

Ascot Central

On 21 February (as a post 31 December 2006 note), Calan announced an unconditional agreement with McConnell Developments Limited to acquire 100% of Ascot Central, which will be a high quality, five-level medical and office building, plus associated parking, in Greenlane, Auckland.

The following prior contractual agreements with McConnell Developments also stand:

- As agreed, Calan sold the freehold interest in the site and the leasehold interest in 176 carparks on an adjacent site to McConnell, for $3.9 million (plus GST)
- Calan will receive 50% of the development margin for the completed development
- Calan will earn interest income on the initial sale price of $3.9 million at the rate of 6.5% until practical completion of the building.

When the contracts were completed, Calan had committed to acquire only the ground floor of the completed building, with an option to acquire the first floor. At that time, the Trust didn't have the strong level of lease enquiry it now has, and therefore determined as part of its then overall strategy that it would not undertake the development in its own right. That position has changed as the Trust now has unconditional lease commitments for one-and-a-half floors (with the half floor deferred for five years), with further conditional agreements from medical related tenants for most of the ground floor.

Lease terms include annual rental growth provisions and mid-term rent reviews, for terms ranging from 6 to 15 years.

Construction is planned to commence in March 2007, with estimated completion in April 2008.

With approximately 12 months before practical completion, the Trust is confident, based on the strong level of leasing interest to date, that it will be able to secure tenants for the remaining areas.

The remaining lease areas include the top floor, which presents an outstanding opportunity for tenants to occupy high profile, 'A' grade space. The top floor has a north facing external deck and superior south facing views over Ellerslie Racecourse. All floors can be subdivided to suit specific tenant requirements, with approximately 230 carparks for lease.


The acquisition of Ascot Central allows Calan to create, together with its neighbouring Ascot Hospital, a private hospital, medical and clinical campus, believed to be the largest private facility of its kind in New Zealand. The campus concept is similar to the highly successful Epworth Eastern Hospital and Medical Centre Campus development in Melbourne, completed by Calan in 2005.

Ascot Central will be unit titled into separate floors, providing further diversification within the Trust, valuation upside and ownership flexibility into the future. On a fully-leased basis, the forecast return on cost is 8.63%, with the development having an end value of approximately $23 million.

Acquisition of Thames Street land, Box Hill, Melbourne

In December 2006, the Trust announced the 'off market' acquisition of 116-118 Thames Street, Box Hill, Melbourne, for AUD$2.7 million. The land is situated near two of the Trust's other Melbourne properties: Epworth Eastern Hospital and Epworth Medical Centre.

The site, comprising 1,800 square metres, is currently an income-yielding carpark. The Trust has planning approval for a three-level, 13-suite medical facility with an end value of approximately AUD$15 million and, on a fully-leased basis, a return on cost of 7.75%.

The Trust has formed a strategic alliance with its largest Australian tenant, The Epworth Foundation, which will be responsible for the leasing and project management components of the development. Epworth Foundation is Australia's leading not-for-profit private hospital and medical healthcare provider and has the specialist in-house resources and industry networks to deliver on this project.

The Trust has also retained the services of Australia's leading health and medical sector architects, Silver Thomas Hanley, as lead consultant for the design and development management of the new facility.

It is planned that construction will commence late 2007 or early 2008, with a construction programme of approximately 12 months.

Settlement of the sale of the Manager

In July 2006, ING Property Trust Management Limited settled the acquisition of the management companies of Calan Healthcare Properties Trust.

The shareholders of ING Property Trust Management Limited are ING (NZ) Limited and Symphony Group. ING New Zealand is part of the global ING financial services group, the world's largest manager of real estate, with approximately $128 billion of real estate assets under management. ING Property Trust Management Limited has access to global resources, markets and expertise.

ING Property Trust Management Limited also manages ING Property Trust, one of the largest and most diversified property trusts in New Zealand, with more than 90 properties under management, more than 350 tenants, and a portfolio value of more than $900 million. It has a proven and committed team of professionals that has constantly delivered to unitholders.

