



Calan Healthcare
Properties Trust

A year of **substantial** achievement 2005 Annual Report



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Highlights

- Net Surplus After Tax **increases 16%** to \$10.5 million.
- Completion of all planned sales of non-yielding assets.
- Annual pre tax distribution for the year to 30 June 2005 **increases 6.25%** to 8.5 cents per unit.
- Opening of Epworth Eastern Hospital in Melbourne rated by Australian media as **Australia's leading facility**.
- **An 8% increase** in Net Tangible Assets of the Trust to \$1.19 up from \$1.10.
- Weighted average lease term **lengthens to 11.65 years** from 10.05 years.

The 2005 financial year has been one of **substantial achievement** for the Trust. Within the 12 months we brought together two years of restructuring and repositioning that delivered a **much improved bottom line result** for investors, achieved our goal of transforming the Trust into a low risk, medium return investment and locked in place the foundation that will deliver solid returns for investors in the future. The operating surplus before tax for year ended 30 June 2005 was **\$11.7 million, up 15%**.



Specific achievements during 2005 have been:

- Releasing \$22.2 million in funds previously locked up in non-yielding assets, and using those funds to retire or offset additional debt.
- Practical completion of the Trust's \$A45 million Melbourne flagship project, Epworth Eastern.

These operational achievements enabled us to:

- Increase the distribution for the December 2004 quarter to 2.15 cents per unit from 2.00 cents per unit (a 7.5% increase) and
- Increase the distribution for the June 2005 quarter to 2.20 cents per unit (from 2.00 cents last year) and announce an increase for the September 2005 quarter to 2.30 cents per unit (from 2.00 cents last year). This means the pre tax distribution for the 2006 financial year is predicted to be 9.20 cents per unit, an increase of 8.2% on 2005's 8.50 cents per unit.

Our achievements need to be seen within the context of the significant changes your Manager has implemented over the past two years as part of our new strategic direction. As with all change, in the initial stages (for us the 2004 financial year) it takes time to build the momentum which allows the benefits to first emerge, and then deliver results.

Calan Healthcare Properties Trust has now completed its fundamental reconstruction, and the Manager can turn its focus on the new initiatives that will bring future growth.

Financial Performance

Our objective is to return to investors the maximum possible surplus by way of quarterly distributions, and for this reason our focus, compared with many other publicly listed entities, is to focus on pre-tax surplus.

At \$11.7 million, this year's pre-tax operating result was the best for the Trust since we listed on the New Zealand Exchange.

The net surplus after tax at \$10.5 million was up 16%.

The \$1.2 million between operating surplus before tax and net surplus after tax is after allowing for:

- A net gain (which was non cash and did not affect the trading result) of \$713,000 as a result of:
 - the unrealised change in the value of equity investments;
 - the unrealised change in the value of the property under construction;
 - the gain on sale of equity investments, and
 - a partial offset by a loss on sale of investment properties.
- A provision of \$1.9 million for taxation, up 34% as a consequence of a higher taxable profit and a lower level of depreciation on the property portfolio.

The completion of Epworth Eastern, accompanied by rental increases, saw total revenue increase by 11.6% to \$15.98 million.

Expenses were broadly in line with the prior year. Within expenses net interest expense was \$657,000 higher than the prior year given the drawing of additional debt to fund Epworth Eastern, but this was offset by lower property acquisition and investment evaluation costs, and a lower level of direct property related costs.

Financial Position

At year end the Trust was soundly positioned for growth.

Total assets increased by \$6.6 million to \$218 million, up 3.1%, reflecting the completion of Epworth Eastern and strong property revaluations, even after allowing for the offset caused by the sale of non-yielding assets within the portfolio.

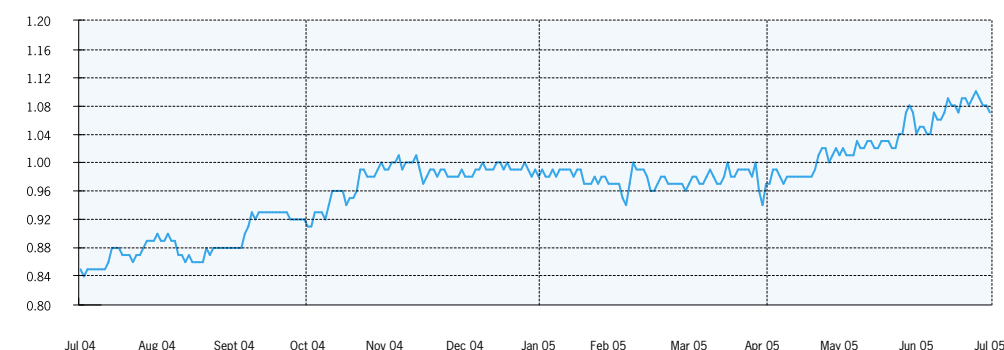
Bank debt declined by \$6.4 million to \$49.5 million. This was achieved by applying the proceeds from the sale of non-yielding assets (\$17.9 million) to the reduction of debt. This was partially offset by the drawing of additional debt to make the payments on the Epworth Eastern project.

The debt to total asset ratio declined to 22.7% from 26.5% the year before. With a gearing cap of 35%, the current ratio allows substantial headroom to take advantage of future investment opportunities as they arise.

The net tangible asset backing for each unit (total assets divided by the number of units on issue) increased from \$1.10 to \$1.19.

This solid increase has predominantly come about through properties within the portfolio appreciating in value. This benefit is a flow on from the increase in rental income achieved and lower capitalisation rates.

Unit Performance



Returns to Investors

Through the combination of the realisation of non-yielding assets and applying the sale proceeds to pay off debt, resulting in savings in interest, we have been able to announce a number of increases to the level of distribution.

The total payout for the 2005 financial year was 8.50 cents a unit, an increase of 6.25% on the 8.00 cents of the previous year. This was made up of distributions of 2.00 cents for the September quarter, 2.15 cents for the December and March quarters and 2.20 cents for the June quarter.

Investors will be aware that through the construction stage of Epworth Eastern the Trust paid out by way of distribution more than its surplus. This was in anticipation of the returns Epworth Eastern would deliver once completed.

We announced in July 2005 that the distribution for the first quarter of the 2006 financial year (the September quarter) will be 2.30 cents (2.00 cents last year).

The Manager anticipates being able to maintain this enhanced level of distribution on an ongoing basis, and this will deliver a full year distribution of 9.20 cents, an 8.2% increase on 2005's payout.

The market has responded positively to the realisation of our strategic goal and the increase in distribution, and our unit price has appreciated 15.6% over the year. The Unit price has increased from \$0.90 to \$1.04 over the 12 month period to 30 June 2005. Since balance date the unit price has continued to firm and is currently trading in the range of \$1.10 - \$1.12.

This translates into a total return (income return and appreciation in unit price) to unit holders of some 24% for the year.

Price

Calan Healthcare Properties Trust returned to the NZSX50 index shortly after the end of the financial year, and this will mean a higher profile for us with institutional investors. We can expect even greater focus coming on our improved distribution levels and the gap that exists between our asset backing and our market price.

Distribution Reinvestment Scheme Suspension

At the Annual Meeting held in November 2004 we advised that as our major project in Australia was nearing completion, our need for additional capital has ceased at this time. Given this, and the potential for the scheme when exercised to have a small dilutionary effect on earnings per unit, the Board reviewed the Distribution Reinvestment Scheme and elected to suspend it. A suspension enables us to reinstitute the scheme should our circumstances change in the future and we once again have a need for additional capital.

Property Portfolio

Property Revaluations

The portfolio has experienced strong appreciation over the past year increasing in value by \$12.2 million to \$204.3 million, an increase of 7.6%.

This has been a result of an increase in rental from rent reviews undertaken and lower capitalisation rates given the strong demand for property.

