



Calan Healthcare
Properties Trust

**AN INVESTOR IN
HEALTH PROPERTY**



ANNUAL REPORT 2004

**"A YEAR WHEN WE MADE
STEADY PROGRESS"**

C O N T E N T S

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ANNUAL REPORT 2004



HIGHLIGHTS OF THE YEAR

- Net profit after tax up 24% to \$9.1 million
- Pre-tax distribution of 8 cents a unit for the year delivering a yield of approximately 9.1%
- Completed 70% of Epworth Eastern's shell and 45% of the fitout
- Completed the repositioning of our Australian investments
- Rental income increased by 2.7% for the properties that were reviewed
- Related party costs reduced by 64% due to outsourcing acquisition and development functions
- Operating expenses down 16% to \$2.3 million



“We are transitioning to being an investor in the health property sector with a focus on holding quality, income generating assets”

MANAGER'S REPORT

Bruce Davidson
Chairman

OVERVIEW

The 2004 financial year was a good one for the Trust as we made steady progress towards our goal of being a low risk, medium return investment that delivers a growing yield to Unit Holders.

In the year we:

- Recorded a 24% improvement in net profit after tax to \$9.1 million.
- Distributed to Unit Holders a total of 8 cents a unit, delivering on our plan to maintain distributions during the construction of Epworth.

As outlined in previous annual reports and discussed at length at annual meetings, we have and continue to make solid progress on our strategy to be an investor in the health property sector continuing our focus on holding quality, income generating assets.

We have made good progress in:

- Advancing the conversion of non-yielding and non-strategic investments;
- Bringing the key Epworth Eastern development in Melbourne to near completion;
- Improving profitability; and
- Simplifying our business.

We remain focussed on exiting our final non-yielding investments, as well as progressing the new investment opportunities in the pipeline in a way that preserves and maximises Unit Holder value.

“Our new strategic direction places great emphasis on being an investor, simplifying our structure and achieving cost reductions”



FINANCIAL PERFORMANCE

Our improved financial performance resulted from gains achieved in implementing our strategic plan, which places great emphasis on being an investor, simplifying our structure, achieving cost reductions and contracting out the property acquisition and development function.

Of particular note are:

- Other income was \$388,000 higher than the prior year due to the gain on sale of a business and extension payments on a sale and purchase contract;
- Interest expense was \$474,000 lower than the prior year with the sale proceeds of non-strategic and non-yielding assets being used to reduce debt. Debt has been drawn to fund the construction payments on Epworth Eastern;
- Capitalised interest from Epworth Eastern was \$947,000 more than the prior year with an increased level of spend during the year;
- Tax expense was \$357,000 lower than the prior year due to a depreciation recovered charge on the sale of the Hamilton aged care properties in 2003;
- Unrealised return on construction was \$1.355 million higher than the prior year with the Epworth project being 53.5% complete as at balance date and the profit being booked on a percentage of completion basis.

Miles Wentworth
Chief Executive Officer

This was partially off set by:

- Rental income down \$1.2 million as a result of the sale of the three Hamilton aged care properties, being Linwood, Rossendale and Eventhorpe;
- The Board having reviewed the carrying value of Ascot Clinics and taken a conservative approach in writing it down by \$976,000 to its alternative use value. The carrying value of this site as at 30 June 2004 is now \$2.7 million.

With the Manager having planned to maintain the level of distribution at 2 cents per quarter throughout the construction of Epworth Eastern the level of distribution paid to Unit Holders during the 2003 and 2004 financial years exceeded reported profit to the extent of \$921,000 in 2003 and \$381,000 in 2004. The 24% increase in Net Profit after Tax for 2004 reduced the level of support required to maintain the distribution at 8 cents per unit.

Given the new income stream from Epworth Eastern, which is due for completion at the end of this calendar year, our operating result should once again show an improvement in the 2005 financial year. The earnings statement for the 2005 financial year should more than support a gross distribution of 8 cents per unit.

FINANCIAL POSITION

Total assets of the Trust have increased from \$195 million to \$211 million over the past year. This was achieved primarily as a result of the spend on the Epworth Eastern project in Melbourne and a healthy increase in the value of investment properties. The net tangible asset backing per unit has increased from \$1.08 to \$1.10 per unit as a result.

The debt to total asset ratio increased from 23.8% to 26.4% as bank debt has been drawn to fund the Epworth Eastern construction payments.

FINANCIAL SUMMARY YEAR ENDED 30 JUNE

| | 2004 | 2003 |
|--|-----------|-----------|
| Operating Surplus Before Income Tax | \$10.1 m | \$9.1 m |
| Net Surplus After Income Tax | \$9.1 m | \$7.4 m |
| Gross Distribution Per Unit (including imputation credits) | 8.0 cents | 8.0 cents |
| Net Tangible Asset Backing Per Unit | \$1.10 | \$1.08 |
| Units on Issue | 136.7 m | 134.5 m |
| Total Assets | \$211.3 m | \$194.8 m |
| Total Liabilities | \$61.2 m | \$50.0 m |
| Unit Holders' Funds | \$150.0 m | \$144.8 m |
| Ratio of Debt to Gross Value of Trust Fund | 26.4% | 23.8% |

PROPERTY REVALUATIONS

During the year properties which were subject to CPI rent reviews saw a strong increase in valuation. These included Ascot Hospital, Napier Health Centre and the Central Hawkes Bay Health Centre, which collectively increased by \$1.9 million (2.3%).

The Hospital Laundry and Sterilisation Facility's lease, which incorporated two five year rights of renewal, was due to expire in November 2004. Management negotiated with the tenant a ten-year extension of the initial lease term, which has increased the value of the property by \$1.5 million (21%).

Epworth Foundation became the tenant at Brighton Rehabilitation in September 2003 which significantly enhanced the tenant covenant. This increased the value of this property by \$A800,000 (8%).

Rent reviews were undertaken at Box Hill Gardens Medical Centre which delivered a valuation increase of \$A300,000 (3%). Concurrent with the construction of Epworth Eastern the plant at the adjacent Box Hill Gardens Medical Centre is being upgraded which will strengthen future rental growth opportunities.

Kensington Hospital in Whangarei has been performing well and with the lease containing a turnover rental mechanism the Trust has been sharing in their good performance. This has been reflected in the valuation which increased by \$540,000 (6%).

The Artemis Medical Centre has been revalued downward by \$1 million to \$2.3 million reflecting the vacancy associated with this property.

EPWORTH EASTERN

Epworth Eastern in Melbourne is now nearing completion. The shell of this 9 level (3 below ground for carparking and 6 above ground) 21,000 sqm building is essentially complete. The building fitout is currently being progressively installed. Slight construction delays have resulted from the abnormal weather patterns Melbourne has experienced over the past twelve months and the project is now forecast to be completed by Christmas. This minor delay will have no significant financial effect on the return to the Trust.

As at 30 June 2004 the shell of the building was 70% complete with the fitout being 45% complete.

We look forward to presenting an update to Unit Holders at the annual meeting.

A more detailed profile of this \$NZ50 million Melbourne project has been detailed on pages 11 and 12.

CONVERSION OF NON-YIELDING ASSETS INTO YIELDING ASSETS

AUSTRALIA

The repositioning of our Australian investments has now been completed.

The last asset to be sold was Brighton Private Hospital and the **Trust received the full settlement proceeds of \$A5.13 million** on 28 June 2004. The funds were used to repay debt. The additional debt capacity is being used to fund the Epworth Eastern project in Melbourne.

Australian assets sold realised \$A8.405 million and delivered gains on sale of \$A890,000 (11% in excess of book value).

Our Australian assets now comprise Epworth Eastern (on completion expected to be valued at approximately \$NZ50 million), Box Hill Gardens Medical Centre (\$NZ10.7 million) and Brighton Rehabilitation (\$NZ12 million) and are all fully tenanted.

NEW ZEALAND

In New Zealand our focus is now on four investments:

Waitemata Site

The conditional sale of this significant parcel of land to Metlifecare is progressing. The sale is conditional upon the issue of a Resource Consent for Metlifecare's development. Due to delays within the consent process the agreement between Calan and Metlifecare has been extended to 30 September 2004. This will allow Metlifecare time to complete the Council hearing and receive the consequent decision. Metlifecare and the Trust remain positive and committed to reaching a successful outcome.

The current carrying value of this investment is \$12.825 million.

Equity Investment in the operating company at Ascot

This equity interest was acquired at the time of formation of the Ascot Hospital. There was a desire by the doctors to see Calan have an interest in both the operating business and the land and building, reinforcing its commitment to the site. Now that the hospital is well established and operating profitably the Trust is actively looking to exit this shareholding. This investment is in the company that runs the operating theatres and beds on both the Ascot Hospital and Mercy Hospital sites.

The business's operating performance has been very strong. This underpins the carrying value of this investment and saw the release during the year of the Trust's \$3 million guarantee which was provided as support for the MercyAscot merger. Due to prior year tax losses, surplus cashflows are being utilised to repay debt as opposed to paying dividends.

Expressions of Interest are currently being sought for the Trust's 20.66% shareholding.

The current carrying value of this investment is \$6.8 million.

Artemis Medical Centre

The Centre became vacant in October 2003. The Trust has fully analysed options ranging from refurbishment and re-lease to sale in its present state and has determined that from a value and risk perspective, disposal is the best option.

The site was marketed and conditionally contracted to Radius Health. After an extension, the contract lapsed as at 30 June 2004. We continue to have dialogue with Radius Health and are considering a further offer which has recently been received.

With this property being vacant it has been revalued as at 30 June 2004 to \$2.3 million from \$3.3 million at 30 June 2003. This reduction in value is accounted for in the Revaluation Reserve.

Ascot Clinics

During the year an open market leasing campaign was undertaken with CB Richard Ellis in order to gauge the level of interest in the Ascot Clinics project. The leasing process was completed in March 2004, producing a limited level of interest.

As at 30 June 2004, the Board has reviewed the carrying value of this investment and taken a conservative approach in writing this investment down by \$976,000 through the Statement of Financial Performance to its alternative use value. The carrying value of this site as at 30 June 2004 is now \$2.7 million.

RELATED PARTY PAYMENTS

Having contracted out the majority of the acquisition and development functions **the quantum of related party payments has continued to decline.** Excluding the contracted Management Fees and the Incentive Fee, the fees paid to related party entities for the year to 30 June 2004 were \$508,000 compared with \$1.4 million for the 2003 year and \$2 million for the 2002 year.

Of the \$508,000 incurred in the current year, \$226,000 was for the reimbursement of expenses paid by a related party on behalf of the Trust.

PORTFOLIO REVIEW

Rent Reviews

80% of the portfolio underwent a rent review in the last financial year. These reviews were predominantly Consumer Price Index (CPI) reviews but also included some market and turnover based reviews. The average rental increase for the properties reviewed was 2.7%, with an overall increase of 2.0% across the portfolio. This is in comparison to the New Zealand published CPI of 1.55% for the December 2003 year.

Lease Profile

The Trust's weighted lease term to expiry is a very healthy 10.05 years. This continues to be the longest weighted average lease term (to expiry) of any of the listed property entities in New Zealand.

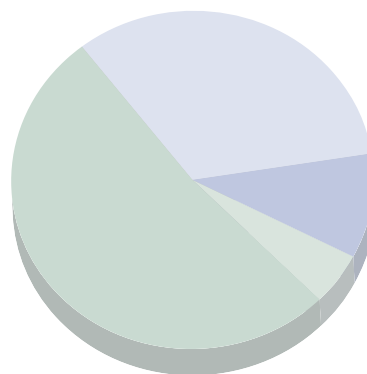
At the completion of the Epworth Eastern project the weighted average lease term will increase to in excess of 11.5 years.