In October 2006, Calan Healthcare Properties Limited (the "Manager") announced that David Carr would replace Miles Wentworth as General Manager of Calan Healthcare Properties Trust, and Jeremy Nicoll was appointed the Chief Financial Officer. Both David and Jeremy bring a depth of property experience to the Trust. They have an active management philosophy, with disciplined financial management and corporate governance structures and processes.

PIE regime

The Trust was also pleased to announce in December 2006 that it intends to elect to become a Portfolio Investment Entity from 1 October 2007.

Separate tax reforms contained within the Taxation (Savings Investment and Miscellaneous Provisions) Act 2006 have already delivered benefits to unitholders, and will result in higher net distributions to most unitholders.

The unit price for the Trust rose from $1.29 immediately prior to the Tax Bill being passed, to $1.49 as at the date of this report – a 20c (or 15.5%) gain.

Potential merger

As previously announced, the Calan and ING property trusts are investigating a potential merger of the two portfolios.

A principal consideration for the investigation is the potential higher returns to unitholders from a much larger and more liquid stock exchange listed entity.

A considerable amount of work has been done by the Boards of both trusts and their advisers and the issues are being robustly debated. No recommendation can be made to unitholders at this time, but once a conclusion is reached, we will inform unitholders immediately.

As previously advised, your Directors are clear that before any proposal is recommended to unitholders, it must be clearly beneficial for Calan unitholders. Further, any proposal recommended to unitholders would require a 75% vote of unitholders in favour before it could be implemented.

Outlook

Looking forward, the Trust is in a healthy position with excellent assets and quality tenants on long leases.

The quality of the portfolio provides a solid foundation on which to grow the Trust. The Manager will continue to explore opportunities and initiatives, both within New Zealand and Australia, to continue to improve earnings to unitholders.

The Board remains confident in its projections for a slightly enhanced performance and distribution for the 2006/2007 year, which have been supported to date with the interim half year gross distribution of 4.7 cents per unit, 2.2% better than the equivalent period last year.

The Board and the Manager look forward to a busy year ahead and continuing to enhance unitholder returns.

Bruce Davidson
Chairman


Patient
pick-up &
drop-off
Hospital Patients
Visiting Hours
11.00am to 8.00pm
P

Investment properties

PROPERTIES	PURCHASE DATE	
Surgical & medical		
Ascot Hospital and Clinics, Auckland [1]	Sep 1997	
Ascot Carpark, Auckland [2]		
Central Hawkes Bay Health Centre, Waipukurau [1]	Aug 1999	
Epworth Rehabilitation Brighton, Melbourne[1]	Feb 1999	
Epworth Eastern Campus, Melbourne [1]	Apr 1999	
Kensington Hospital, Whangarei [1]	Jan 2000	
Napier Health Centre, Napier [1]	Oct 1998	
Health support services		
Biomed Laboratory, Auckland	Mar 1998	
Spare land	Mar 1998	
Hibiscus Coast Community Health Centre, Whangaparaoa	May 1995	
Spare land	May 1995	
Hospital Laundry and Sterilisation Facility, Auckland	Jun 1996	
Spare land	Jun 1996	
Pitman House, Auckland	Mar 1998	
Primary care facility		
Eastmed St Heliers, Auckland [3,4]	Dec 1999	
Total investment properties		

LATEST VALUATION $000	LATEST VALUATION YIELD	ANNUAL CONTRACT RENT $
75,413	9.40%	7,052,778
1,435		
4,315	9.71%	427,314
13,964	8.51%	1,207,567
67,474	8.38%	5,699,548
13,150	7.59%	1,013,632
14,035	9.16%	1,304,912
2,350	9.57%	229,704
410		
3,694	8.44%	316,371
221		5,000
9,887	8.82%	886,585
1,891		
4,805	9.10%	445,970
7,800	9.12%[3]	557,558
220,844		

1 These properties are subject to annual CPI rental adjustments

2 The Ascot Carpark is subject to a ground lease with the Auckland Racing Club

3 Yield calculated on market rental

4 A leasing programme for part of the centre is currently being undertaken

Valuations are carried out on all properties in the portfolio within 12 months of the date of acquisition and annually thereafter in either June or December

Valuations shown represent open market value less estimated costs of disposal

Australian property values and rentals are subject to fluctuations in the AUD exchange rate