The main valuation increases were:

- Kensington Hospital in Whangarei, which increased by \$990,000 (10.2%),
- The Ascot Hospital in Auckland, which increased by \$6.4 million (9.8%),
- The Epworth Eastern Campus in Melbourne, which increased by \$1.85 million (3.0%), and
- Epworth Rehabilitation Brighton in Melbourne, which increased by \$667,000 (5.6%).



Portfolio Review

Occupancy

Occupancy levels have increased over the last twelve months to 99.1% with one suite at Epworth Eastern Medical Centre, Melbourne (previously known as Box Hill Gardens Medical Centre) currently undergoing refurbishment ready for re-leasing. The only other vacant tenancy is at the Eastmed Health Centre, Auckland.

Rent Reviews

The majority of rent reviews this financial year were Consumer Price Index (CPI) based reviews although there were a small number of market and turnover based reviews. Most CPI reviews were annual reviews but a number were three yearly, giving an overall increase greater than the New Zealand published CPI of 2.70%.

Overall, of the rents reviewed, the average increase was 3.33%, giving a total increase over the whole portfolio of 2.48%.

Lease Profile

Fourteen of the portfolio's eighty-two leases (17% by number but only 2.7% by value) were renewed during the year with terms ranging up to 10 years.

With the completion of Epworth Eastern, the Trust's weighted average lease term to expiry now stands at 11.65 years. This gives the Trust the longest weighted average lease term, by a significant margin, of any property entity listed on the New Zealand Exchange.



Formal Opening of Epworth Eastern Hospital

(Left to Right: Miles Wentworth, CEO of Calan, Peter Hughes, Director Epworth Eastern, Rt Honourable Tony Abbott, Federal Minister for Health, Keith Irvine, President of Epworth Foundation, Denis Hogg, CEO of Epworth Foundation and Bruce Davidson, Chairman of Calan.)

Epworth Eastern

The Epworth Eastern in Melbourne, rated by local media as Australia's "most advanced private hospital" opened to accept its first patient on 3 June 2005.

The formal opening ceremony was held in the hospital on 2 August 2005 with the guest of honour being the Australian Federal Health Minister the Rt Honourable Tony Abbott. Mr Abbott was very complimentary about the facility, and expressly noted it is the leading edge facility in the Australian Health Sector.

The total project cost of \$A85 million includes land, building shell, building hard fitout, building soft fitout and medical equipment. The Trust funded the land and building shell at a cost of approximately \$A41 million.

The major tenant of Epworth Eastern is the Epworth Foundation, one of the most respected hospital operators in Australia. Epworth will lease slightly in excess of 90% of the facility on a 20-year lease with the balance of the space being leased by the radiology provider, MIA Group on a 10-year lease.

The Trust's investment in the land and shell of the building was valued at \$A44.5 million as at 30 June 2005.

Asset Sales

Equity Investment in Ascot Hospital Operator

In April 2005 the Trust concluded an unconditional sale of its 20.66% equity investment in hospital operator, The Ascot Hospital & Clinics Limited for \$7.2 million. Financial settlement took place on 9 May 2005.

The funds realised were used to reduce borrowings, which reduces interest costs that led to an increase to pre-tax earnings by more than \$440,000 a year.

The sale saw the Trust make a capital gain on book value of \$253,000.

Equity Investment in Ascot Radiology

During the year the Trust entered into an option agreement with Abano Healthcare Limited, a NZX listed company, for the sale of its 20% equity interest in Ascot Radiology Limited. The option is exercisable in April 2007.

The option is at a price ranging from \$500,000 to more than \$1 million. The precise sale price will be determined by reference to Ascot's Radiology's profitability for the year ended 31 March 2007. Should profitability not reach a minimum pre-agreed level, either party has the right to terminate the contract.

Based on current trading results and forecasts, the sale price is expected to be in the region of \$1 million.

This investment has been revalued as at 30 June 2005 at \$912,000, an increase of \$816,000.



Work In Progress

Artemis Medical Centre

The sale of the Artemis Medical Centre in Auckland's North Shore City settled in December 2004. The sale value was \$2.2 million and resulted in a write off to the Statement of Financial Performance in the June 2005 year of approximately \$1.8 million. The write down is the difference between the original purchase price and sale price. The property had a fully tenanted book value of \$3.25 million.

As the property had been untenanted for some time, the sale was in line with our stated strategy of exiting non-revenue producing assets.

Waitemata Land

The sale of what was to be the site for Calan's proposed Waitemata Private Hospital project financially settled in November 2004. The 1.8323 ha site located in North Shore City on the corner of Shakespeare and Taharoto Roads, was sold to listed operator of lifestyle retirement villages, Metlifecare Limited.

The sale price for the site was \$12.825 million with the deposit of \$8.5 million being paid in November 2004. The balance (\$4.325 million) is fully secured by way of bank guarantee to be paid over a maximum period of four years from settlement date with interest payable at 6.5% per annum.

Ascot Clinics Site

The 3,000 square metre site adjacent to the Ascot Hospital in Greenlane, Auckland, remains the only non-yielding asset in the portfolio. With a carrying value of \$2.8 million this asset is a minor part of the portfolio.

With the location of the site being literally only metres to the southern motorway off ramp, fronting onto the busy Greenlane West Road and being adjacent to Ascot Hospital, it is considered a valuable site, and one worthy of retention.

Given the balance of the portfolio is now fully yielding, the time imperative to convert this site into a yielding investment is not the same as that previously. We continue to evaluate options for the site and are confident of getting the outcome desired.

Trust Structure Review

In November 2004 the Board released a full report detailing its conclusions following an extensive review of the structure of Calan as a listed Unit Trust.

The conclusion reached was that it was in the best economic interests of unit holders for the current Unit Trust structure to be retained.

The study confirmed that rather than changing the structure, the focus of the Directors and Management should be on delivering on four key areas, namely:

- Improving the earnings, and therefore the distribution paid to unit holders. This should in turn improve unit price.
- Growing the Trust through acquisitions that are earnings positive and have a strategic fit (not growth for growth's sake).

- Ensuring alignment of the Manager's incentive and service fees with outcomes that are positive for unit holders.
- Ensuring appropriate quality in the people that make up the Board and management of the Manager.

It is the Board and Manager delivering on these four key areas that will lead to the enhancement of value for unit holders.

The report concluded that a change in the structure of the entity in its own right is not the answer for value restoration and enhancement. The restoration of unit holder value that has taken place in the past 12 months endorses the conclusions reached.

Board Changes

After six years of service Catherine Rowley retired with effect from 30 June 2005 as an Independent Director. This was as a consequence of personal and family commitments.

The Board would like to extend its sincere thanks to Catherine for the valuable contribution that she has made as a Director over this time.

2005 Annual Meeting

In line with the recently instituted policy of taking our meeting to unit holders around the country, we have decided to hold our 2005 Annual Meeting in Christchurch. We have a significant number of unit holders in Christchurch and we look forward to seeing them on 20 October, the date of the meeting.

Where to from here

Having achieved our goal of transitioning the Trust into a low risk, medium return healthcare property fund involved in essential healthcare facilities, we are now in a position to refocus on growth opportunities.

However, we will not seek out growth opportunities for the sake of growth alone. Rather we will be measured and selective.

Future growth will be achieved through either strategic acquisitions in the healthcare property sector via sale and leaseback of existing assets, or from pre-committed new builds such as our Epworth Eastern facility in Melbourne.

We are looking for investments that will contribute positively to our earnings profile, which in turn will feed through to an increased distribution for unit holders.

Bruce Davidson Chairman

Miles Wentworth Chief Executive



In the Epworth Eastern Hospital in Melbourne, Calan Healthcare Properties Trust investors have one of the finest, blue chip property investments of any publicly listed entity in New Zealand.

- The return from the \$A41m investment has generated a return of 9.5% a year on project costs.
- The lease term for just over 90% of the hospital is 20 years, and the tenant is The Epworth Foundation, one of Australia's leading private hospital operators.
- The Epworth Foundation rent is reviewed annually to the Consumer Price Index, and to market every five years.
- The balance 8% of the property is leased to radiology provider, MIA Group, on a 10-year lease. Rental consists of a base rent plus turnover rental.