Occupancy

Occupancy levels have dropped slightly over the last twelve months to 96.5%, due to vacancy at the Artemis Medical and Surgical Centre and the Eastmed Health Centre. When Epworth Eastern is complete the occupancy rate will rise above 97% and further, the future sale of Artemis would bring occupancy close to 100%.

**PORTFOLIO BY
GEOGRAPHIC LOCATION**
Weighting by Value

| | |
|------------|-----|
| AUCKLAND | 52% |
| MELBOURNE | 33% |
| HAWKES BAY | 10% |
| WHANGAREI | 5% |



UNIT PRICE

While the market ultimately determines the value of units and the price at which they will trade, it is worthy of note that a primary tool used by many analysts to value Listed Property Vehicles is dividend yield. If a Listed Property Vehicle increases the gross dividend, the share price tends to increase and the dividend yield (gross dividend / share price) tends to stay the same.

With approximately \$25 million of non-yielding assets currently on the balance sheet of the Trust, conversion of these into yielding assets will deliver improved earnings, which in turn should deliver an appreciating unit price for Unit Holders.

Management are firmly focussed on converting the Trust into a fully yielding portfolio and then growing the Trust through earnings positive acquisitions. Successfully achieving this should deliver an improved performance in terms of unit price.

COMMUNICATING WITH UNIT HOLDERS

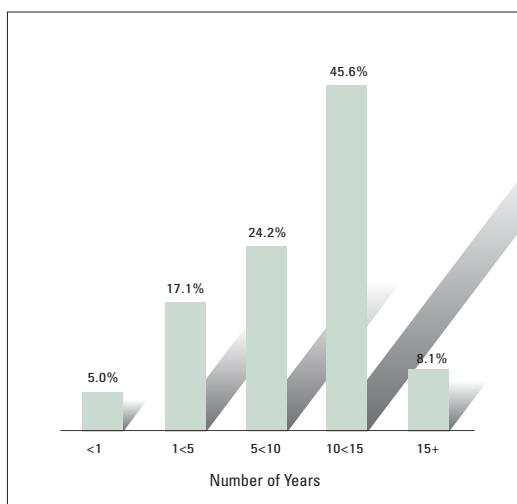
As signalled at the last annual meeting, to enable Unit Holders in centres other than Auckland a chance to attend the meeting we are this year holding the 2004 annual meeting in Tauranga. We have a considerable number of Unit Holders in Tauranga and we look forward to the opportunity to address them.

Another innovation we have introduced is a quarterly Chief Executive Update, which is posted on our web site www.calan.co.nz. The last update was posted in August 2004.

The Update enables Unit Holders to keep abreast of key developments and news.

LEASE EXPIRY BY YEARS

As at 30 June 2004



LOOKING FORWARD

This report outlines clearly to Unit Holders the direction we are taking. Given the quality of our tenants and the long term nature of our leases, there is a great deal of certainty about our income. While interest rates are on the rise we have managed this potential cost exposure by a conservative interest rate hedging policy.

Given the new income stream from Epworth Eastern our operating result should once again show an improvement in the 2005 financial year. This result should more than support an 8 cent distribution.

We will aggressively continue on the conversion of non-yielding assets into yielding assets and look to achieve growth through strategic acquisitions that are earnings positive.

We will also look to diversify tenant mix and geographic location within the portfolio.

Management is concluding a review of the entity's structure, which includes the positives, negatives, costs and process requirements associated with a number of different structures. In this regard management has interviewed a number of stakeholders to obtain their views on the structure. We will also discuss the matter with the shareholders of the management company. We look forward to formally reporting back to Unit Holders at the annual meeting in November.

We are confident that our current initiatives will deliver positive benefits to Unit Holders.



Bruce Davidson
Chairman
Calan Healthcare Properties Limited



Miles Wentworth
Chief Executive
Calan Healthcare Properties Limited

EPWORTH EASTERN HOSPITAL

FLAGSHIP AUSTRALIAN INVESTMENT NEARS COMPLETION

The \$NZ50 million Epworth Eastern Hospital in Melbourne, due for completion later this calendar year, represents a significant milestone for the Trust and is the Trust's second "Flagship" asset along side The Ascot Hospital in Auckland.

The investment in this facility demonstrates the Trust's intention to implement its strategic direction. This includes investing in quality facilities in appropriate locations, supported by excellent tenant covenants which are structured to provide a medium return with a low risk.

The Epworth facility also represents the concept of best practice modern health care delivery with an integrated campus type approach to health care services. An analogy with this type of development would be the development of major regional shopping centres with which we are all familiar.



EPWORTH EASTERN
Artist Impression

EPWORTH EASTERN JUNE 2004

Aerial view, as seen from Box Hill Public Hospital

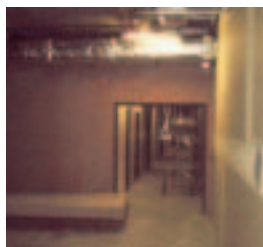


INTEGRATED MEDICAL CAMPUS

Epworth Eastern is a 21,000 sqm state of the art private hospital complex that houses a combination of 8 operating theatres, 204 hospital beds, 2 catheterisation laboratories, consulting rooms, a major radiology practice and 283 car parks in three levels of basement parking.

The building is adjacent to Melbourne's Box Hill Public Hospital. The Trust's Box Hill Gardens Medical Centre is also being refurbished as part of the hospital development and will be integrated at all levels with Epworth Eastern.

EPWORTH EASTERN HOSPITAL



EPWORTH EASTERN
Level 2 Corridor, including
Mechanical Ductwork

The medical centre houses a range of medical consultants which will provide a direct referral base to the hospital and also contains a specimen collection centre and regional laboratory for Melbourne Pathology (a wholly owned subsidiary of Sonic Healthcare) and radiotherapy bunkers and associated services for the Peter MacCallum Cancer Institute.

These facilities in combination with the public hospital offer consultants, surgeons, health care providers and their patients two major benefits – leading facilities and convenience. We believe that this, combined with the quality of the health care services on offer, will deliver a highly successful medical campus which in turn will translate into superior long term returns for Unit Holders.

TENANT COVENANT

A key feature of the Epworth Eastern project is that it is fully leased to an array of leading medical providers. The Epworth Foundation is the key tenant and is a long established not-for-profit organisation (under the auspices of the Uniting Church of Australia), widely regarded as one of the leading hospital operators in Australia.

Other major tenants include the Victorian Imaging Group, a wholly owned subsidiary of MIA Group Limited and Sonic Healthcare Limited. Both are large scale diagnostic providers that are listed on the Australian Stock Exchange.

The leases within the facility are long term in nature and rent reviews include combinations of consumer price index, market and turnover rentals to provide a blend of growth drivers to deliver future revenue and capital increases.

The Australian component of the Trust's portfolio is now extremely well positioned.

TWIN FLAG SHIPS

Between them Epworth Eastern and Ascot Hospital (valued at \$65 million) will account for just over 50% of our total assets and annual rental income.

These two modern, purpose built facilities housing quality tenants on long term leases provide the Trust with leading, high profile assets.



EPWORTH EASTERN
Roof Level Structure

2004 PROPERTY PORTFOLIO

SURGICAL & MEDICAL

ARTEMIS MEDICAL AND SURGICAL CENTRE Auckland



KEY DATA

| | |
|---------------------------------|--------------------|
| Building type | Surgical & Medical |
| Net Valuation | \$2,300,000 |
| Annualised net income | Vacant |
| Property yield | N/A |
| Net lettable area | 991 sqm |
| Occupancy | 0% |
| Weighted ave lease expiry (yrs) | Vacant |

ASCOT HOSPITAL AND CLINICS Auckland



KEY DATA

| | |
|---------------------------------|--------------------|
| Building type | Surgical & Medical |
| Net Valuation | \$65,340,000 |
| Annualised net income | \$6,486,724 |
| Property yield | 9.83% |
| Net lettable area | 11,043 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 11.25 |

BRIGHTON REHABILITATION HOSPITAL Melbourne



KEY DATA

| | |
|---------------------------------|--------------------|
| Building type | Surgical & Medical |
| Net Valuation | \$NZ12,023,000 |
| Annualised net income | \$NZ1,153,727 |
| Property yield | 9.5% |
| Net lettable area | 2,688 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 9.64 |

BOX HILL GARDENS MEDICAL CENTRE Melbourne



KEY DATA

| | |
|----------------------------------|--------------------|
| Building type | Surgical & Medical |
| Net Valuation | \$NZ10,647,000 |
| Annualised net income | \$NZ946,616 |
| Property yield | 9.0% |
| Net lettable area | 2,245 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs)* | 2.5 |

* Major leases to be renewed on completion of Epworth Eastern

2004 PROPERTY PORTFOLIO

CENTRAL HAWKES BAY HEALTH CENTRE Waipukurau



KEY DATA

| | |
|---------------------------------|--------------------|
| Building type | Surgical & Medical |
| Net Valuation | \$4,285,000 |
| Annualised net income | \$452,750 |
| Property yield | 10.41% |
| Net lettable area | 1,892 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 10.49 |

KENSINGTON HOSPITAL Whangarei



KEY DATA

| | |
|---------------------------------|--------------------|
| Building type | Surgical & Medical |
| Net Valuation | \$9,750,000 |
| Annualised net income | \$957,009 |
| Property yield | 9.58% |
| Net lettable area | 2,666 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 16.71 |

NAPIER HEALTH CENTRE Napier



KEY DATA

| | |
|---------------------------------|--------------------|
| Building type | Surgical & Medical |
| Net Valuation | \$13,545,000 |
| Annualised net income | \$1,354,803 |
| Property yield | 9.85% |
| Net lettable area | 4,295 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 7.48 |

HEALTH SUPPORT SERVICES

BIOMED LABORATORY Auckland



KEY DATA

| | |
|---------------------------------|-------------------------|
| Building type | Health Support Services |
| Net Valuation | \$1,901,000 |
| Annualised net income | \$206,932 |
| Property yield | 10.67% |
| Net lettable area | 1,812 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 3.71 |

2004 PROPERTY PORTFOLIO

HIBISCUS COAST COMMUNITY HEALTH CENTRE Whangaparaoa



KEY DATA

| | |
|---------------------------------|-------------------------|
| Building type | Health Support Services |
| Net Valuation | \$3,162,000 |
| Annualised net income | \$293,716 |
| Property yield | 9.51% |
| Net lettable area | 1,462 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 7.00 |

HOSPITAL LAUNDRY AND STERILISATION FACILITY Auckland



KEY DATA

| | |
|---------------------------------|-------------------------|
| Building type | Health Support Services |
| Net Valuation | \$8,717,000 |
| Annualised net income | \$840,517 |
| Property yield | 9.5% |
| Net lettable area | 9,525 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 10.42 |

PITMAN HOUSE Auckland

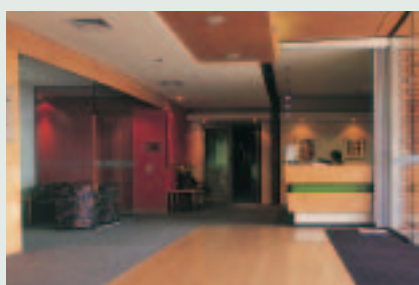


KEY DATA

| | |
|---------------------------------|-------------------------|
| Building type | Health Support Services |
| Net Valuation | \$4,214,000 |
| Annualised net income | \$414,742 |
| Property yield | 9.65% |
| Net lettable area | 1,834 sqm |
| Occupancy | 100% |
| Weighted ave lease expiry (yrs) | 5.05 |