Purchase dates relate to the purchase of the land not the completion date of the building in relation to construction projects

All monetary figures in this table are exclusive of GST

Financial summary

SIX MONTHS ENDED 31 DECEMBER	2006	2005
Operating surplus before income tax	$6.1 million	$6.4 million
Net surplus after income tax	$5.0 million	$5.3 million
Gross distribution per unit (including imputation credits)	4.7 cents	4.6 cents
Net tangible asset backing per unit	$1.28	$1.21
Units on issue	139.1 million	138.3 million
Total assets	$236.3 million	$219.3 million
Total liabilities	$58.9 million	$52.6 million
Unitholders' funds	$177.4 million	$166.7 million
Ratio of debt to gross value of Trust fund	23.4%	22.9%

The Board of Calan Healthcare Properties Limited, the Manager of Calan Healthcare Properties Trust, is pleased to present the interim report including the Financial Statements of Calan Healthcare Properties Trust for the six months ended 31 December 2006.

Bruce Davidson, Chairman
For and on behalf of the Manager
Calan Healthcare Properties Limited

Timothy Saunders, Director
For and on behalf of the Manager
Calan Healthcare Properties Limited

22 February 2007

Consolidated Statement of Financial Performance

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Operating revenue			
Rental	9,670	9,150	18,522
Other income	4	13	15
Total property revenue	**9,674**	**9,163**	**18,537**
Less:			
Direct property related expenses	298	279	562
Write off capitalised property assets	118	–	–
Net property revenue	**9,258**	**8,884**	**17,975**
Operating expenses			
Audit fees	24	40	74
Fees for other services provided by auditor	16	7	14
Manager's fees	895	824	1,675
Property acquisition and investment evaluation costs	380	11	179
Registry fees	28	25	56
Trustee's fees	76	74	149
Unitholder communication costs	39	66	61
Takeover defence costs in relation to ING bid	–	–	315
Other operating expenses	62	31	53
Total operating expenses before interest	**1,520**	**1,078**	**2,576**
Operating surplus before interest	**7,738**	**7,806**	**15,399**
Interest received	264	323	541
Less interest expensed	(1,891)	(1,710)	(3,518)
Net borrowing costs	**(1,627)**	**(1,387)**	**(2,977)**
Operating surplus before tax	**6,111**	**6,419**	**12,422**
Unrealised net change in the value of investments	–	–	259
Loss on sale of investment properties	–	(7)	–
Net surplus before income tax	**6,111**	**6,412**	**12,681**
Less income tax expense	(1,103)	(1,077)	(2,033)
Net surplus after income tax	**5,008**	**5,335**	**10,648**

The accompanying notes on pages 18 to 24 form part of, and should be read in conjunction with, these interim financial statements.

Consolidated Statement of Movements in Unitholders' Funds

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	NOTE	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Total recognised revenues and expenses				
Surplus and revaluations				
Net surplus after income tax	4	5,008	5,335	10,648
Net revaluation of investment properties	3	1,380	2,526	10,783
Foreign currency translation reserve movement		(2,322)	(383)	2,796
		4,066	**7,478**	**24,227**
Other movements				
Units issued to satisfy Manager's incentive fee		–	(11)	911
Cash distributions made during the year		(5,679)	(5,374)	(10,762)
		(5,679)	**(5,385)**	**(9,851)**
Movement in unitholders' funds for the period		**(1,613)**	**2,093**	**14,376**
Unitholders' funds at the beginning of the period		**178,999**	**164,623**	**164,623**
Unitholders' funds at the end of the period		**177,386**	**166,716**	**178,999**

The accompanying notes on pages 18 to 24 form part of, and should be read in conjunction with, these interim financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2006