Epworth Eastern

Australian Investment Jewel Delivers

From an investor's perspective, it would be difficult to find a property that better suits our requirements for low risk, high quality and medium return. However, Epworth Eastern is far more than a building giving us a good financial return. It is one of the Trust's two flagship properties within our asset portfolio (the other being The Ascot Hospital & Clinics in Auckland) that identifies us as a leading specialist in the provision of healthcare infrastructure.

Epworth Eastern gives us diversification of investment through operating in another geographic and economic environment to The Ascot Hospital, New Zealand's largest private hospital. To put Epworth Eastern into context, the 223 bed facility is about 20% larger than The Ascot Hospital and houses ten operating theatres, 80% single bed rooms (with the balance as two beds), a regional pathology laboratory, consulting rooms, a scale radiology practice and three levels (283 carparks) of underground car parking.

Our investment of \$A41 million is in the land on which the building sits, and the shell of the hospital. Tenants have invested another \$A44 million on advanced medical technology and fit out, making the facility the leading edge of Melbourne's private healthcare infrastructure. The quality of our investment can be gauged from the fact that Epworth Eastern has been described as Australia's most technologically advanced private hospital.

Within the complex, doctors, specialists and surgeons have access to 12 specialty areas of health care, and it houses a \$A2.5 million Da Vinci surgical robot, only the second such robot in Victoria (with the one other at Epworth Foundations Richmond campus). The robot allows surgeons to undertake complex operations through a small incision, called keyhole surgery, significantly reducing patient trauma and improving recovery times.

Dreams And Expertise Create New Hospital

The opening of Epworth Eastern brings to fruition a 30-year dream of leading doctors in Melbourne, and a 6.5-year project for Calan Healthcare. The Eastern corridor of Melbourne is serviced by the Box Hill Public Hospital, and it had long been the view of local medical and civic authorities, that the public hospital should be complemented by the addition of a private facility.

A start on achieving this dream came in the mid 1980's with the construction of the Box Hill Gardens Medical Centre (now known as the Epworth Eastern Medical Centre), built adjacent to the public hospital. However, the development of a private hospital remained elusive.

In April 1999 Calan Healthcare purchased the Box Hill Gardens Medical Centre and adjacent vacant land, and promptly set about overcoming the barriers to development over the past decade. The key for Calan was working with local doctors to understand their specific needs, and then applying our specialist knowledge of health infrastructure to design a facility that met those requirements. Having just completed The Ascot Hospital in Auckland was of immense assistance to our project team. Also, it was more than just building a private hospital that complemented the public hospital and private medical centre. The medical centre and private hospital also had to work for Calan and our investors as an investment. From our first involvement, to the public opening of the hospital, took 6.5 years of determined, intensive work.

The final outcome is an outstanding achievement, and is testimony to the fact that Calan Healthcare has the expertise, experience and skills to get the job done.

Epworth Eastern continued

Calan Integral Partner in Effective, Efficient Health Precinct

The opening of Epworth Eastern Hospital makes the Box Hill health precinct one of the most effective and efficient in Australia. It also adds value to our other building in the complex, the Box Hill Gardens Medical Centre, the home of many leading Melbourne specialists. We took the opportunity afforded by Epworth Eastern to undertake a \$A1.5 million upgrade of the Centre, and have renamed it the Epworth Eastern Medical Centre. The Centre is 100% leased.

Within walking distance, there are now three large, soon to be interlinked complexes – the Box Hill Public Hospital, the Epworth Eastern Medical Centre and Epworth Eastern Hospital. In effect, the complex is a large, one stop, “health campus”. The benefits in terms of time efficiency and convenience this offers the public and health professionals are tremendous.

For the public of Melbourne’s eastern corridor, gone are the frustrations of journeying between a variety of locations to tick off the health checks they need to progress their care. Doctors, specialists and surgeons now have the option of meeting their public and private practice requirements from one location which are to be linked by a covered airbridge, eliminating wasteful, time consuming journeys visiting different locations.

Also, the concentration of so many health professionals in one place makes for easier collaboration, and health administrators are forecasting the precinct will attract an ever increasing number of health professionals. This in turn will create a greater demand for leased premises. The working relationship between the public and private hospitals on site will shortly be improved even more when an “air bridge” is constructed between the public and private hospitals, allowing medical staff to transit from one facility to the other without “leaving the building”. Such efficiencies are only a dream in New Zealand’s largest centres.

Public And Private Value Each Other

A feature that many New Zealand Trust investors will find of interest in terms of our new Epworth Eastern facility is the enthusiasm exists in Australia for integration between the public and private sectors.

To make the health precinct work required the active cooperation of the Federal and State Governments, local Government, The Epworth Foundation (a hospital operator) and individual New Zealand investors (through Calan Healthcare Properties Trust).

The end result for the public of eastern Melbourne is a world-class health facility that allows those in need of health care to transition seamlessly between the public and private systems.

The enthusiasm of the Australian Government for the venture was emphasised through the Federal Health Minister, Tony Abbott, formally opening Epworth Eastern.

In addition to acknowledging that the hospital was the most technologically advanced private hospital in Australia, the Minister commented that he was impressed by the \$A85 million price tag, far below the cost that the public sector are proposing in order to replicate such a facility.



2005 Property Portfolio



Ascot Hospital and Clinics Auckland

BUILDING TYPE	Surgical & Medical
NET VALUATION	NZ\$71,775,000
ANNUALISED NET INCOME	NZ\$6,656,624
PROPERTY YIELD	9.1%
NET LETTABLE AREA	11,043 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	10.45



Biomed Laboratory Auckland

BUILDING TYPE	Health Support Services
NET VALUATION	NZ\$2,046,000
ANNUALISED NET INCOME	NZ\$206,932
PROPERTY YIELD	10.35%
NET LETTABLE AREA	1,812 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	2.71



Central Hawkes Bay Health Centre Waipukurau

BUILDING TYPE	Surgical & Medical
NET VALUATION	NZ\$4,160,000
ANNUALISED NET INCOME	NZ\$459,767
PROPERTY YIELD	10.82%
NET LETTABLE AREA	1,892 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	9.49

2005 Property Portfolio



Eastmed St Heliers **Auckland**

BUILDING TYPE	Primary Care
NET VALUATION	NZ\$6,820,000
ANNUALISED NET INCOME	NZ\$536,494
PROPERTY YIELD	9.83%
NET LETTABLE AREA	2,175 Sqm
OCCUPANCY	81%
WEIGHTED AVE LEASE EXPIRY (YRS)	9.67



Hospital Laundry and Sterilisation Facility **Auckland**

BUILDING TYPE	Health Support Services
NET VALUATION	NZ\$8,978,000
ANNUALISED NET INCOME	NZ\$843,667
PROPERTY YIELD	9.54%
NET LETTABLE AREA	9,524 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	9.42



Epworth Eastern Campus **Melbourne**

BUILDING TYPE	Surgical & Medical
NET VALUATION	NZ\$63,319,000
ANNUALISED NET INCOME	NZ\$5,198,490
PROPERTY YIELD	8.40%
NET LETTABLE AREA	14,567 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	16.55



Kensington Hospital **Whangarei**

BUILDING TYPE	Surgical & Medical
NET VALUATION	NZ\$10,740,000
ANNUALISED NET INCOME	NZ\$982,850
PROPERTY YIELD	9.02%
NET LETTABLE AREA	2,666 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	15.71



Epworth Rehabilitation Brighton **Melbourne**

BUILDING TYPE	Surgical & Medical
NET VALUATION	NZ\$12,631,000
ANNUALISED NET INCOME	NZ\$1,144,563
PROPERTY YIELD	9.0%
NET LETTABLE AREA	2,688 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	8.64



Napier Health Centre **Napier**

BUILDING TYPE	Surgical & Medical
NET VALUATION	NZ\$13,400,000
ANNUALISED NET INCOME	NZ\$1,375,802
PROPERTY YIELD	10.12%
NET LETTABLE AREA	4,295 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	6.48