PRIMARY CARE FACILITY

EASTMED ST HELIERS Auckland



KEY DATA

| | |
|---------------------------------|--------------|
| Building type | Primary Care |
| Net Valuation | \$6,680,000 |
| Annualised net income | \$514,613 |
| Property yield | 9.25% |
| Net lettable area | 2,175 sqm |
| Occupancy | 79% |
| Weighted ave lease expiry (yrs) | 11.72 |

INVESTMENT PROPERTIES

STANDING INVESTMENTS AS AT 30 JUNE 2004

| PROPERTIES | PURCHASE DATE | LATEST VALUATION ('000'S) | LATEST VALUATION YIELD | VALUATION DATE |
|---|---------------|---------------------------|------------------------|----------------|
| SURGICAL & MEDICAL | | | | |
| Artemis Medical and Surgical Centre, North Shore ¹ | Oct 1997 | \$2,300 | – | Jun 2004 |
| Ascot Hospital & Clinics, Auckland ² | Sep 1997 | \$65,340 | 9.83% | Jun 2004 |
| Ascot Carpark, Auckland ³ | | \$790 | | |
| Brighton Rehabilitation Hospital, Melbourne ² | Feb 1999 | \$12,023 | 9.5% | Jun 2004 |
| Box Hill Gardens Medical Centre, Melbourne ² | Apr 1999 | \$10,647 | 9.00% ⁴ | Jun 2004 |
| Central Hawkes Bay Health Centre, Waipukurau ² | Aug 1999 | \$4,285 | 10.41% | Dec 2003 |
| Kensington Hospital, Whangarei ² | Jan 2000 | \$9,750 | 9.58% | Dec 2003 |
| Napier Health Centre, Napier ² | Oct 1998 | \$13,545 | 9.85% | Dec 2003 |
| HEALTH SUPPORT SERVICES | | | | |
| Biomed Laboratory, Auckland | Mar 1998 | \$1,901 | 10.67% | Dec 2003 |
| Spare Land | Mar 1998 | \$353 | | |
| Hibiscus Coast Community Health Centre, Whangaparaoa | May 1995 | \$3,162 | 9.51% | Dec 2003 |
| Hospital Laundry and Sterilisation Facility, Auckland | Jun 1996 | \$8,717 | 9.50% | Jun 2004 |
| Spare Land | Jun 1996 | \$916 | | |
| Pitman House, Auckland | Mar 1998 | \$4,214 | 9.65% | Dec 2003 |
| PRIMARY CARE FACILITY | | | | |
| Eastmed St Heliers, Auckland ⁵ | Dec 1999 | \$6,680 | 9.25% | Dec 2003 |
| TOTAL STANDING INVESTMENTS | | \$144,623 | | |

INVESTMENT PROPERTIES FOR CONSTRUCTION

| USE OF PROPERTY | PURCHASE DATE | ESTIMATED COST (\$000) | COST TO DATE (\$000) | VALUATION DATE |
|---|---------------|------------------------|----------------------|----------------|
| SURGICAL & MEDICAL | | | | |
| Ascot Clinics, Auckland ⁵ | Sep 1997 | \$14,000 | \$2,745 | |
| Epworth Eastern, Melbourne | Apr 1999 | \$46,820 | \$37,691 | |
| TOTAL INVESTMENT PROPERTIES FOR CONSTRUCTION | | | \$40,436 | |

¹ The Artemis is currently being marketed for sale as vacant medical

² These properties are subject to Annual CPI rental adjustments

³ The Ascot Carpark is subject to a ground lease with the Auckland Racing Club

⁴ Yield calculated on market rental

⁵ A leasing programme for part of the centre is currently being undertaken

| ANNUAL CONTRACT RENT | NEXT MARKET RENT REVIEW | LEASE EXPIRY DATE | RIGHTS OF RENEWAL | OCCUPANCY | FLOOR AREA (SQ.M) | LAND AREA (SQ.M) |
|--|---------------------------------|-------------------|--------------------|---|----------------------|---------------------|
| — | — | — | — | 0% | 991 | 1,550 |
| \$6,486,724 | Various | Various | Various | 100% | 11,043 | 12,700 |
| | | | | 100% | | |
| \$1,153,727 | — | 19 Feb 2014 | Three of 5 years | 100% | 2,688 | 4,802 |
| \$946,616 | Various | Various | Various | 100% | 2,245 | 2,854 |
| \$452,750 | Dec 2005 | 23 Dec 2014 | Three of 6 years | 100% | 1,892 | 9,407 |
| \$957,009 | Mar 2007 | 11 Mar 2021 | One of 20 years | 100% | 2,666 | 4,675 |
| \$1,354,803 | Dec 2005 | 22 Dec 2011 | Three of 6 years | 100% | 4,295 | 7,172 |
| | | | | | | |
| \$206,932 | Mar 2006 | 15 Mar 2008 | Two of 5 years | 100% | 1,812 | 7,285 |
| | | | | | | 3,250 |
| \$293,716 | Jun 2007 | 28 Jun 2011 | One of 5 years | 100% | 1,462 | 4,322 |
| \$840,517 | Nov 2005 | 29 Nov 2014 | Two of 5 years | 100% | 9,525 | 19,966 |
| | | | | | | 5,338 |
| \$414,742 | Jul 2005 | 19 Jul 2009 | Three of 3 years | 100% | 1,834 | 4,580 |
| | | | | | | |
| \$514,613 | Various | Various | Various | 79% | 2,175 | 6,355 |
| | | | | | | |
| PERCENTAGE COMPLETE | ESTIMATED DATE OF COMPLETION | PERCENTAGE LEASED | INITIAL LEASE TERM | OCCUPANCY | FLOOR AREA (SQ.M) | LAND AREA (SQ.M) |
| | | | | | 4,663 | 3,000 |
| 53.5% | Dec 2004 | 100% | Various | | 12,396 | 6,349 |
| Valuations are carried out on all properties in the portfolio within 12 months of the date of acquisition and annually thereafter at 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 on this table are exclusive of GST and in NZ dollars | | |

BOARD OF DIRECTORS

BRUCE DAVIDSON
LLB, Notary Public, F Inst D



Mr Bruce Davidson was appointed Independent Chairman, Calan Healthcare Properties Limited, effective 1 July 2002. He brings extensive experience in corporate governance, law and property to the role. Previously Chairman of CDL Hotels New Zealand Limited and associated companies for over ten years, Mr Davidson is presently Chairman of Telco Asset Management Limited, Bikes Direct and Bikes International Ltd, Mahony & Co Ltd and the Registration Board of the Property Institute of New Zealand. Current directorships include The Auckland Trotting Club Inc., Vision Senior Living Ltd and Waimangu Volcanic Valley Limited. Mr Davidson was a partner of law firm Phillips Fox for 20 years and held the positions of national Managing Partner and Australasian Board member for that firm. He is currently President of the Institute of Directors in New Zealand.

TIMOTHY SAUNDERS
MBA (Columbia),
B.Com (Economics), F Inst D



Mr Tim Saunders was appointed as an Independent Director of Calan Healthcare Properties Limited, effective 1 July 2002. He has also assumed the role of Chairman of the Audit Committee. Mr Saunders was a founding partner in Northington Partners Limited, an investment banking firm in Auckland, who he now carries out consulting work for. Mr Saunders is currently Chairman of Feltex Carpets Limited and Solid Energy New Zealand Ltd. He is also a Director of a number of companies including Capital Properties New Zealand Limited, Contact Energy Limited, New Zealand Exchange Limited and Pyne Gould Corporation Limited. Mr Saunders is also a member of the Australian Board of LEK Consulting. Mr Saunders was an adviser to New Zealand Treasury from 1987 to 1996. His experience encompasses corporate governance, corporate strategy and public sector reform.

MILES WENTWORTH
B.Com, CA



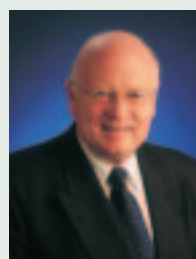
Mr Miles Wentworth was appointed as the Chief Executive and a Director of Calan Healthcare Properties Limited with effect from 1 July 2003. Prior to this appointment Mr Wentworth was the Chief Operating Officer and prior to that the Chief Financial Officer for the company. Prior to joining Calan Healthcare in 1996, Mr Wentworth held a number of senior financial roles within a diverse range of industry segments. Mr Wentworth is also a Director of the Trust's asset owning company CHPT No. 1 Limited and the Australian Trust Manager, Calan Healthcare Australian Properties Limited.

Mr Martin Lyttelton is a Director and Shareholder of Calan Healthcare Properties Limited (CHPL). Mr Lyttelton held the role of Managing Director from inception in 1994, up until his retirement from the role effective 30 June 2003. Prior to joining Calan Group, he worked in senior financial and management roles in New Zealand, Australia and the United Kingdom. Mr Lyttelton is also a Director of the Trust's asset owning company CHPT No. 1 Limited and the Australian Trust Manager, Calan Healthcare Australian Properties Limited.



MARTIN LYTTELTON
B.Com

Mr Jock Irvine was appointed to the Board of Calan Healthcare Properties Limited as an Independent Director, effective 9 August 2002. A property law partner with Simpson Grierson, Mr Irvine has considerable experience in advising on commercial and residential property development. Mr Irvine was Chairman of Newmarket Property Management Limited for eight years and is currently a Director of Pacific Retail Group Limited. A founding Trustee of Sport Auckland, Mr Irvine is also Chairman of the Board of Trustees for the Sky City Community Trust and a member of the Norfolk Island Gaming Authority. Honoured in the 1997 Queen's Birthday List, Mr Irvine was made an Officer of the New Zealand Order of Merit for services to the legal profession.



JOCK IRVINE
O.N.Z.M., LLB, Notary Public

Mrs Catherine Rowley has been an Independent Director of Calan Healthcare Properties Limited since March 1999 and is also a Director of Calan Healthcare Australian Properties Limited. Her experience encompasses the management consulting, merchant and investment banking and human resources management arenas. Initially, Mrs Rowley worked in investment and merchant banking in both New Zealand and Australia. Her consulting experience was with McKinsey & Co. where she worked across a broad spectrum of industries. Subsequently, as an executive search consultant, Mrs Rowley recruited internationally for CEO and CFO positions in the private and public sectors.



CATHERINE ROWLEY
BCA, FAICD

Mr Brian Freestone has been a Director and Shareholder of Calan Healthcare Properties Limited from its inception in 1994. He has substantial experience in management and advisory roles in financial services, the food industry, science and technology, education, manufacturing and government reform. Mr Freestone founded Calan Group in 1989.