	NOTE	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Unitholders' funds				
Units subscribed	2	147,035	146,112	147,035
Revaluation reserve		29,005	19,368	27,625
Foreign currency translation reserve		(495)	(1,351)	1,827
Proposed distribution	4	2,781	2,629	2,956
Undistributed (deficit)/surplus	4	(940)	(42)	(444)
Total unitholders' funds		**177,386**	**166,716**	**178,999**
Represented by:				
Current assets				
Bank		2,121	594	927
Receivables		650	845	843
Investments		1,199	–	1,199
Loan advances		766	11	766
Properties intended for sale		3,153	–	2,934
Income tax receivable		–	–	507
		7,889	**1,450**	**7,176**
Non-current assets				
Investments		–	912	–
Investment properties	5	220,844	205,639	224,293
Investment properties for construction	5	–	2,797	345
Property acquisition and investment evaluation costs		759	577	517
Deferred settlements		4,325	5,078	4,325
Receivables		–	338	382
Loan advances		143	149	163
Other receivables		2,301	2,360	2,572
		228,372	**217,850**	**232,597**
Total assets		**236,261**	**219,300**	**239,773**
Current liabilities				
Accounts payable and accrued expenses		3,010	2,212	2,823
Income tax payable		586	93	–
		3,596	**2,305**	**2,823**
Non-current liabilities				
Secured borrowings		55,279	50,279	57,951
Net assets		**177,386**	**166,716**	**178,999**
Net tangible assets per unit		$1.28	$1.21	$1.30

The accompanying notes on pages 18 to 24 form part of, and should be read in conjunction with, these interim financial statements.

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	NOTE	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Cash flows from operating activities				
Cash was provided from:				
Receipts from tenants		10,332	7,784	16,660
Interest received		264	298	613
Other income		4	1,585	1,800
Net goods and services tax received		–	34	35
Net income tax received		–	–	83
		10,600	**9,701**	**19,191**
Cash was applied to:				
Payments to suppliers		(1,778)	(1,858)	(2,771)
Net income tax paid		(10)	(624)	(1,954)
Interest paid		(1,845)	(1,658)	(3,485)
Net goods and services tax paid		(7)	–	–
		(3,640)	**(4,140)**	**(8,210)**
Net cash flows from operating activities	7	**6,960**	**5,561**	**10,981**
Cash flows from investing activities				
Cash was provided from:				
Loan advances		31	–	–
		31	**–**	**–**
Cash was applied to:				
Purchase of and costs capitalised to investment properties		(192)	(331)	(266)
Purchase of and costs capitalised to investments		(342)	–	(22)
Loan advances		–	(135)	(123)
Capitalisation of interest		(18)	–	–
Expenditure on investment properties for construction		(806)	(1,260)	(1,794)
Expenditure on investment properties intended for sale		(219)	–	(159)
Property acquisition and investment evaluation costs		(314)	(118)	(234)
		(1,891)	**(1,844)**	**(2,598)**
Net cash flows used in investing activities		**(1,860)**	**(1,844)**	**(2,598)**

The accompanying notes on pages 18 to 24 form part of, and should be read in conjunction with, these interim financial statements.

	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Cash flows from financing activities			
Cash was provided from:			
Net proceeds from borrowings	1,795	1,593	2,575
	1,795	**1,593**	**2,575**
Cash was applied to:			
Distributions to unitholders	(5,701)	(5,370)	(10,685)
	(5,701)	**(5,370)**	**(10,685)**
Net cash flows used in financing activities	**(3,906)**	**(3,777)**	**(8,110)**
Net increase/(decrease) in cash	1,194	(60)	273
Plus: opening cash brought forward	927	654	654
Closing cash carried forward	**2,121**	**594**	**927**

The accompanying notes on pages 18 to 24 form part of, and should be read in conjunction with, these interim financial statements.

Notes to the interim financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

1 Statement of accounting policies

These interim financial statements have been prepared in accordance with FRS 24: *Interim Financial Statements*, and should be read in conjunction with the previous annual report.

The unaudited financial statements for the six months ended 31 December 2006 have been prepared using the same accounting policies as those used in the previous annual report.

Impact of adopting New Zealand Equivalents to International Financial Reporting Standards

All New Zealand entities are required to adopt New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for reporting periods beginning on or after 1 January 2007, with the option to adopt early for periods beginning on or after 1 January 2005.

It is the intention of the Trust to adopt NZ IFRS from 1 July 2007. The adoption of NZ IFRS will be first reflected in the Trust's interim report for the six-month period ending 31 December 2007. To comply with NZ IFRS for the first time, the Trust will need to restate the comparative balances, applying NZ IFRS. This will affect the statements of financial performance, financial position and cash flows. However, most of the adjustments required on transition to NZ IFRS will be made through opening retained earnings.