Hibiscus Coast Community Health Centre **Whangaparaoa**

BUILDING TYPE	Health Support Services
NET VALUATION	NZ\$3,500,000
ANNUALISED NET INCOME	NZ\$321,370
PROPERTY YIELD	9.25%
NET LETTABLE AREA	1,462 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	6.00



Pitman House **Auckland**

BUILDING TYPE	Health Support Services
NET VALUATION	NZ\$4,312,000
ANNUALISED NET INCOME	NZ\$414,742
PROPERTY YIELD	9.43%
NET LETTABLE AREA	1,834 Sqm
OCCUPANCY	100%
WEIGHTED AVE LEASE EXPIRY (YRS)	4.05

Standing Investments

PROPERTIES	PURCHASE DATE	LATEST VALUATION ('000'S)	LATEST VALUATION YIELD	VALUATION DATE	ANNUAL CONTRACT RENT	NEXT MARKET RENT REVIEW	LEASE EXPIRY DATE	RIGHTS OF RENEWAL	OCCUPANCY	FLOOR AREA (SQ. M)	LAND AREA (SQ. M)
Surgical & Medical											
Ascot Hospital & Clinics, Auckland ¹	Sep 1997	\$71,775	9.10%	Jun 2005	\$6,656,624	Various	Various	Various	100%	11,043	12,700
Ascot Carpark, Auckland ²		\$905							100%		
Epworth Rehabilitation Brighton, Melbourne ¹	Feb 1999	\$12,631	9.00%	Jun 2005	\$1,144,563	–	19 Feb 2014	Three of 5 years	100%	2,688	4.802
Central Hawkes Bay Health Centre, Waipukurau ¹	Aug 1999	\$4,160	10.82%	Dec 2004	\$459,767	Dec 2005	23 Dec 2014	Three of 6 years	100%	1,892	9,407
Epworth Eastern Campus, Melbourne ¹	Apr 1999	\$63,319	8.40%	Jun 2005	\$5,198,490	Various	Various	Various	99.51%	14,567	9,203
Kensington Hospital, Whangarei ¹	Jan 2000	\$10,740	9.02%	Dec 2004	\$982,850	Mar 2007	11 Mar 2021	One of 20 years	100%	2,666	4,675
Napier Health Centre, Napier ¹	Oct 1998	\$13,400	10.12%	Dec 2004	\$1,375,802	Dec 2005	22 Dec 2011	Three of 6 years	100%	4,295	7,172
Health Support Services											
Biomed Laboratory, Auckland	Mar 1998	\$2,046	10.35%	Dec 2004	\$206,932	Mar 2006	15 Mar 2008	Two of 5 years	100%	1,812	7,285
Spare Land	Mar 1998	\$637									3,250
Hibiscus Coast Community Health Centre, Whangaparaoa	May 1995	\$3,500	9.25%	Dec 2004	\$321,370	Jun 2007	28 Jun 2011	One of 5 years	100%	1,462	4,322
Hospital Laundry and Sterilisation Facility, Auckland	Jun 1996	\$8,978	9.54%	Jun 2005	\$843,667	Nov 2005	29 Nov 2014	Two of 5 years	100%	9,525	19,966
Spare Land	Jun 1996	\$1,083			\$20,000						5,338
Pitman House, Auckland	Mar 1998	\$4,312	9.43%	Dec 2004	\$414,742	Jul 2005	19 Jul 2009	Three of 3 years	100%	1,834	4,580
Primary Care Facility											
Eastmed St Heliers, Auckland ³	Dec 1999	\$6,820	9.83%	Dec 2004	\$540,425	Various	Various	Various	81%	2,175	6,355
Total		\$204,306			\$18,165,232					57,209	

Investment Properties For Construction

USE OF PROPERTY	PURCHASE DATE	ESTIMATED COST (\$000)	BOOK VALUE (\$000)							FLOOR AREA (SQ. M)	LAND AREA (SQ. M)
Surgical & Medical											
Ascot Clinics, Auckland	Sep 1997	\$14,000	\$2,775							4,663	3,000
Total Investment Properties For Construction			\$2,775								

1 These properties are subject to Annual CPI rental adjustments

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

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

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

For Australian properties a currency rate of 0.9170 has been used

Board of Directors

Bruce Davidson
LLB, Ntroy 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, Mahony & Co Ltd, Waimangu Volcanic Valley Limited, Vision Securities Limited and the Registration Board of the Property Institute of New Zealand. Current directorships include The Auckland Trotting Club Inc and Vision Senior Living Ltd. 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 a past President of the Institute of Directors in New Zealand and both a Fellow and an accredited Director of the Institute.

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 Contact Energy 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 CHPT No. 1 Limited, the Trust's asset owning company and Ascot Radiology Limited.

Martin Lyttelton
B.Com



Mr Martin Lyttelton is a Director and shareholder of Calan Healthcare Properties Limited (CHPL). Mr Lyttelton co founded Calan Group in 1989 with Mr Freestone. Mr Lyttelton was Managing Director of CHPL from its inception up until 2003 and is currently an Executive Director of the Australian Manager, Calan Healthcare Australian Properties Pty Limited. Mr Lyttelton in his broader role in Calan Group was responsible for the capital raising for the Ascot Hospital operator including establishing and promoting a private equity fund dedicated to health sector investing in New Zealand. Mr Lyttelton and Mr Freestone established New Zealand's largest private non residential rehabilitation business. Mr Lyttelton also led the Box Hill Epworth Eastern project from its inception through to the operator selection of Epworth Foundation. Prior to joining Calan Group Limited (the parent entity of the Manager) he worked in senior management and financial roles in New Zealand, the United Kingdom and Australia.

Jock Irvine
O.N.Z.M., LLB, Notary Public



Mr Jock Irvine was appointed to the Board of Calan Healthcare Properties Limited as an Independent Director, effective 9 August 2002. Formerly a property law partner with Simpson Grierson and now a consultant, 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 Chairman of Blue Chip NZ Limited and a Director of Pacific Retail Group Limited and Plus SMS 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.

Brian Freestone
BBS (Hons) M Inst D MAICD



Mr Brian Freestone co-founded the Calan Group in 1989 and was the original Chairman of Calan Healthcare Properties Limited from its inception in 1994 up until the Trusts listing on the New Zealand Stock Exchange. He is a member of the Audit Committee, a Director of the Trust's asset owning company CHPT No. 1 Limited and the Australian Trust Manager, Calan Healthcare Australian Properties Pty Limited. Mr Freestone has substantial experience in private equity investment in the health sector, and has held management and advisory roles in financial services, the food industry, science and technology, education, manufacturing and government reform. Mr Freestone is a director of a number of private companies in New Zealand and Australia.