BRIAN FREESTONE
BBS (Hons)

C O R P O R A T E G O V E R N A N C E

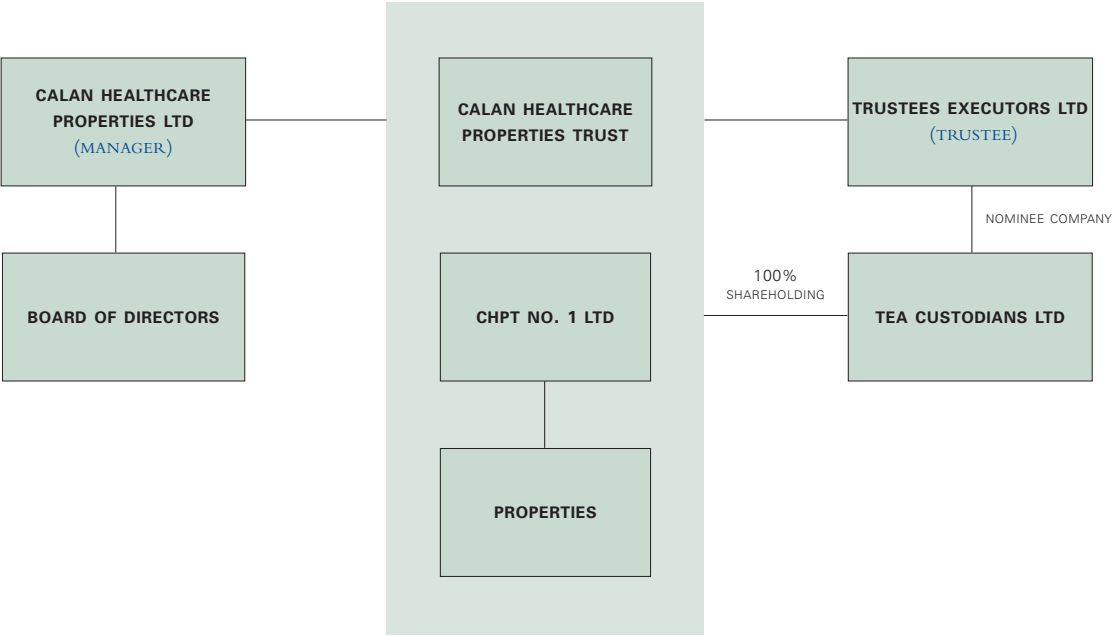
STRUCTURE

Calan Healthcare Properties Trust (the Trust) is a New Zealand unit trust registered under the Unit Trusts Act 1960. The Trust was established under a Trust Deed dated 1 September 1999, which replaced the Trust Deed dated 11 February 1994 as amended. Under the terms of the Trust Deed, Calan Healthcare Properties Limited is the Manager of the Trust and Trustees Executors Limited (the Trustee) is the Trustee. The Board of Directors of the Manager (the Board) and the Trustee assume corporate governance of the Trust. The Manager oversees the business and affairs of the Trust and establishes the strategies and financial objectives to be implemented by management and monitors the performance of management.

In fulfilling their obligations, the Board and the Trustee acknowledge the need for the highest standards of corporate governance and ethical conduct.

Calan Healthcare Properties Trust's securities (Units) are listed on the New Zealand Exchange using the ticker CHP.

The structure of the Trust and Manager is outlined below:



THE TRUSTEE'S ROLE

Trustees Executors Limited was incorporated in New Zealand in 1881 as The Trustees Executors and Agency Company of New Zealand Limited and is empowered as a statutory trust company by its own Act of Parliament and has been re-registered under the Companies Act 1993.

The role of the Trustee is to supervise the administration and the maintenance of the Trust and to ensure that the interests of Unit Holders are safeguarded at all times, subject to the provisions of the Trust Deed.

The Trustee has the powers, authorities and discretions, to exercise as if it were the absolute and beneficial owner of the Trust Fund. The Trustee holds all the assets of the Trust on behalf of Unit Holders and reviews and approves all investment and divestment proposals recommended by the Manager and reviews and authorises all payments made by the Trust.

THE MANAGER'S ROLE

Calan Healthcare Properties Limited has overall responsibility for the management of the Trust. The scope of this management responsibility extends to setting the overall strategic direction, determination of portfolio mix, property selection, analysis review and negotiation of property acquisitions and disposals, portfolio, property and construction management, financial and treasury management, dividend payments and liaison with Unit Holders.

BOARD OF DIRECTORS OF THE MANAGER

The ultimate responsibility for corporate governance lies with the Board of Directors of the Manager. The Board of Calan Healthcare Properties Limited is committed to the highest standards of corporate governance, business behaviour and accountability.

The Board of Directors of the Manager is responsible for overseeing the direction and supervision of the Trust's business on behalf of all Unit Holders. Its principal objectives and functions are:

- To maximise the return to Unit Holders consistent with the objective of stable, long-term growth of the property portfolio;
- To build the Trust's capital base and increase property values through rental growth and sound management policies;
- To provide Unit Holders with access to scale properties in a diversified portfolio;
- To review and approve the financial performance of the Trust and monitor the performance of management;
- To approve all transactions relating to acquisitions and divestments, prior to seeking Trustee approval;
- To appoint auditors, communicate with and report to Unit Holders, and monitor regulatory compliance;
- To recruit Directors, regularly review and assess collective and individual Board performance, and establish and review processes to assist with the effective operation of the Board.

C O R P O R A T E G O V E R N A N C E

BOARD MEMBERSHIP

The Board of the Manager comprises seven Directors: an Independent Chairman, three Independent Directors and three Directors. The names and profiles of the Directors are set out on pages 18 and 19 of this report.

The Board seeks to appoint Directors with complementary experience and knowledge who will at all times act in accordance with the highest ethical standards.

INTERESTS REGISTER

Section 189 (1)(c) of the Companies Act 1993 requires the Manager to keep a Register of Directors' Interests and this has been extended to include interests in the Trust. Each Director is required to disclose the following information and have that information entered into the Register of Interests as soon as they become aware of it:

- Particulars of board appointments;
- Particulars of interests in transactions of the Trust;
- Disclosure or use of Trust information acquired by virtue of office or employment by the Manager;
- Share dealings in the Trust;
- Particulars of Board approved payments and loans and guarantees of the debts of Directors, or contracts to do any of these things.

In considering any share dealings in the Trust, the Directors must observe the Insider Trading Policy. Directors must notify and obtain approval of the Manager before trading in the Trust's units and are only permitted to trade in two window periods. That is, from one day after the interim or annual results are announced up to five months after the end of the financial year or four months after the end of the half-year accounting period as the case may be.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Manager maintains Directors' and Officers' Liability Insurance and indemnifies the directors and officers of the Manager against all liabilities which arise out of the performance of normal duties as directors or officers, unless the liability relates to conduct involving a lack of good faith. This includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity.

BOARD COMMITTEES

The Board may establish committees to assist in the execution of its duties and to allow detailed consideration of complex issues.

AUDIT COMMITTEE

The Board has formally constituted an Audit Committee which addresses membership, authority, primary and specific responsibilities, and reporting procedures. The committee is chaired by Mr Tim Saunders and the other members are Mrs Catherine Rowley and Mr Brian Freestone. Both Mr Saunders and Mrs Rowley are Independent Directors.

Specifically the Audit Committee is responsible for:

- Monitoring the systems of corporate governance;
- Supervising and monitoring external audit requirements;
- Reviewing and approving quarterly distributions, with recommendation of the same to the Board;
- Reviewing annual and half-yearly financial statements prior to submission to the Board for approval;
- Reviewing the performance of the external auditors.

DELEGATION OF AUTHORITY

The formulation and implementation of policies and reporting procedures, other than those set out above, have been delegated to the management of the Manager. In particular, the management of the Trust's day-to-day affairs has been delegated to Mr Miles Wentworth, Chief Executive. The Board of the Manager monitors those delegations as part of the formal business of each Board meeting.

RELATED PARTY TRANSACTIONS

In accordance with the terms of the Trust Deed, the Manager is entitled to a management fee equal to 0.75% of gross assets. In addition the Manager has the right to be reimbursed for certain expenses or services. These include costs incurred in connection with the acquisition, development, custody, ownership, leasing of tenancies, disposing of an asset of the Trust, costs of holding meetings of Unit Holders, auditors fees, valuation fees, leasing commissions. Any such services are provided by the Manager or an associate of the Manager on an 'arms length' basis at normal commercial rates and are disclosed as related party transactions in the notes to the financial statements.

CONTINUOUS DISCLOSURE

The New Zealand Exchange Listing Rules require that a Listed Property Trust disclose to the market matters which could be expected to have a material effect on the price or value of the Trust's securities. Management processes are in place through the Trust to ensure that all material matters, which may potentially require disclosure, are promptly reported to the Fund Manager through established reporting lines. Matters reported are assessed and where required by the Listing Rules, advised to the market. The Company Secretary is responsible for communications with the New Zealand Exchange and for ensuring that such information is not released to any person until the New Zealand Exchange has confirmed it is released to the market.

INVESTOR RELATIONS

OPERATING STRUCTURE

Calan Healthcare Properties Trust is a unit trust. We invest in the health property sector in New Zealand and Australia and our focus is on holding quality, income generating assets.

The Trust is listed on the New Zealand Exchange (NZX), and our trading code is CHP. Investors in Calan Healthcare Properties Trust hold units rather than shares.

We are a low risk, medium return investment that looks to deliver a growing yield to investors.

The Trust operates under a Trust Deed between the Manager of the Trust (Calan Healthcare Properties Limited, a privately owned company) and the Trustee (Trustees Executors Limited) who represent Unit Holders.

The Trust Deed prescribes strict guidelines for the Manager to follow and the Trustee is required by law to monitor compliance. The Trustee holds title to all assets on behalf of Unit Holders and reviews and approves all investment and divestment proposals.

The Manager appoints Directors, and the staff that manage the Trust on a day to day basis are employees of the Manager. The Manager receives a fee for the services they provide. The fee is calculated at 0.75% of the Trust's Gross Assets.

DISTRIBUTION PAYMENTS

| QUARTER ENDED | GROSS DISTRIBUTION (CPU) | IMPUTATION CREDITS (CPU) | RESIDENT WITHHOLDING TAX (CPU) | NET DISTRIBUTION (CPU) |
|----------------|--------------------------|--------------------------|--------------------------------|------------------------|
| September 2003 | 2.0000 | 0.1981 | 0.4619 | 1.3400 |
| December 2004 | 2.0000 | 0.2444 | 0.4156 | 1.3400 |
| March 2004 | 2.0000 | 0.2833 | 0.3767 | 1.3400 |
| June 2004 | 2.0000 | 0.2931 | 0.3669 | 1.3400 |
| | 8.0000 | 1.0189 | 1.6211 | 5.3600 |

FINANCIAL CALENDAR

The Trust operates to a 30 June financial year with the following key dates:

- Annual financial result announced mid August
- Annual report released late September
- Annual meeting held mid November
- Half year financial result announced mid February
- Half year report released late March
- Distribution four times a year for quarters ending 30 September, 31 December, 31 March and 30 June

INFORMATION ABOUT CALAN HEALTHCARE PROPERTIES TRUST

In addition to media statements about the financial results, and the annual and half year reports, Calan Healthcare Properties Trust:

- Advises the New Zealand Exchange by way of statement on all matters it regards could affect the unit price. These statements are immediately posted on our web site www.calan.co.nz
- Updates its web site www.calan.co.nz regularly. On the web site investors have access to:
 - **CHIEF EXECUTIVE UPDATE.** A quarterly update by the Chief Executive on developments of relevance to Unit Holders. Posted in August, November, February and May,
 - **UNIT VALUATION.** An article by First NZ Capital on ways of valuing units listed in property vehicles,
 - **FIRST NZ CAPITAL LINK.** This link gives you access to First NZ Capital's website for up to date information on the price at which units are trading and the volume involved,
 - **TRUST INFORMATION.** A wealth of information about the Trust, including historical issues of media statements and reports.



DISTRIBUTION

Distribution payments are made by direct credit to nominated New Zealand bank accounts, or by cheque.

Direct credit authorisation forms can be obtained from the Unit Registrar.