The Trust has commenced a 'NZ IFRS conversion project' to assess the key differences in accounting policies between NZ IFRS, and current NZ GAAP to determine the impacts on the financial statements that may arise on transition. The Trust has engaged professional advisers to assist in the project.

Significant differences in accounting policies identified by the Trust are outlined below. As the project has not yet been completed, the actual impact of adopting NZ IFRS may vary from the information presented, and the variation may be material.

Key differences in accounting policies on transitioning to NZ IFRS

a) Investment properties

Treatment of revaluations

The Trust's policy is for investment properties to be revalued annually, with net increments in the value of properties transferred directly to the revaluation reserve. Net decrements are transferred to the revaluation reserve. If the reserve is insufficient to cover a deficit, the deficit is recorded in the Statement of Financial Performance.

Under NZ IFRS, all revaluation increments and decrements will be recorded in the Statement of Financial Performance.

Disposal costs

Investment properties are valued at market value less an allowance for disposal costs. Under NZ IFRS, recognition of disposal costs on the valuation is not allowed. This will increase the carrying value of investment properties.

Manager's incentive fee

The Manager's incentive fee is calculated in accordance with the Trust Deed and is based on the movement in the revaluation reserve plus gains and losses on equity investments. The incentive fee is charged against the revaluation reserve. Under NZ IFRS, this charge will be recorded in the Statement of Financial Performance. The terms for calculating the Manager's incentive fee will have to be revised by the Trustee, as the revaluation reserve will no longer exist.

b) Investment properties under construction

The Trust's current accounting policy for property under construction includes the capitalisation of all development costs incurred to date. An estimated surplus – the excess of an independent valuation over expected completion costs – is recognised in the Statement of Financial Performance on a percentage of completion basis.

Under NZ IFRS, a self-constructed investment property will be accounted for as property, plant and equipment using the cost model, and will only be transferred to investment properties upon completion of construction. The transfer will be made at fair value and any gain or loss on revaluation will be recognised in the Statement of Financial Performance.

c) Deferred tax

Under the Trust's current accounting policy, deferred tax is calculated on an income statement approach and the Trust recognises deferred taxation on a partial basis.

Under NZ IFRS, deferred tax will be calculated on a balance sheet approach and deferred tax assets will be recognised when it is "probable" they will be utilised, rather than "virtually certain" as under NZ GAAP. It is expected that the change in approach will lead to more deferred tax liabilities being recognised by the Trust.

d) Financial instruments

The Trust currently uses interest rate swaps to protect against interest rate movements on the debt facility. Under NZ IFRS, interest rate swaps will be recognised on the balance sheet at fair value. The gain or loss on remeasurement to fair value will be recognised immediately in the Statement of Financial Performance, unless the swap qualifies for hedge accounting, when the resultant gain or loss will be recognised in a reserve until the interest flows occur. Presently the Trust does not qualify for hedge accounting.

e) Investments

The investment in Ascot Radiology will be accounted for as a financial asset held at fair value. As at 30 June 2006, this investment was revalued by way of an independent valuation to fair value in line with the Trust's current accounting policy. A revaluation will now be performed annually, and changes in fair value will be recognised in the Statement of Financial Performance.

f) Unitholders' funds

The Trust was formed on 11 February 1994 with an expiry date for the Trust of 80 years less one day from the date of the Trust Deed. Under NZ IFRS, as the Trust has a defined termination date, units in the Trust are likely to meet the definition of a financial liability. This would have a significant impact as units would be reclassified from equity to debt.

The Trust, together with others within the industry, is working with the Financial Reporting Standards Board and other advisers to resolve this issue before adoption of NZ IFRS.