Corporate Governance

Structure

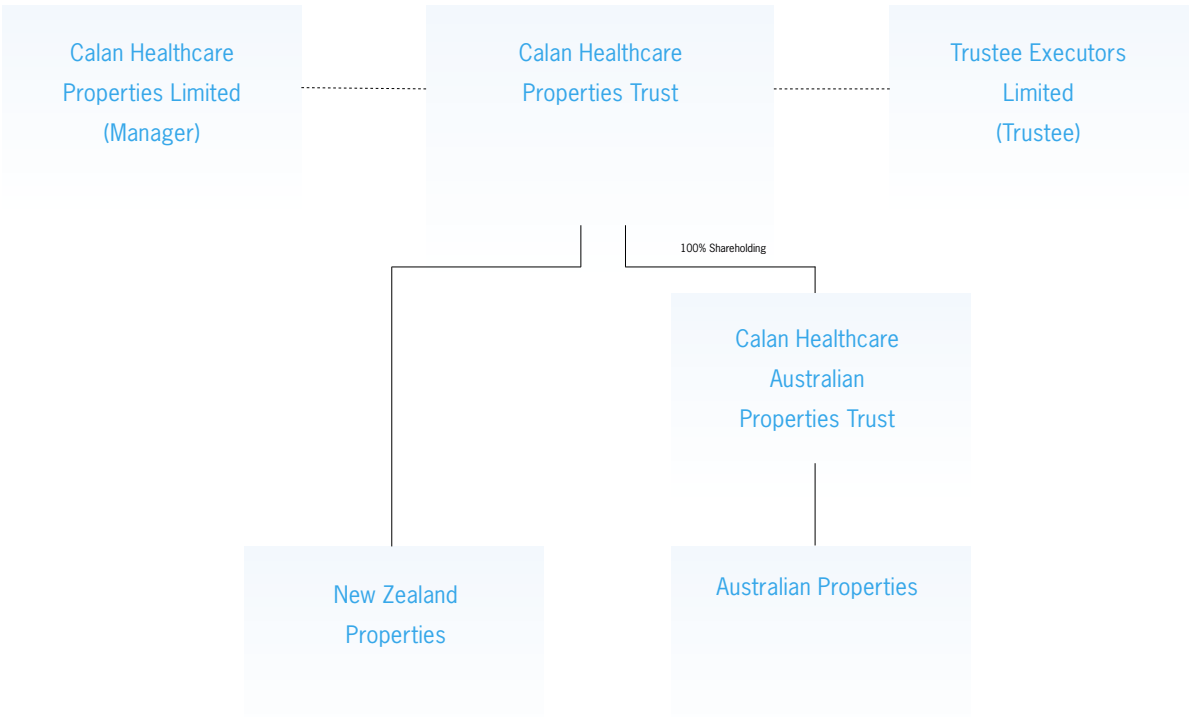
Calan Healthcare Properties Trust (the Trust) is a New Zealand Unit Trust registered under the Unit Trusts Act 1960. The Trust was established under a Trust Deed dated 1 September 1999, which replaced the Trust Deed dated 11 February 1994 as amended. Under the terms of the Trust Deed, Calan Healthcare 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, 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, 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

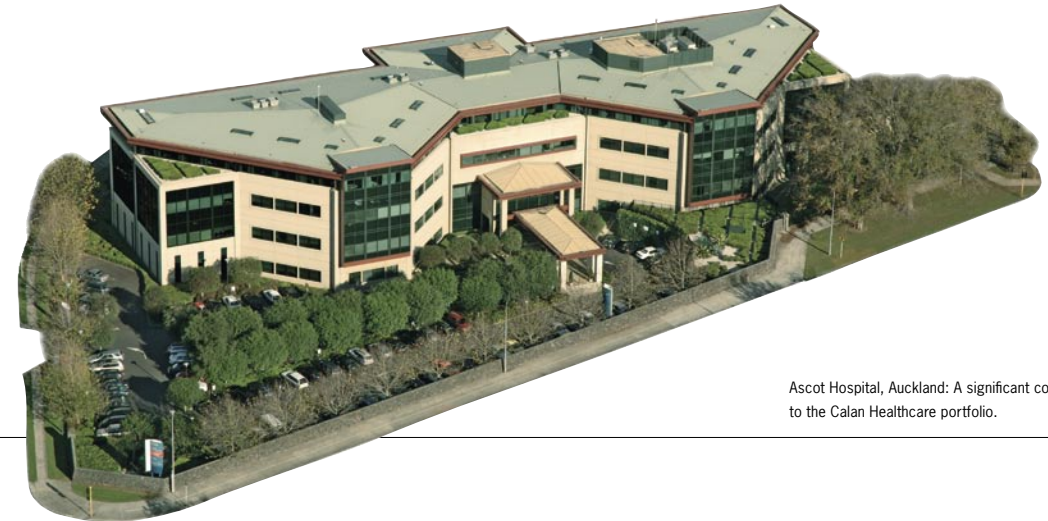
Calan Healthcare Properties Limited has overall responsibility for the management of the Trust. The scope of this management responsibility extends to setting the overall strategic direction, determination of portfolio mix, property selection, analysis, review and negotiation of property acquisitions 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.



Ascot Hospital, Auckland: A significant contributor to the Calan Healthcare portfolio.

Board Membership

The Board of the Manager comprises six Directors: an Independent Chairman, two 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 financial authorities, primary and specific responsibilities, and reporting requirements. The Audit Committee operates in accordance with the Audit Committee Charter. The committee is chaired by Mr Tim Saunders with the other member being Mr Brian Freestone. Mr Saunders is an Independent Director.

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.

Investment Committe

The Investment Committe evaluates acquisitions and disposals presented to it by management and meets on an as and when required basis. The committe is chaired by Mr Bruce Davidson with the other members being Mr Martin Lyttelton and Mr Brian Freestone.

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 and 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 NZSX 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 NZSX 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 has been released to the market.

A summary of the Company's corporate governance principles and practices, including a statement setting out the extent to which these materially differ from the principles contained in the NZSX Corporate Governnace Best Practice Code can be found in the Governance section of the Company's website at www.calan.co.nz.

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.

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 Limited on ways of valuing units listed in property vehicles, (www.firstnzcapiat.co.nz). 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.

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.

Distribution Payments

QUARTER ENDED	GROSS DISTRIBUTION (CPU)	IMPUTATION CREDITS (CPU)	RESIDENT WITHHOLDING TAX (CPU)	NET DISTRIBUTION (CPU)
September 2004	2.0000	0.2840	0.3760	1.3400
December 2004	2.1500	0.3253	0.3842	1.4405
March 2005	2.1500	0.3512	0.3583	1.4405
June 2005	2.2000	0.2283	0.4977	1.4740
Total	8.500	1.1888	1.6162	5.6950

Financial Calendar

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

- | | | | |
|----------------------------------|--------------------------------|-------------------------------------|--|
| • Annual financial result | <i>announced mid August</i> | • Half year financial result | <i>announced mid February</i> |
| • Annual report | <i>released late September</i> | • Half year report | <i>released late March</i> |
| • Annual meeting | <i>held October</i> | • Distribution | <i>four times a year for quarters ending 30 Sept, 31 Dec, 31 Mar and 30 Jun.</i> |



Napier Health Centre - Dramatic at night.

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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 2005. 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 2005 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 Directors 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. 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 other 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 2005 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 22 August 2005 and our unqualified opinion is expressed as at that date.

Auckland, New Zealand
Chartered Accountants

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	30 JUN 2005 \$000	CONSOLIDATED 30 JUN 2004 \$000	30 JUN 2005 \$000	TRUST 30 JUN 2004 \$000
Operating Revenue					
Rental		14,360	13,928	–	–
Other income		1,619	388	–	–
Dividend from subsidiary company	15	–	–	9,787	10,427
Total Property Revenue		15,979	14,316	9,787	10,427
Less:					
Direct property related expenses	11	280	570	–	–
Bad debts		–	40	–	–
		280	610	–	–
Net Property Revenue		15,699	13,706	9,787	10,427
Operating Expenses					
Audit fees		33	34	23	39
Fees for other services provided by auditor		37	23	30	11
Manager's fees	14	1,596	1,517	1,052	1,083
Property acquisition and investment evaluation costs	10	9	299	9	55
Registry fees		48	52	48	52
Trustee's fees		147	145	147	145
Unit Holder communication costs		124	112	124	112
Other operating expenses		66	100	35	71
Total Operating Expenses Before Interest		2,060	2,282	1,468	1,568
Operating Surplus Before Interest		13,639	11,424	8,319	8,859
Interest received		403	358	–	–
Less interest expensed		(2,342)	(1,640)	–	(16)
Net Borrowing Costs		(1,939)	(1,282)	–	(16)
Operating Surplus Before Income Tax		11,700	10,142	8,319	8,843
Unrealised net change in the value of investments	8	816	–	–	–
Unrealised return on investment properties under construction		1,290	1,400	–	–
Decrease in value of investment properties for construction		–	(976)	–	–
Gain on sale of equity investments	8	253	–	–	–
Loss on sale of investment properties		(1,646)	(76)	–	–
Net Surplus Before Income Tax		12,413	10,490	8,319	8,843
Less income tax expense	3	(1,869)	(1,399)	480	549
Net Surplus After Income Tax		10,544	9,091	8,799	9,392