Alternatively you can participate in the Trust's Dividend Reinvestment Plan (DRP). Unit Holders who wish to participate in the DRP, and who have not previously elected to participate, should notify the Unit Registrar.

MAKING CONTACT

Contact details of the Secretary to the Manager, the Manager, the Trustee and the Unit Registrar are included on the inside back cover of this report.



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

| | |
|--|----|
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AUDIT REPORT



TO THE UNIT HOLDERS OF CALAN HEALTHCARE PROPERTIES TRUST

We have audited the financial statements on pages 28 to 41. The financial statements provide information about the past financial performance and financial position of the Trust and Group as at 30 June 2004. This information is stated in accordance with the accounting policies set out on pages 32 to 33.

MANAGER'S RESPONSIBILITIES

The Manager is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Trust and Group as at 30 June 2004 and the results of their operations and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Manager and report our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Manager in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Trust's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the Trust and certain group companies in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the Trust and Group. The firm has no other relationship with, or interest in, the Trust or any group companies.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Trust as far as appears from our examination of those records;
- the financial statements on pages 28 to 41:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the Trust and Group as at 30 June 2004 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 19 August 2004 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'KPMG'.

Auckland, New Zealand
Chartered Accountants

STATEMENT OF FINANCIAL PERFORMANCE

| FOR THE YEAR ENDED 30 JUNE 2004 | | CONSOLIDATED | | TRUST | |
|---|------|----------------|----------------|---------------|---------------|
| | Note | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| OPERATING REVENUE | | | | | |
| Rental | | 13,928 | 15,112 | — | — |
| Other income | | 388 | — | — | — |
| Dividend from subsidiary company | 16 | — | — | 10,427 | 9,939 |
| TOTAL PROPERTY REVENUE | | 14,316 | 15,112 | 10,427 | 9,939 |
| LESS: | | | | | |
| Direct property related expenses | 12 | 570 | 643 | — | — |
| Bad debts | | 40 | — | — | — |
| Provision for doubtful debts | | — | 95 | — | — |
| Loss on sale of investment properties | | 76 | 10 | — | — |
| | | 686 | 748 | — | — |
| NET PROPERTY REVENUE | | 13,630 | 14,364 | 10,427 | 9,939 |
| OPERATING EXPENSES | | | | | |
| Audit fees | | 34 | 34 | 39 | 24 |
| Fees for other services provided by auditor | | 23 | 27 | 11 | 19 |
| Manager's fees | 15 | 1,517 | 1,547 | 1,083 | 1,194 |
| Property acquisition and investment evaluation costs | 11 | 299 | 282 | 55 | — |
| Registry fees | | 52 | 48 | 52 | 48 |
| Trustee's fees | | 145 | 145 | 145 | 145 |
| Unit Holder communication costs | | 112 | 114 | 112 | 114 |
| Other operating expenses | | 100 | 92 | 71 | 37 |
| Write down of investment | | — | 236 | — | — |
| Foreign currency losses | | — | 202 | — | — |
| TOTAL OPERATING EXPENSES BEFORE INTEREST | | 2,282 | 2,727 | 1,568 | 1,581 |
| OPERATING SURPLUS BEFORE INTEREST | | 11,348 | 11,637 | 8,859 | 8,358 |
| Interest received | | 358 | 491 | — | — |
| Less interest expensed | | (1,640) | (3,060) | (16) | (40) |
| NET BORROWING COSTS | | (1,282) | (2,569) | (16) | (40) |
| OPERATING SURPLUS BEFORE INCOME TAX | | 10,066 | 9,068 | 8,843 | 8,318 |
| Less income tax expense | 3 | (1,399) | (1,756) | 549 | 534 |
| OPERATING SURPLUS AFTER INCOME TAX | | 8,667 | 7,312 | 9,392 | 8,852 |
| Unrealised return on investment properties under construction | | 1,400 | 45 | — | — |
| Decrease in value of investment properties for construction | | (976) | — | — | — |
| NET SURPLUS AFTER INCOME TAX | | 9,091 | 7,357 | 9,392 | 8,852 |

The accompanying notes on pages 32 to 41 form an integral part of these financial statements.

STATEMENT OF MOVEMENTS IN UNIT HOLDERS' FUNDS

| FOR THE YEAR ENDED 30 JUNE 2004 | | CONSOLIDATED | | TRUST | |
|---|-------|---------------|---------------|---------------|---------------|
| | Note | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| TOTAL RECOGNISED REVENUES AND EXPENSES | | | | | |
| SURPLUS AND REVALUATIONS | | | | | |
| Net surplus after income tax | 7 | 9,091 | 7,357 | 9,392 | 8,852 |
| Net revaluation of investment properties | 5 | 4,012 | (247) | — | — |
| Foreign currency translation reserve movement | 6 | (442) | (21) | — | — |
| | | 12,661 | 7,089 | 9,392 | 8,852 |
| OTHER MOVEMENTS | | | | | |
| Units issued to satisfy manager's incentive fee | 4, 15 | 53 | — | 53 | — |
| Cash distributions made during the year | | (7,465) | (6,257) | (7,465) | (6,257) |
| | | (7,412) | (6,257) | (7,412) | (6,257) |
| MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR | | 5,249 | 832 | 1,980 | 2,595 |
| UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE YEAR | | | | | |
| | | 144,783 | 143,951 | 145,495 | 142,900 |
| UNIT HOLDERS' FUNDS AT THE END OF THE YEAR | | | | | |
| | | 150,032 | 144,783 | 147,475 | 145,495 |

STATEMENT OF FINANCIAL POSITION

| AS AT 30 JUNE 2004 | | CONSOLIDATED | | TRUST | |
|--|--------|----------------|----------------|----------------|----------------|
| | Note | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| UNIT HOLDERS' FUNDS | | | | | |
| Units subscribed | 4 | 144,659 | 142,642 | 144,659 | 142,642 |
| Revaluation reserve | 5 | 4,673 | 661 | — | — |
| Foreign currency translation reserve | 6 | (1,074) | (632) | — | — |
| Proposed distribution at the end of the year | | 2,322 | 2,279 | 2,322 | 2,279 |
| Undistributed (deficit)/surplus | 7 | (548) | (167) | 494 | 574 |
| TOTAL UNIT HOLDERS' FUNDS | | 150,032 | 144,783 | 147,475 | 145,495 |
| Represented by: | | | | | |
| CURRENT ASSETS | | | | | |
| Bank | | 362 | 487 | 3 | 3 |
| Receivables | | 3,793 | 3,319 | 28 | 17 |
| Loan advances | | 203 | 3,664 | — | — |
| Properties intended for sale | | 12,825 | 12,825 | — | — |
| Income tax receivable | | 65 | — | 65 | — |
| Lease receivables | 8 | — | 17 | — | — |
| | | 17,248 | 20,312 | 96 | 20 |
| NON CURRENT ASSETS | | | | | |
| Investments | 9 | 6,854 | 6,596 | — | — |
| Investment in subsidiaries | 9 | — | — | 65,204 | 65,204 |
| Investment properties | 10 | 144,623 | 140,712 | — | — |
| Investment properties for construction | | 40,436 | 19,884 | — | — |
| Amounts receivable from subsidiaries | 16 | — | — | 82,621 | 80,714 |
| Property acquisition and investment evaluation costs | 11 | 311 | 664 | 43 | 208 |
| Deferred settlements | | 753 | 6,622 | — | — |
| Receivables | | 1,033 | — | — | — |
| Other receivables | | 19 | 23 | — | — |
| | | 194,029 | 174,501 | 147,868 | 146,126 |
| TOTAL ASSETS | | 211,277 | 194,813 | 147,964 | 146,146 |
| CURRENT LIABILITIES | | | | | |
| Accounts payable and accrued expenses | | 5,358 | 3,426 | 489 | 494 |
| Income tax payable | | — | 157 | — | 157 |
| | | 5,358 | 3,583 | 489 | 651 |
| NON CURRENT LIABILITIES | | | | | |
| Borrowings | 13, 20 | 55,887 | 46,447 | — | — |
| NET ASSETS | | 150,032 | 144,783 | 147,475 | 145,495 |
| Net tangible assets per unit | | \$1.10 | \$1.08 | \$1.08 | \$1.08 |



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



MP Wentworth
Chief Executive
For and on behalf of the Manager
Calan Healthcare Properties Limited

STATEMENT OF CASH FLOWS

| FOR THE YEAR ENDED 30 JUNE 2004 | | CONSOLIDATED | | TRUST | |
|--|------|---------------|---------------|---------------|---------------|
| | Note | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| CASH WAS PROVIDED FROM: | | | | | |
| Receipts from tenants | | 15,493 | 15,142 | — | — |
| Interest received | | 488 | 184 | — | — |
| Other income | | 388 | — | — | — |
| Net income tax received | | — | — | 327 | 455 |
| Dividends received from subsidiary | | — | — | 10,427 | 9,939 |
| | | 16,369 | 15,326 | 10,754 | 10,394 |
| CASH WAS APPLIED TO: | | | | | |
| Payments to suppliers | | (2,938) | (2,265) | (1,569) | (1,576) |
| Net income tax paid | | (1,622) | (2,436) | — | — |
| Interest paid | | (1,772) | (3,085) | — | — |
| Net goods and services tax paid | | (1) | (233) | (11) | — |
| | | (6,333) | (8,019) | (1,580) | (1,576) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 19 | 10,036 | 7,307 | 9,174 | 8,818 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| CASH WAS PROVIDED FROM: | | | | | |
| Lease receivable | | 17 | 22 | — | — |
| Sale of investment properties | | — | 26,141 | — | — |
| Deferred settlements | | 5,870 | — | — | — |
| Loan advances | | 3,514 | — | — | — |
| | | 9,401 | 26,163 | — | — |
| CASH WAS APPLIED TO: | | | | | |
| Purchase of and costs capitalised to investment properties | | (744) | (1,327) | — | — |
| Loan advances | | — | (2,938) | — | — |
| Capitalisation of interest | | (1,720) | (774) | — | — |
| Expenditure on investment properties for construction | | (21,140) | (6,305) | — | — |
| Property acquisition and investment evaluation costs | | (319) | (588) | (160) | (208) |
| Advances to subsidiaries | | — | — | (1,689) | (2,278) |
| | | (23,923) | (11,932) | (1,849) | (2,486) |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | | (14,522) | 14,231 | (1,849) | (2,486) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| CASH WAS PROVIDED FROM: | | | | | |
| Net proceeds from borrowings | | 11,686 | — | — | — |
| | | 11,686 | — | — | — |
| CASH WAS APPLIED TO: | | | | | |
| Net repayment of borrowings | | — | (15,517) | — | — |
| Distributions to unit holders | | (7,325) | (6,332) | (7,325) | (6,332) |
| | | (7,325) | (21,849) | (7,325) | (6,332) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | | 4,361 | (21,849) | (7,325) | (6,332) |
| Net decrease in cash | | (125) | (311) | — | — |
| Add opening cash brought forward | | 487 | 798 | 3 | 3 |
| CLOSING CASH CARRIED FORWARD | | 362 | 487 | 3 | 3 |

The accompanying notes on pages 32 to 41 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity Calan Healthcare Properties Trust and the consolidated financial statements of the Group comprising Calan Healthcare Properties Trust and its subsidiaries.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993. The reporting entity is an issuer under the Financial Reporting Act 1993.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

Certain reclassifications of prior period information have been made to conform to current period classifications.