2 Units subscribed

	Unaudited six months to 31 Dec 06		Unaudited six months to 31 Dec 05		Audited twelve months to 30 Jun 06	
	No. issued 000	Value $000	No. issued 000	Value $000	No. issued 000	Value $000
Opening balance	138,317	147,035	137,823	146,124	137,823	146,124
Issue of units to satisfy Manager's incentive fee	748	–	494	(12)	494	911
Closing balance	**139,065**	**147,035**	**138,317**	**146,112**	**138,317**	**147,035**

3 Revaluation reserve

	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Opening balance	27,625	16,842	16,842
Revaluation of investment properties	1,380	2,519	11,391
Manager's incentive fee	–	7	(608)
Closing balance	**29,005**	**19,368**	**27,625**

4 Undistributed (deficit)/surplus

	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Opening balance	(444)	(9)	(9)
Net surplus after income tax	5,008	5,335	10,648
Distributions made during the period	(2,723)	(2,739)	(8,127)
Proposed distribution at the end of the period	(2,781)	(2,629)	(2,956)
Closing balance	**(940)**	**(42)**	**(444)**

5 Investment properties and investment properties for construction

Individual properties are valued at June or December each year.

A detailed schedule of the properties, valuations and other property information is included on pages 10 and 11 of this interim report.

Interest of $18,341 (30 June 2006: $Nil; 31 December 2005: $Nil) has been capitalised to investment properties in relation to the construction of the Ascot Hospital extension.

6 Capital commitments

The Trust was party to contracts to purchase or construct property for the following amounts:

	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Contract to purchase land for development	2,716	–	–
Contracts to construct property	–	–	1,155
Total capital expenditure contracted but not provided for in the accounts	**2,716**	**–**	**1,155**

7 Reconciliation of operating result for the period with net cash flows from operating activities

	Unaudited six months to 31 Dec 06 $000	Unaudited six months to 31 Dec 05 $000	Audited twelve months to 30 Jun 06 $000
Net surplus after income tax	5,008	5,335	10,648
Items not involving cash flows			
Property acquisition and investment evaluation costs written off	380	–	179
Write off capitalised property assets	118	–	–
Unrealised gain on investment	–	–	(259)
Loan interest	8	(1)	96
Foreign currency (losses)	–	(25)	–
	506	**(26)**	**16**
Plus/(less):			
Movements in working capital items relating to operating cash flow			
Decrease/(increase) in receivables	768	210	(147)
(Decrease)/increase in accounts payable and accrued expenses	(414)	(411)	303
Increase in income tax payable	1,092	453	161
	1,446	**252**	**317**
Net cash flows from operating activities	**6,960**	**5,561**	**10,981**
Movements in working capital not reflected in operating cash flow			
Movement in receivables	193	1,450	1,452
Movement in items not affecting operating cash flow	575	(1,240)	(1,599)
Decrease/(increase) in receivables	**768**	**210**	**(147)**
Movement in accounts payable and accrued expenses	187	(1,511)	(900)
Movement in items not affecting operating cash flow	(601)	1,100	1,203
(Decrease)/increase in accounts payable and accrued expenses	**(414)**	**(411)**	**303**

8 Subsequent events

On 22 January 2007, the Trust completed the purchase of land at 116–118 Thames Street, Box Hill, Melbourne. On that date the balance due of AUD$2,430,000 was paid to the vendor.

On 21 February 2007, Calan announced an unconditional agreement with McConnell Developments Limited to acquire 100% of the Ascot Central development. Construction is planned to commence in March 2007, with an estimated completion date in April 2008.

Directory

Directors of the Manager of the Trust

Bruce Charles Davidson – Chairman
Ronald MacGregor Irvine
Timothy Ernest Corbett Saunders

Secretary to the Manager of the Trust

Jeremy Mark Nicoll

Manager of the Trust

Calan Healthcare Properties Limited
Level 27, 135 Albert Street
PO Box 6945, Wellesley Street
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Telephone 09 303 0532
Facsimile 09 303 0178
Email enquiry@calan.co.nz
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Trustee

Trustees Executors Limited
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PO Box 4197, Auckland
Telephone 09 308 7100
Facsimile 09 308 7101

Auditor

KPMG
18 Viaduct Harbour Avenue
PO Box 1584, Auckland
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Banker

ANZ National Bank Limited
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Solicitors

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48 Shortland Street
PO Box 4199, Auckland
Telephone 09 916 8800
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To the Trustee:
Buddle Findlay, Auckland
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Unit registrar

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