Statement of Movements in Unit Holders' Funds

FOR THE YEAR ENDED 30 JUNE 2005


	NOTE	30 JUN 2005 \$000	CONSOLIDATED 30 JUN 2004 \$000	30 JUN 2005 \$000	TRUST 30 JUN 2004 \$000
Total Recognised Revenues and Expenses					
Surplus and Revaluations					
Net surplus after income tax	7	10,544	9,091	8,799	9,392
Net revaluation of investment properties	5	12,169	4,012	–	–
Foreign currency translation reserve movement	6	105	(442)	–	–
		22,818	12,661	8,799	9,392
Other Movements					
Units issued to satisfy manager's incentive fee	4, 14	535	53	535	53
Cash distributions made during the year		(8,762)	(7,465)	(8,762)	(7,465)
		(8,227)	(7,412)	(8,227)	(7,412)
Movement in Unit Holders' Funds for thr Year		14,591	5,249	572	1,980
Unit Holders' Funds at the Beginning of the Year		150,032	144,783	147,475	145,495
Unit Holders' Funds at the End of the Year		164,623	150,032	148,047	147,475

Statement of Financial Position

AS AT 30 JUNE 2005

	NOTE	30 JUN 2005 \$000	CONSOLIDATED 30 JUN 2004 \$000	30 JUN 2005 \$000	TRUST 30 JUN 2004 \$000
Unit Holders' Funds					
Units subscribed	4	146,124	144,659	146,124	144,659
Revaluation reserve	5	16,842	4,673	–	–
Foreign currency translation reserve	6	(969)	(1,074)	–	–
Proposed distribution at the end of the year	7	2,635	2,322	2,635	2,322
Undistributed (deficit)/surplus	7	(9)	(548)	(712)	494
Total Unit Holders' Funds		164,623	150,032	148,047	147,475
Represented by:					
Current Assets					
Bank		654	362	4	3
Receivables		2,295	3,793	46	28
Loan advances		–	203	–	–
Properties intended for sale		–	12,825	–	–
Income tax receivable		364	65	364	65
		3,313	17,248	414	96
Non Current Assets					
Investments	8	912	6,854	–	–
Investment in subsidiaries	8	–	–	65,204	65,204
Investment properties	9	204,306	144,623	–	–
Investment properties for construction		2,775	40,436	–	–
Amounts receivable from subsidiaries	15	–	–	82,790	82,621
Property acquisition and investment evaluation costs	10	445	311	203	43
Deferred settlements		5,078	753	–	–
Receivables		1,027	1,033	–	–
Other receivables		17	19	–	–
		214,560	194,029	148,197	147,868
Total Assets		217,873	211,277	148,611	147,964
Current Liabilities					
Accounts payable and accrued expenses		3,723	5,358	564	489
Non Current Liabilities					
Borrowings	12, 19	49,527	55,887	–	–
Net Assets		164,623	150,032	148,047	147,475
Net tangible assets per unit		\$1.19	\$1.10	\$1.07	\$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

22 August 2005

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	30 JUN 2005 \$000	CONSOLIDATED 30 JUN 2004 \$000	30 JUN 2005 \$000	TRUST 30 JUN 2004 \$000
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from tenants		15,850	15,493	–	–
Interest received		403	488	–	–
Other income		313	388	–	–
Net income tax received		–	–	380	327
Dividends received from subsidiary		–	–	9,787	10,427
		16,566	16,369	10,167	10,754
Cash was applied to:					
Payments to suppliers		(2,427)	(2,938)	(1,402)	(1,569)
Net income tax paid		(1,969)	(1,622)	–	–
Interest paid		(2,286)	(1,772)	–	–
Net goods and services tax paid		–	(1)	–	(11)
		(6,682)	(6,333)	(1,402)	(1,580)
Net cash flows from operating activities	18	9,884	10,036	8,765	9,174
Cash Flows From Investing Activities					
Cash was provided from:					
Lease receivable		–	17	–	–
Sale of investment properties		11,610	–	–	–
Sale of investments		7,011	–	–	–
Deferred settlements		–	5,870	–	–
Loan advances		203	3,514	–	–
		18,824	9,401	–	–
Cash was applied to:					
Purchase of and costs capitalised to investment properties		–	(744)	–	–
Capitalisation of interest		(1,351)	(1,720)	–	–
Expenditure on investment properties for construction		(12,032)	(21,140)	–	–
Property acquisition and investment evaluation costs		(143)	(319)	(169)	(160)
Advances to subsidiaries		–	–	167	(1,689)
		(13,526)	(23,923)	(2)	(1,849)
Net cash flows used in investing activities		5,298	(14,522)	(2)	(1,849)
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		(6,128)	–	–	–
Distributions to unit holders		(8,762)	(7,325)	(8,762)	(7,325)
		(14,890)	(7,325)	(8,762)	(7,325)
Net cash flows used in financing activities		(14,890)	4,361	(8,762)	(7,325)
Net increase/(decrease) in cash		292	(125)	1	–
Add opening cash brought forward		362	487	3	3
Closing Cash Carried Forward		654	362	4	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 2005

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 8. 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.

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 net of applicable taxes is charged against the revaluation reserve. The incentive fee is calculated and satisfied annually in accordance with the terms detailed in the Trust Deed. The amount of the incentive fee net of applicable tax is charged against the revaluation reserve.

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 19.

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.

Impact of adopting New Zealand Equivalents to International Financial Reporting Standards

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

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

The group has commenced a 'NZ IFRS conversion project' to assess the key differences in accounting policies between NZ IFRS, and current NZ GAAP with a view to determine the impacts on the financial statements that are expected to arise on transition. The group engaged professional advisors to assist in understanding the significant differences which are likely to arise on transitioning to NZ IFRS.

Significant differences in accounting policies identified by the group are outlined below. The group has not yet completed an exercise to quantify the effects of the differences in accounting policies discussed below, and therefore currently are unable to provide reliable estimatable information about the impacts on the financial statements, which arise from transitioning to NZ IFRS. The actual impact of adopting NZ IFRSs may vary from the information presented, and the variation may be material.

1. Investment Properties

Treatment of Revaluations

The group's current policy is for investment properties to be revalued on an annual basis with the net increments in the value of properties on a portfolio basis to be transferred directly to the revaluation reserve. Net decrements are transferred to the revaluation reserve unless the reserve is insufficient to cover a deficit. In such case the deficit will be taken to the Statement of Financial Performance.

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

Disposal Costs

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

Manager's Incentive Fees

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

2. Investment Properties Under Construction

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

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

3. Deferred Tax

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

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

4. Financial Instruments

The group currently use interest rate swaps to protect against interest rate movements on the debt facility. Under NZ IFRS, the interest rate swaps are expected to qualify for hedge accounting with the interest rate derivatives being recognised on the balance sheet at their fair value. Changes in the fair value will be recognised in a reserve until the interest flows occur. The group believes it will qualify for hedge accounting.

5. Investments

The investment in Ascot Radiology would be accounted for as a financial asset held at fair value. As at 30 June 2005 this investment was revalued by way of an independent valuation to fair value (refer to note 8) in line with the group's current accounting policy. A revaluation will now be performed on an annual basis, changes in fair value will be recognised in the statement of financial performance.

6. Unit Holders' Funds

The Trust was formed on 11 February 1994 with an expiry date for the Trust of 80 years less one day from the date of the Deed (note 2). Under NZ IFRS, as the Trust has a defined termination date, Units in the Trust may meet the definition of a financial liability. This would have a significant impact as Units would be reclassified from equity to debt.

The trust together with others in the industry, is working with the Financial Reporting Standards Board and other advisors to resolve this issue prior to adoption of NZ IFRS.