Particular Accounting Policies

The particular accounting policies adopted having a significant effect on the results and financial position are as follows:

Principles of Consolidation

The consolidated financial statements include those of the Trust and its subsidiaries listed in Note 9. The financial statements of subsidiaries are included in the Group financial statements using the purchase method of consolidation. All significant inter entity transactions have been eliminated on consolidation.

Income Tax

Income tax expense charged in the Statement of Financial Performance includes both current and deferred tax. Deferred tax has been calculated using the partial liability method where only timing differences expected to reverse in the foreseeable future are brought to account.

As investment properties are intended to be held long term, timing differences arising from tax depreciation are not expected to reverse in the foreseeable future. Accordingly deferred taxation is not brought to account on these timing differences unless a property is sold.

Establishment, Capital Raising and Listing Costs

Establishment, capital raising and listing costs, such as legal fees for preparing the Trust Deed, Listing Profile, Prospectus, underwriting fees and brokerage are deducted from Unit Holders' Funds as permitted by the Trust Deed.

Investments

Investments in shares/units in subsidiaries or other companies/unit trusts are carried at the lower of cost or net realisable value, unless an independent valuation has been obtained.

Dividend income is recognised in the Statement of Financial Performance when the dividend is declared.

Investment Properties

Investment properties are initially recorded at cost and then on an annual basis revalued to net current value. Individual properties are valued at June or December each year. Depreciation is not provided for on investment properties. Net increments in the value of properties on a portfolio basis are transferred directly to the revaluation reserve. Net decrements on a portfolio basis are transferred to the revaluation reserve unless the reserve is insufficient to cover a deficit. In such a case the amount of the deficit will be taken to the Statement of Financial Performance. If the net effect of revaluing the property investment is a revaluation increment, to the extent that the increment reverses a revaluation decrement previously taken to the Statement of Financial Performance, the increment is credited to the Statement of Financial Performance.

Investment Properties for Construction

This category includes properties where construction is planned or is underway, and the carrying value includes all costs incurred to date. The unrealised returns on investment properties for construction are accounted for in accordance with SSAP 17. An estimated surplus, being the excess of an independent valuation (net of disposal costs) over expected completed cost, is recognised in the Statement of Financial Performance on a percentage of completion basis. If a deficit is expected between the independent valuation and expected completed cost, then the full deficit is recognised in the Statement of Financial Performance as soon as a loss is identified. Interest relating to the funding of property is included as a component of cost to the extent that there is an estimated surplus. The Directors, at their discretion, may distribute a portion of the unrealised return on investment properties for construction to Unit Holders, and may transfer an amount of the unrealised return to the revaluation reserve.

Property Acquisition and Investment Evaluation Costs

Costs in respect of the acquisition of potential investment properties are capitalised until such time as the property is purchased. They are then capitalised to the cost of the property. If the purchase does not proceed they are expensed to the Statement of Financial Performance.

Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST to the extent that GST is recoverable. All items in the Statement of Financial Position are stated net of GST with the exception of receivables and payables, which include GST invoiced.

Manager's Incentive Fee

Where a Manager's incentive fee is payable, then the amount payable is satisfied by an issue of units in the following year in accordance with the Trust Deed. The amount of the incentive fee is charged against the revaluation reserve. The incentive fee is calculated and satisfied annually in accordance with the terms detailed in the Trust Deed.

Financial Instruments

Financial Instruments are carried at their estimated fair value. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group uses derivative financial instruments such as interest rate swaps to reduce its exposure to fluctuations in interest rates.

Financial instruments that are designated as hedges of specific items or economic exposures are recognised on the same basis as the underlying hedged items. The net differential paid or received on interest rate swaps is recognised as a component of interest expense or income over the term of the agreement.

Full disclosure of information about financial instruments is provided in Note 20.

Finance Leases

When assets are sold under a finance lease the gross amount of the lease payments is recognised as a receivable. The difference between the gross receivable and the cost of the asset is recognised as unearned finance income. Lease income is recognised over the term of the lease using the actuarial method, which reflects a constant periodic rate of return.

Operating Leases

Payments made under operating leases are recognised in the Statement of Financial Performance on a basis representative of the pattern of benefits expected to be derived from the leased asset.

Foreign Currency

Foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the exchange rates ruling at that date. Exchange differences arising on the translation of amounts receivable and payable in foreign currencies are recognised in the Statement of Financial Performance.

The assets and liabilities of subsidiaries incorporated overseas, being independent foreign operations, are translated at the rates of exchange ruling at balance date. The revenues and expenses of these entities are translated at rates approximating the exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are taken directly to equity.

Changes in Accounting Policies and Disclosures

There have been no changes in accounting policies during the year. All other policies have been applied on bases consistent with prior years.

2. NATURE OF BUSINESS

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 Deed. The Trust was formed to invest in high quality "Health Sector" related properties.

3. INCOME TAX

| | CONSOLIDATED | | TRUST | |
|--|---------------|---------------|---------------|---------------|
| | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| Operating surplus before income tax | 10,066 | 9,068 | 8,843 | 8,318 |
| Permanent differences | — | — | (10,427) | (9,939) |
| Non-reversing timing differences and timing differences not previously recognised | (4,449) | (2,977) | (80) | 3 |
| Australian profits not recognised | (1,228) | (749) | — | — |
| Taxable income | 4,389 | 5,342 | (1,664) | (1,618) |
| Taxation at 33% | 1,447 | 1,763 | (549) | (534) |
| Over provision prior year | (48) | (7) | — | — |
| Total income tax expense/(benefit) | 1,399 | 1,756 | (549) | (534) |
| Comprised of: | | | | |
| Current tax | 1,399 | 2,357 | (549) | (534) |
| Deferred tax | — | (601) | — | — |
| | 1,399 | 1,756 | (549) | (534) |
| Deferred tax | | | | |
| Balance at beginning of year | — | 601 | — | — |
| Tax expense for the year | — | (601) | — | — |
| Balance at end of year | — | — | — | — |

| | 2004 \$000 | 2003 \$000 |
|--|---------------|---------------|
|--|---------------|---------------|

CONSOLIDATED IMPUTATION CREDIT MEMORANDUM ACCOUNT

The imputation credits are available to Unit

Holders of the Group as follows:

Through the Trust

472 234

Through the subsidiaries

11 11

483 245

TRUST IMPUTATION CREDIT MEMORANDUM ACCOUNT

| | | |
|---|---------|---------|
| Balance at beginning of year | 234 | 162 |
| Taxation paid including RWT | 1,616 | 2,470 |
| Imputation credits attached to Unit Holder distributions paid | (1,378) | (2,398) |
| Balance at end of year | 472 | 234 |

The Trust provides for deferred taxation using the partial liability method where only timing differences expected to reverse in the foreseeable future are brought to account. The tax effect of the timing differences not recognised for the Group at 30 June 2004 was \$9,958,346 (2003: \$8,638,362).

Distributable income received from Calan Healthcare Australian Properties Trust (CHAPT) is subject to Australian income tax deducted from the operating surplus at the rate of 30% if CHAPT is in a tax payable position in Australia. Foreign dividend withholding tax will not be payable in New Zealand provided that CHAPT is liable to tax in Australia. Withholding tax has been deducted from interest on the unsecured advance at the rate of 10%. CHAPT has tax losses of AUD2,457,794 (2003: AUD1,155,064) to carry forward, subject to certain Australian tax requirements.

4. UNITS SUBSCRIBED

| | 2004 | | 2003 | |
|---|---------------------------|----------------|---------------------------|----------------|
| | Number Issued 000's | Value \$000 | Number Issued 000's | Value \$000 |
| CONSOLIDATED AND TRUST | | | | |
| Opening balance | 134,454 | 142,642 | 131,947 | 140,670 |
| Issue of units to satisfy manager's incentive fee | — | 53 | 48 | — |
| Issue of units under unit election plan | 2,289 | 1,964 | 2,459 | 1,972 |
| Closing balance | 136,743 | 144,659 | 134,454 | 142,642 |

5. REVALUATION RESERVE

| | | CONSOLIDATED | |
|--------------------------------------|------|---------------------|---------------|
| | Note | 2004 \$000 | 2003 \$000 |
| Opening balance | | 661 | 908 |
| Revaluation of investment properties | | 4,065 | (247) |
| Manager's incentive fee | 15 | (53) | — |
| Closing balance | | 4,673 | 661 |

6. FOREIGN CURRENCY TRANSLATION RESERVE

| | | CONSOLIDATED | |
|---|--|---------------------|---------------|
| | | 2004 \$000 | 2003 \$000 |
| Opening balance | | (632) | (311) |
| Translation of independent foreign operations | | (442) | 375 |
| Transfer to retained earnings | | — | (300) |
| Hedge of independent foreign operations | | — | (396) |
| Closing balance | | (1,074) | (632) |

7. UNDISTRIBUTED (DEFICIT)/SURPLUS

| | | CONSOLIDATED | | TRUST | |
|--|------|---------------------|---------------|---------------|---------------|
| | Note | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
| Opening balance | | (167) | 454 | 574 | — |
| Net surplus after income tax | | 9,091 | 7,357 | 9,392 | 8,852 |
| Transfer from foreign currency translation reserve | 13 | — | 300 | — | — |
| Distributions made during the year | | (7,150) | (5,999) | (7,150) | (5,999) |
| Proposed distribution at the end of the year | | (2,322) | (2,279) | (2,322) | (2,279) |
| Closing balance | | (548) | (167) | 494 | 574 |

8. LEASE RECEIVABLES

| | | CONSOLIDATED | |
|-------------------------|--|---------------------|---------------|
| | | 2004 \$000 | 2003 \$000 |
| Current | | | |
| Lease receivables | | — | 37 |
| Unearned finance income | | — | (20) |
| | | — | 17 |

9. INVESTMENTS AND INVESTMENTS IN SUBSIDIARIES

INVESTMENTS

Calan Healthcare Properties Trust through CHPT No.1 Limited has subscribed and has been allotted 4,700,000 shares in the hospital operating company, The Ascot Hospital & Clinics Limited (2003: 4,700,000).

ENTITIES CONSOLIDATED IN THE GROUP COMPRISE

| Name of Entity | Principal Activities | % interest held | |
|--|-----------------------------------|-----------------|------|
| | | 2004 | 2003 |
| Calan Healthcare Australian Properties Trust | Health sector property investment | 100 | 100 |
| CHPT No.1 Limited | Health sector property investment | 100 | 100 |

The balance dates of Calan Healthcare Australian Properties Trust and CHPT No.1 Limited are 30 June.

10. INVESTMENT PROPERTIES

CONSOLIDATED

| | 2004 \$000 | 2003 \$000 |
|--|----------------|----------------|
| Registered valuer | | |
| DTZ New Zealand Limited | 30,625 | 16,930 |
| Colliers International New Zealand Limited | 6,468 | 9,210 |
| Colliers International Consultancy and Valuation Pty Limited | 22,670 | 22,315 |
| CB Richard Ellis Limited | 84,860 | 85,800 |
| Seagar & Partners (Auckland) Limited | — | 6,457 |
| | 144,623 | 140,712 |

The Trust Deed requires that no individual property be valued by the same valuer (or any member of their company) for more than two consecutive years. A detailed schedule of properties, valuations, tenancies and other property information is included on pages 16 and 17 in the annual report.