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

	2005 \$000	CONSOLIDATED 2004 \$000	2005 \$000	TRUST 2004 \$000
Operating surplus before income tax	12,413	10,490	8,319	8,843
Permanent differences	(2,106)	(424)	(9,787)	(10,427)
Non-reversing timing differences	(2,652)	(4,449)	15	(80)
Australian profits not recognised	(1,991)	(1,228)	–	–
Taxable income	5,664	(4,389)	(1,453)	(1,664)
Taxation at 33%	1,869	1,447	(480)	(549)
Over provision prior year	–	(48)	–	–
Total income tax expense/(benefit)	1,869	1,399	(480)	(549)
Comprised of:				
Current tax	1,869	1,399	(480)	(549)
Deferred tax	–	–	–	–
	1,869	1,399	(480)	(549)
Deferred tax				
Balance at beginning of year	–	–	–	–
Tax expense for the year	–	–	–	–
Balance at end of year	–	–	–	–

	2005 \$000	2004 \$000
Consolidated Imputation Credit Memorandum Account		
The imputation credits are available to unit holders of the group as follows:		
Through the trust	653	472
Through the subsidiaries	11	11
	664	483

Trust Imputation Credit Memorandum Account		
Balance at beginning of year	472	234
Taxation paid including RWT	1,969	1,616
Imputation credits attached to unit holder distributions paid	(1,788)	(1,378)
Balance at end of year	653	472

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 difference liability not recognised for the Group at 30 June 2005 was \$11,373,797 (2004: \$9,958,346).

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. CHAPT has tax losses of AUD2,547,438 (2004: AUD2,633,543) to carry forward, subject to certain Australian tax requirements.

4 Units Subscribed

	NOTE	NUMBER ISSUED 000'S	2005 VALUE \$000	NUMBER ISSUED 000'S	2004 VALUE \$000
Consolidated and Trust					
Opening balance		136,743	144,659	134,454	142,642
Issue of units to satisfy manager's incentive fee	14	60	535	–	53
Distributions reinvested		1,020	930	2,289	1,964
Closing balance		137,823	146,124	136,743	144,659

The issue of 60,000 units to satisfy the manager's incentive fee relates to the incentive fee accrual of \$53,000 in 2004. Units will be issued against the manager's incentive fee of \$535,000 next year.

5 Revaluation Reserve

	2005 \$000	CONSOLIDATED 2004 \$000
Opening balance	4,673	661
Revaluation of investment properties	12,527	4,065
Manager's incentive fee, net of tax	(358)	(53)
Closing balance	16,842	4,673

6 Foreign Currency Translation Reserve

	2005 \$000	CONSOLIDATED 2004 \$000
Opening balance	(1,074)	(632)
Translation of independent foreign operations	105	(442)
Closing balance	(969)	(1,074)

7 Undistributed (Deficit) / Surplus

	2005 \$000	CONSOLIDATED 2004 \$000	2005 \$000	TRUST 2004 \$000
Opening balance	(548)	(167)	494	574
Net surplus after income tax	10,544	9,091	8,799	9,392
Distributions made during the year	(7,370)	(7,150)	(7,370)	(7,150)
Proposed distribution at the end of the year	(2,635)	(2,322)	(2,635)	(2,322)
Closing balance	(9)	(548)	(712)	494

8 Investments and Investments in Subsidiaries

Investments

Calan Healthcare Properties Trust through CHPT No.1 Limited sold its investment in The Ascot Hospital and Clinics Limited in April 2005 for the sum of \$7,200,000 producing a gain on sale of \$252,570.

Calan Healthcare Properties Trust, through its asset owning company CHPT No.1 Limited, entered into an option agreement in October 2004, in order to realise its 20% equity interest in Ascot Radiology Limited. The consideration is based on the full year performance of Ascot Radiology for the year ended 31 March 2007, calculated on an Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) earn out formula. The Option Agreement will be renegotiated should the EBITDA for the year ended March 2007 fall below an agreed level.

In line with the Group's policy the equity interest in Ascot Radiology has been valued by an Independent valuer as at 30 June 2005. This has resulted in an increase to the carrying value of the investment by \$816,000. The investment is still held as a non current asset as the option agreement will not be settled for over 12 months.

Entities Consolidated in the Group Comprise

NAME OF ENTITY	PRINCIPAL ACTIVITIES	% INTEREST HELD	
		2005 \$000	2004 \$000
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.

9 Investment Properties

	CONSOLIDATED	
	2005 \$000	2004 \$000
Registered valuer		
DTZ New Zealand Limited	20,381	30,625
Colliers International New Zealand Limited	79,589	6,468
Colliers International Consultancy and Valuation Pty Limited	63,405	22,670
CB Richard Ellis Limited	28,300	84,860
Knight Frank	12,631	–
	204,306	144,623

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.

10 Property Acquisition and Investment Evaluation Costs

	CONSOLIDATED		TRUST	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Opening balance	311	664	43	208
Net costs incurred	143	316	169	160
Transfers to investment properties or investment properties for construction	–	(142)	–	(42)
Costs transferred to investments	–	(228)	–	(228)
Costs expensed to the Statement of Financial Performance	(9)	(299)	(9)	(55)
Closing balance	445	311	203	43

11 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 (2004: \$108,162).

12 Borrowings

	CONSOLIDATED	
	2005 \$000	2004 \$000
Non current secured bank loans	49,527	55,887

The Group has borrowings from the ANZ National Bank Limited in New Zealand and Australia. The \$NZ75,000,000 facility is a 3 year multi currency revolving 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 19.

13 Trust Deed

There were no amendments made to the Trust Deed during the year.

14 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:

- The Group paid a Manager's fee of \$1,595,687 (2004: \$1,517,417) to CHPL and CHAPL, including \$1,051,689 (2004: \$1,083,348) paid by the Trust to CHPL.
- The Trust incurred a Manager's incentive fee during the year of \$534,516 (2004: \$53,325), 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 – related entities 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 property related costs incurred during the year on projects which have not proceeded.

COMPANY	CAPITALISED TO PROJECTS \$	2005		TOTAL \$
		COSTS REIMBURSED \$	EXPENSED TO P&L \$	
Calan Healthcare Properties Limited	279,893	266,225	–	546,118
Calan Healthcare Australian Properties Limited	109,208	–	–	109,208
Calan Group Services Limited	120,230	–	–	120,230
Total	509,331	266,225	–	775,556

14 Transactions With Related Parties (continued)

COMPANY	CAPITALISED TO PROJECTS \$	2004 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

15 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:

- CHPT No.1 Limited has declared and paid dividends to its parent, the Trust, totalling \$9,787,410 for the year ended 30 June 2005 (2004: \$10,427,438).
- 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 \$11,817,091 (2004: \$10,477,777).
- As at 30 June 2005 the Trust had advanced \$82,790,241 (2004: \$82,620,749) 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.

16 Commitments

Capital Commitments

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

	CONSOLIDATED AND TRUST 2005 \$000	2004 \$000
Total capital expenditure contracted but not provided for in the accounts AUD Nil (2004: AUD8,108,000).	–	8,893

There are no capital commitments as at June 2005.

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:

	2005 \$000	2004 \$000
Within one year	115	108
More than one year but less than two years	115	115
More than two years but less than five years	358	351
More than five years	1,207	1,329

17 Contingent Liabilities

In 2004 the group had provided support for the Mercy Ascot merger in the form of a guarantee. During 2004 the guarantee provided by the Trust was released as a result of refinancing by the Ascot Hospital and Clinics Limited.

The group has no contingent liabilities as at 30 June 2005 (2004: Nil).