11. PROPERTY ACQUISITION AND INVESTMENT EVALUATION COSTS

CONSOLIDATED

TRUST

| | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
|--|---------------|---------------|---------------|---------------|
| Opening balance | 664 | 78 | 208 | — |
| Net costs incurred | 316 | 1,403 | 160 | 208 |
| Transfers to investment properties or investment properties for construction | (142) | (535) | (42) | — |
| Costs transferred to investments | (228) | — | (228) | — |
| Costs expensed to the Statement of Financial Performance | (299) | (282) | (55) | — |
| Closing balance | 311 | 664 | 43 | 208 |

12. DIRECT PROPERTY RELATED EXPENSES

This expense item includes building maintenance and operating expenses not recoverable from tenants, property valuation fees, and property leasing costs. It also includes operating lease expenses of \$108,162 (2003: \$116,143).

13. BORROWINGS

CONSOLIDATED

| | 2004 \$000 | 2003 \$000 |
|--------------------------------|---------------|---------------|
| Non current secured bank loans | 55,887 | 46,447 |

The Group has borrowings from the ANZ Bank in New Zealand and Australia. The \$NZ75,000,000 facility is a 3 year evergreen facility. Borrowings are secured by first ranking mortgages over the respective investment properties by a General Security Deed over the assets and undertakings of CHPT No.1 Limited and fixed and floating charges over the assets and undertakings of Calan Healthcare Australian Properties Limited, as trustee for Calan Healthcare Australian Properties Trust.

All borrowings are classified as non current, and include various bills with floating interest rates and rollover terms of less than 6 months. Interest on the bills is set at the current market rate at each rollover, the current rates are disclosed in Note 20.

During 2003 CHAPT took out borrowings in Australia, repaying its intercompany account to CHPT No. 1 Limited, which in return repaid its AUD borrowings. As a result of this, \$300,180 was realised from the foreign currency translation reserve and transferred to retained earnings.

14. TRUST DEED

The Trust Deed was amended on 10 November 2003 to make it mandatory for the Trust to hold an annual meeting.

15. TRANSACTIONS WITH RELATED PARTIES

Calan Healthcare Properties Limited (CHPL) is related to Calan Healthcare Properties Trust and its subsidiaries as the Manager of the Trust.

Other related parties by virtue of common ownership and / or directorship to the Manager of the Trust, CHPL, include Calan Group Services Limited (CGSL) and Calan Healthcare Australian Properties Limited (CHAPL).

Transactions include:

- (a) The Group paid a Manager's fee of \$1,517,417 (2003: \$1,546,612) to CHPL and CHAPL, including \$1,083,348 (2003: \$1,193,760) paid by the Trust to CHPL.
- (b) The Trust incurred a Manager's incentive fee during the year of \$53,325 (2003: \$Nil), which will be satisfied by an issue of units to CHPL.

Other charges from related parties:

During the year the Trust and its subsidiaries made various payments to related parties. The payments can be separated into 3 categories. They are:

Capitalised to projects – services such as feasibility and acquisition advice, due diligence, leasing, project and construction management which have been provided during the year.

Costs reimbursed – management companies have paid costs on behalf of the Trust with these costs having been reimbursed during the year. The vast majority of costs reimbursed are project related costs which are capitalised to projects.

Costs expensed to the Statement of Financial Performance – these are either property related expenses or costs incurred during the year on projects which have not proceeded.

2004

| Company | Capitalised to projects \$ | Costs reimbursed \$ | Expensed to P&L \$ | Total \$ |
|--|----------------------------------|---------------------------|--------------------------|-------------|
| Calan Healthcare Properties Limited | 161,653 | 222,720 | 1,575 | 385,948 |
| Calan Healthcare Australian Properties Limited | 2,345 | 2,801 | 235 | 5,381 |
| Calan Group Services Limited | 113,250 | 198 | 3,417 | 116,865 |
| Total | 277,248 | 225,719 | 5,227 | 508,194 |

2003

| Company | Capitalised to projects \$ | Costs reimbursed \$ | Expensed to P&L \$ | Total \$ |
|--|----------------------------------|---------------------------|--------------------------|-------------|
| Calan Healthcare Properties Limited | 320,431 | 251,204 | 55,353 | 626,988 |
| Calan Healthcare Australian Properties Limited | 227,056 | 17,543 | 28,604 | 273,203 |
| Calan Group Services Limited | 463,476 | 3,824 | 33,212 | 500,512 |
| Total | 1,010,963 | 272,571 | 117,169 | 1,400,703 |

16. TRANSACTIONS WITH SUBSIDIARY

CHPT has a wholly owned subsidiary, CHPT No. 1 Limited. CHPT No. 1 Limited holds title to all of the Trust's real estate. Transactions between CHPT and CHPT No. 1 Limited include:

- (a) CHPT No.1 Limited has declared and paid dividends to its parent, the Trust, totalling \$10,427,438 for the year ended 30 June 2004 (2003: \$9,939,156).
- (b) Cash transfers from the Trust to its subsidiary CHPT No. 1 Limited and the payment of expenses by the Trust on behalf of CHPT No.1 Limited of \$10,477,777 (2003: \$10,740,066).
- (c) As at 30 June 2004 the Trust had advanced \$82,620,749 (2003: \$80,713,776) to its wholly owned subsidiary CHPT No.1 Limited. The loan is interest free and repayable on demand.

Amounts outstanding in respect of items (a) to (c) are included in accounts payable and accrued expenses.

17. COMMITMENTS

CAPITAL COMMITMENTS

The Group was party to contracts to construct property for the following amounts:

| | CONSOLIDATED AND TRUST | |
|---|---------------------------|---------------|
| | 2004 \$000 | 2003 \$000 |
| Total capital expenditure contracted but not provided for in the accounts AUD8,108,000 (2003: AUD24,500,000) | 8,893 | 28,032 |

This figure represents the Epworth Eastern Hospital project construction contract sums, less tenants' contractual obligations for repayment of fitout costs.

LEASE COMMITMENTS

CHPT No.1 Limited has non-cancellable operating lease rentals (these relate to a ground lease from the Auckland Racing Club on the rear carpark at Ascot Hospital) which are payable as follows:

| | CONSOLIDATED | |
|--|---------------|---------------|
| | 2004 \$000 | 2003 \$000 |
| Within one year | 108 | 116 |
| More than one year but less than two years | 115 | 116 |
| More than two years but less than five years | 351 | 369 |
| More than five years | 1,329 | 1,555 |

18. CONTINGENT LIABILITIES

The Group had provided support for the MercyAscot merger in the form of a guarantee. During the year the guarantee provided by the Trust was released as a result of refinancing by The Ascot Hospital & Clinics Limited.

| | CONSOLIDATED AND TRUST | |
|------------------------|---------------------------|---------------|
| | 2004 \$000 | 2003 \$000 |
| Contingent liabilities | — | 1,302 |

19. RECONCILIATION OF OPERATING RESULT FOR THE YEAR WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

| | 2004 \$000 | 2003 \$000 |
|---|---------------|---------------|
| (i) CONSOLIDATED | | |
| Net surplus after income taxation | 9,091 | 7,357 |
| ITEMS NOT INVOLVING CASH FLOWS | | |
| Decrease in value of investment properties for construction | 976 | 10 |
| Write down of investment | – | 236 |
| Property acquisition and investment evaluation costs written off | 299 | – |
| Unrealised return on construction | (1,400) | (45) |
| Loan interest | (178) | 283 |
| Foreign currency losses | – | 202 |
| | (303) | 686 |
| ADD/(DEDUCT): | | |
| MOVEMENTS IN WORKING CAPITAL ITEMS RELATING TO OPERATING CASH FLOW | | |
| Increase in receivables | (1,356) | (156) |
| Increase in accounts payable and accrued expenses | 2,826 | 100 |
| Decrease in deferred tax | – | (601) |
| Decrease in income tax payable | (222) | (79) |
| | 1,248 | (736) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 10,036 | 7,307 |
| (ii) TRUST | | |
| Net surplus after income taxation | 9,392 | 8,852 |
| ITEMS NOT INVOLVING CASH FLOWS | | |
| Property acquisition and investment evaluation costs written off | 55 | – |
| ADD/(DEDUCT): | | |
| MOVEMENTS IN WORKING CAPITAL ITEMS RELATING TO OPERATING CASH FLOW | | |
| (Increase)/decrease in receivables | (11) | 1 |
| (Decrease)/increase in accounts payable and accrued expenses | (40) | 44 |
| Decrease in income tax payable | (222) | (79) |
| | (273) | (34) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 9,174 | 8,818 |
| MOVEMENTS IN WORKING CAPITAL NOT REFLECTED IN OPERATING CASH FLOW | | |
| (i) CONSOLIDATED | | |
| Movement in receivables | (474) | (1,076) |
| Movement in items not affecting operating cash flow | (882) | 920 |
| | (1,356) | (156) |
| Movement in accounts payable and accrued expenses | 1,932 | (338) |
| Movement in items not affecting operating cash flow | 894 | 438 |
| | 2,826 | 100 |
| Movement in income tax payable/receivable | (222) | (79) |
| Movement in items not affecting operating cash flow | – | (601) |
| | (222) | (680) |
| (ii) TRUST | | |
| Movement in accounts payable and accrued expenses | (5) | (32) |
| Movement in items not affecting operating cash flow | (35) | 76 |
| | (40) | 44 |

20. FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair values of each class of financial instrument of which it is practical to estimate that value. Book value equals fair value for all financial instruments not mentioned.

BANK

The carrying amounts of these items are equivalent to their fair value.

RECEIVABLES, ADVANCES TO/FROM SUBSIDIARIES, LEASE RECEIVABLES, INCOME TAX PAYABLE, LOAN ADVANCES, ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The carrying amounts of these financial instruments are invoiced amounts taking account of any amounts considered irrecoverable and are equivalent to their fair value.

BORROWINGS

All borrowings are on less than six month rollovers and therefore their book value is equivalent to their market value.

SWAPS

The fair value of the interest rate swaps is a payable of AUD92,159 (2003: AUD719,321 payable).

CREDIT RISK

Credit risk is the risk that an outside party will not be able to meet its obligations to the Trust or its subsidiaries. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of cash at bank, monies held in trust, receivables and amounts due from property sales. The Trust and the Group places its cash with high credit quality financial institutions with lease deposits being held in a solicitors' trust account as is standard commercial practice.

INTEREST RATE RISK

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. To manage interest risk exposure, CHPT No.1 Limited has fixed interest rates on some borrowings by use of interest rate swaps.

Short term deposits are invested on call at call interest rates.

The principal or contract amounts of derivative financial instruments outstanding at balance date were:

| | 2004 \$000 | 2003 \$000 |
|---|---------------|---------------|
| Interest Rate Swaps AUD30,000,000 (2003: AUD20,000,000) | 32,906 | 22,833 |

REPRICING ANALYSIS

The following table identifies the period in which the financial instruments that are interest rate risk sensitive reprice.

| CONSOLIDATED | | | | | | |
|-------------------------|------------------------|----------------|----------------------------|-----------------------|---------------------|---------------------|
| On Balance Sheet | Effective Int. rate | Total \$000 | 6 mths or less \$000 | 6–12 mths \$000 | 1–2 yrs \$000 | 2–5 yrs \$000 |
| 30 JUNE 2004 | | | | | | |
| Deposits | | | | | | |
| Bank and Trust Accounts | 2.50–4.75% | 362 | 362 | – | – | – |
| Borrowings | 4.81–6.03% | 55,887 | 55,887 | – | – | – |
| 30 JUNE 2003 | | | | | | |
| Deposits | | | | | | |
| Bank and Trust Accounts | 2.85–4.00% | 487 | 487 | – | – | – |
| Borrowings | 5.49–5.96% | 46,447 | 46,447 | – | – | – |
| TRUST | | | | | | |
| On Balance Sheet | Effective Int. rate | Total \$000 | 6 mths or less \$000 | 6–12 mths \$000 | 1–2 yrs \$000 | 2–5 yrs \$000 |
| 30 JUNE 2004 | | | | | | |
| Deposits | | | | | | |
| Bank and Trust Accounts | – | 3 | 3 | – | – | – |
| 30 JUNE 2003 | | | | | | |
| Deposits | | | | | | |
| Bank and Trust Accounts | – | 3 | 3 | – | – | – |

20. FINANCIAL INSTRUMENTS (CONTINUED)

| Off Balance Sheet | Effective Int. rate | Total \$000 | 6 mths or less \$000 | 6–12 mths \$000 | 1–2 yrs \$000 | 2–5 yrs \$000 | 5–10 yrs \$000 |
|--------------------------------|------------------------|----------------|----------------------------|-----------------------|---------------------|---------------------|----------------------|
| 30 JUNE 2004 – AUD | | | | | | | |
| Asset – Interest rate swap | 6.59% | 30,000 | – | 5,000 | 5,000 | 15,000 | 5,000 |
| Liability – Interest rate swap | 6.03% | 30,000 | 30,000 | – | – | – | – |
| 30 JUNE 2003 – AUD | | | | | | | |
| Asset – Interest rate swap | 6.54% | 20,000 | – | 5,000 | 5,000 | 10,000 | – |
| Liability – Interest rate swap | 5.23% | 20,000 | 20,000 | – | – | – | – |

CURRENCY RISK

Currency risk is the risk that amounts receivable or payable in foreign currencies will change due to movements in exchange rates

The Group's exposure to currency risk is in relation to its Australian operations. The Group holds Australian dollar borrowings of AUD43,681,000 (2003: AUD32,641,000). This AUD borrowing is held by CHAPT. CHPT's equity investment in CHAPT is translated at the year end exchange rate with any changes going to the Foreign Currency Translation Reserve in the Statement of Financial Position.

21. SEGMENTAL INFORMATION

| | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 | 2004 \$000 | 2003 \$000 |
|---|--------------------|----------------|------------------|---------------|---------------------|----------------|
| Geographical Segments | New Zealand | | Australia | | Consolidated | |
| Operating revenue – external | 11,446 | 12,744 | 2,482 | 2,368 | 13,928 | 15,112 |
| Unallocated revenue | – | – | – | – | 746 | 269 |
| TOTAL REVENUE | 11,446 | 12,744 | 2,482 | 2,368 | 14,674 | 15,381 |
| Operating expenses | 2,099 | 2,658 | 794 | 398 | 2,893 | 3,056 |
| Unallocated expenses | – | – | – | – | 3,114 | 5,013 |
| TOTAL EXPENSES INCLUDING TAX | 2,099 | 2,658 | 794 | 398 | 6,007 | 8,069 |
| Unrealised return on construction | – | – | 1,400 | 45 | 1,400 | 45 |
| Net change in value of investment properties for construction | (976) | – | – | – | (976) | – |
| NET SURPLUS AFTER TAX | 8,371 | 10,086 | 3,088 | 2,015 | 9,091 | 7,357 |
| Segment assets | 146,202 | 144,936 | 64,713 | 49,390 | 210,915 | 194,326 |
| Unallocated assets | – | – | – | – | 362 | 487 |
| TOTAL ASSETS | 146,202 | 144,936 | 64,713 | 49,390 | 211,277 | 194,813 |

The Group operates in one industry, investing in high quality “health sector” related properties.

NZX LISTING RULES DISCLOSURES

TWENTY LARGEST REGISTERED UNIT HOLDERS AS AT 3 SEPTEMBER 2004

| UNIT HOLDER NAME | NUMBER OF UNITS | % OF TOTAL UNITS |
|---|--------------------|---------------------|
| New Zealand Central Securities Depository Ltd ¹ | 26,735,977 | 19.46 |
| Investment Custodial Services Ltd (C) ² | 11,844,822 | 8.62 |
| Investment Custodial Services Ltd (R) ² | 4,137,312 | 3.01 |
| Gregory William Thompson & Neilson Murdoch Harris & Graeme Bruce Douglas (Graeme Douglas Family A/C) | 1,062,885 | 0.77 |
| Custodial Nominees Ltd (R) | 708,685 | 0.52 |
| G T Nominees Ltd (Dutt Family A/C) | 581,803 | 0.42 |
| First NZ Capital Custodians Ltd | 492,588 | 0.36 |
| Custodial Services Ltd (A/C 2) | 455,386 | 0.33 |
| Custodial Services Ltd (A/C 3) | 449,560 | 0.33 |
| Ronald Gordon Millensted & Barbara Dorothy Millensted | 400,000 | 0.29 |
| Antonius Johannes Remmerswaal | 352,082 | 0.26 |
| GT Nominees Ltd (RC & A Bickers Family A/C) | 275,106 | 0.20 |
| Murray Thomas Purvis & Judith Carolyn Purvis | 261,635 | 0.19 |
| Hendry Nominees Ltd (A/C 8) | 220,480 | 0.16 |
| Kevin Leonard Wood | 214,192 | 0.16 |
| Mary Franceline Cutts & Dorothy Margaret Cutts | 209,964 | 0.15 |
| Prudent Investments Ltd | 200,000 | 0.15 |
| Edgar Albert Johnson & Cherry Johnson & Walter Mick George Yovich | 200,000 | 0.15 |
| Bade Holdings Ltd | 196,833 | 0.14 |
| Malcolm Earle Lawlor Boles & Stella Boles (Malcolm & Stella Boles Family A/C's) | 180,854 | 0.13 |
| TOTAL | 49,180,164 | 35.79 |

¹ New Zealand Central Securities Depository Limited provides a custodial depository service to financial institutions and does not have a beneficial interest in these Units.

² Investment Custodial Services Limited acts as custodian for all clients whose assets are held within the AEGIS service. All Units of the Trust are held by the custodian on behalf of the client as bare trustee.

NZX LISTING RULES DISCLOSURES (CONTINUED)

NZCSD HOLDINGS AS AT 3 SEPTEMBER 2004

New Zealand Central Securities Depository Limited Provides a custodial service to institutional Unit Holders and does not have a beneficial interest in these Units. The details of these holdings are as follows:

| UNIT HOLDER NAME | NUMBER OF UNITS | % OF TOTAL UNITS |
|--|-------------------|------------------|
| Accident Compensation Corporation | 741,725 | 0.54 |
| ANZ Nominees Limited | 267,820 | 0.19 |
| BT NZ Unit Trust Nominees Limited | 487,191 | 0.35 |
| Citibank Nominees (NZ) Limited | 1,042,000 | 0.76 |
| Cogent Nominees Limited | 441,713 | 0.32 |
| Portfolio Nominees Limited | 106,725 | 0.08 |
| MFL Mutual Fund Limited | 4,130,842 | 3.01 |
| TEA Custodians Limited - O/A The NZ Mid Cap Index Fund | 346,083 | 0.25 |
| TEA Custodians Limited - Balanced Growth Trust | 53,602 | 0.04 |
| National Nominees New Zealand Limited | 1,081,851 | 0.79 |
| Guardian Trust Investment Nominees (RWT) Limited | 385,924 | 0.28 |
| New Zealand Pension Plans (Life) Limited | 463,691 | 0.34 |
| Premier Nominees Limited - Armstrong Jones Property Securities | 7,985,312 | 5.81 |
| Sovereign Services Limited | 706,000 | 0.51 |
| TEA Custodians Limited | 600,000 | 0.44 |
| TEA Custodians Limited No. 2 Account | 1,023,802 | 0.75 |
| Custody and Investment Nominees Limited | 1,146,200 | 0.83 |
| Westpac Banking Corporation | 5,725,496 | 4.17 |
| TOTAL UNITS HELD | 26,735,977 | |

SPREAD OF UNIT HOLDERS AS AT 3 SEPTEMBER 2004

| HOLDING | NUMBER OF UNIT HOLDERS | NUMBER OF UNITS | % OF TOTAL UNITS |
|--------------------|------------------------|--------------------|------------------|
| 1 – 4,999 | 847 | 2,113,344 | 1.54 |
| 5,000 – 9,999 | 1,400 | 10,039,320 | 7.31 |
| 10,000 – 49,999 | 2,643 | 54,589,944 | 39.73 |
| 50,000 – 99,999 | 252 | 16,244,015 | 11.82 |
| 100,000 – 499,999 | 56 | 9,349,940 | 6.8 |
| 500,000 – 999,999 | 2 | 1,290,488 | 0.94 |
| 1,000,000 and over | 4 | 43,780,996 | 31.86 |
| TOTAL | 5,204 | 137,408,047 | 100 |

HOLDINGS OF DIRECTORS OF THE MANAGER AND ASSOCIATED PERSONS AS AT 30 JUNE 2004

| DIRECTORS | NUMBER OF UNITS |
|---------------------------------|--------------------|
| Bruce Charles Davidson | Nil |
| Brian James Freestone | 23,921 |
| Ronald MacGregor Irvine | Nil |
| Martin Victor Lyttelton | 6,325 |
| Catherine Mary Rowley | Nil |
| Timothy Ernest Corbett Saunders | Nil |
| Miles Peter Wentworth | Nil |

SUBSTANTIAL SECURITY HOLDERS AS AT 3 SEPTEMBER 2004

| | NUMBER OF UNITS | % OF TOTAL UNITS |
|-------------------------|--------------------|---------------------|
| ING New Zealand Limited | 13,646,992 | 9.98 |

As at 3 September 2004 the Trust had 137,408,047 Units on issue.

MINORITY VETO PROVISIONS

Calan Healthcare Properties Trust has adopted “minority veto” provisions in its Trust Deed.

DIRECTORY

DIRECTORS OF THE MANAGER OF THE TRUST

Bruce Charles Davidson – Chairman
Brian James Freestone
Ronald MacGregor Irvine
Martin Victor Lyttelton
Catherine Mary Rowley
Timothy Ernest Corbett Saunders
Miles Peter Wentworth

SECRETARY TO THE MANAGER OF THE TRUST

Vicki Sherree Harrison

MANAGER OF THE TRUST

Calan Healthcare Properties Limited
Level 16, 209 Queen Street
PO Box 6945, Wellesley Street
Auckland 1035
New Zealand
Telephone (09) 303 0532
Facsimile (09) 303 0178
Email enquiry@calan.co.nz
www.calan.co.nz

TRUSTEE

Trustees Executors Limited
Level 12, 45 Queen Street
PO Box 4197
Auckland

AUDITORS

KPMG
18 Viaduct Harbour
Auckland

BANKERS

ANZ National Bank Limited

SOLICITORS

To the Trust and the Manager:
Bell Gully, Auckland
To the Trustee:
Buddle Findlay, Auckland

VALUATION PANEL

NEW ZEALAND

CB Richard Ellis Limited
Colliers International New Zealand Limited
DTZ New Zealand Limited
R.A. Purdy & Co. Limited
Seagar & Partners (Auckland) Limited

AUSTRALIA

CB Richard Ellis Pty Limited
Colliers International Consultancy and
Valuation Pty Limited

UNIT REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1020
New Zealand
Telephone (09) 488 8777
Facsimile (09) 488 8787
Email enquiry@computershare.co.nz
www.computershare.com



**Calan Healthcare
Properties Trust**

Calan Healthcare Properties Limited
Level 16, 209 Queen Street, PO Box 6945
Auckland 1035, New Zealand
Telephone 09 303 0532 Facsimile 09 303 0178
Website www.calan.co.nz