18 Reconciliation of Operating Result for the Year With Net Cash Flows From Operating Activities

	2005 \$000	2004 \$000
(i) Consolidated		
Net surplus after income taxation	10,544	9,091
Items not involving cash flows		
Decrease in value of investment properties for construction	–	976
Property acquisition and investment evaluation costs written off	9	299
Unrealised return on construction	(1,290)	(1,400)
Unrealised gain on investment	(816)	–
Loan interest	56	(178)
Loss on sale of investment properties	1,646	–
Gain on sale of investment	(253)	–
Unrealised foreign currency loss	219	–
	(429)	(303)

Add/(Deduct):

Movements in working capital items relating to operating cash flow

Decrease/(Increase) in receivables	1,504	(1,356)
(Decrease)/Increase in accounts payable and accrued expenses	(1,635)	2,826
Decrease in income tax payable	(100)	(222)
	(231)	1,248

Net Cash Flows From Operating Activities

	9,884	10,036
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(ii) Trust

Net surplus after income taxation	8,799	9,392
Items not involving cash flows		
Property acquisition and investment evaluation costs written off	9	55

Add/(Deduct):

Movements in working capital items relating to operating cash flow

Decrease/(Increase) in receivables	(18)	(11)
Increase/(Decrease) in accounts payable and accrued expenses	75	(40)
(Decrease) in income tax receivable	(100)	(222)
	(43)	(273)

Net Cash Flows From Operating Activities

	8,765	9,174
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Movements In Working Capital Not Reflected In Operating Cash Flow

(i) Consolidated

Movement in receivables	1,498	(474)
Movement in items not affecting operating cash flow	6	(882)
Decrease/(Increase) in receivables	1,504	(1,356)
Movement in accounts payable and accrued expenses	(1,635)	1,932
Movement in items not affecting operating cash flow	–	894
(Decrease)/Increase in accounts payable and accrued expenses	(1,635)	2,826
Movement in income tax receivable	(299)	(222)
Movement in items not affecting operating cash flow	199	–
Decrease in income tax receivable	(100)	(222)

(ii) Trust

Movement in accounts payable and accrued expenses	75	(5)
Movement in items not affecting operating cash flow	–	(35)
Increase/(Decrease) in accounts payable and accrued expenses	75	(40)

19 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 AUD772,681 (2004: AUD92,159 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:

	2005 \$000	2004 \$000
Interest Rate Swaps AUD45,000,000 (2004: AUD30,000,000)	49,073	32,906

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	5 – 10 YRS \$000
30 Jun 05							
Deposits							
Bank and Trust Accounts	2.75–6.75%	654	654	–	–	–	–
Borrowings	5.69–7.18%	49,527	49,527	–	–	–	–
30-Jun-04							
Deposits							
Bank and Trust Accounts	2.50–4.75%	362	362	–	–	–	–
Borrowings	4.81–6.03%	55,887	55,887	–	–	–	–

19 Financial Instruments (continued)

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	5 – 10 YRS \$000
30 Jun 05							
Deposits							
Bank and Trust Accounts	–	4	4	–	–	–	–
30 Jun 04							
Deposits							
Bank and Trust Accounts	–	3	3	–	–	–	–
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 2005 – AUD							
Asset – Interest rate swap	6.58%	45,000	–	5,000	–	25,000	15,000
Liability – Interest rate swap	6.21%	45,000	45,000	–	–	–	–
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	–	–	–	–

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 AUD45,416,000 (2004: AUD43,681,000). 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.

20 Segmental Information

	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
GEOGRAPHICAL SEGMENTS	NEW ZEALAND		AUSTRALIA		CONSOLIDATED	
Operating revenue – external	11,647	11,446	2,713	2,482	14,360	13,928
Unallocated revenue	–	–	–	–	2,022	746
Total revenue	11,647	11,446	2,713	2,482	16,382	14,674
Operating expenses	1,635	2,099	705	794	2,340	2,893
Unallocated expenses	–	–	–	–	4,211	3,114
Total expenses including tax	1,635	2,099	705	794	6,551	6,007
Unrealised Net Change in the Value of Investments	(816)	–	–	–	(816)	–
Unrealised return on construction	–	–	(1,290)	(1,400)	(1,290)	(1,400)
Loss on sale of investment properties	1,876	–	(230)	–	1,646	–
Gain on sale of equity investments	(253)	–	–	–	(253)	–
Net Change in Value of Investment Properties for Construction	–	976	–	–	–	976
Net surplus after tax	9,205	8,371	3,528	3,088	10,544	9,091
Segment assets	138,941	146,202	78,278	64,713	217,219	210,915
Unallocated assets	–	–	–	–	654	362
Total assets	138,941	146,202	78,278	64,713	217,873	211,277

The Group operates in one industry, investing in high quality “Health Sector” related properties.

NZSX Listing Rules Disclosures

TWENTY LARGEST REGISTERED UNIT HOLDERS AS AT 23 AUGUST 2005

UNIT HOLDER NAME	NUMBER OF UNITS	% OF TOTAL UNITS
New Zealand Central Securities Depository Limited ¹	30,567,411	22.19
Investment Custodial Services Limited (C) ²	9,077,458	6.58
First NZ Capital Custodians Limited	2,817,939	2.04
Investment Custodial Services Limted (R) ²	2,008,799	1.45
Gregory William Thompson & Neilson Murdoch Harris & Graeme Bruce Douglas (Graeme Douglas Family A/C)	1,062,885	0.77
Gt Nominees Limited (Dutt Family A/C – Spicers)	581,803	0.42
Custodial Services Limited (A/C 3)	579,628	0.42
Forbar Custodians Limited (PPM Medium A/C)	559,467	0.40
Custodial Services Limited (A/C 2)	508,713	0.36
Custodial Services Limited (A/C 9 – MDZ)	491,210	0.35
Forbar Custodians Limited (PPM Low A/C)	380,480	0.27
Gt Nominees Limited (RC & A Bickers Family A/C)	290,106	0.21
Ronald Gordon Millensted & Barbara Dorothy Millensted	282,631	0.20
Murray Thomas Purvis & Judith Carolyn Purvis	265,251	0.19
Lars Fagerstrom & Jocelyn Fagerstrom	246,000	0.17
Awarua Oyster Company Limited	225,000	0.16
Kevin Leonard Wood	214,192	0.15
Mary Franceline Cutts & Dorothy Margaret Cutts	212,866	0.15
Prudent Investments Limited	200,000	0.14
John Owen Young & Margaret Gourlay Young	200,000	0.14
Total	50,771,839	36.76

- 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.

NZSX Listing Rules Disclosures (continued)

NZCSD HOLDINGS AS AT 23 AUGUST 2005

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 this holding are follows:

UNIT HOLDER NAME	NUMBER OF UNITS	% OF TOTAL UNITS
Premier Nominees Limited Armstrong Jones Property Securities Fund	8,393,030	6.09
Westpac Banking Corporation – Client Assets No 2	7,541,451	5.47
MFL Mutual Fund Limited	3,525,936	2.56
Accident Compensation Corporation	2,282,548	1.66
Custody And Investment Nominees Limited	1,587,042	1.15
ANZ Nominees Limited	1,364,925	0.99
NZ Sovereign Assurance Company Limited	1,098,000	0.80
TEA Custodians Ltd No.2 Account	980,889	0.71
National Nominees New Zealand Limited	925,987	0.67
TEA Custodians Limited	600,000	0.44
BT NZ Unit Trust Nominees Limited	487,191	0.35
New Zealand Pension Plans (Life) Limited	422,933	0.31
Cogent Nominees Limited	430,713	0.31
AMP Superannuation Tracker Fund	354,300	0.26
Guardian Trust Investment Nominees (RWT) Limited	300,668	0.22
Citibank Nominees (New Zealand) Limited	104,990	0.08
Tracker Nominees – AMP Investments	91,800	0.07
TEA Custodians Limited – Balanced Growth Trust	56,561	0.04
NZ Guardian Trust Investment Nominees Limited	18,447	0.01
TOTAL UNITS HELD	30,567,411	22.19

SPREAD OF UNIT HOLDERS AS AT 23 AUGUST 2005

HOLDING	NUMBER OF UNIT HOLDERS	NUMBER OF UNITS	% OF TOTAL UNITS
1 – 4,999	837	2,119,313	1.54
5,000 – 9,999	1,376	9,838,327	7.14
10,000 – 49,999	2,602	53,062,274	38.50
50,000 – 99,999	251	16,180,264	11.74
100,000 – 499,999	65	11,127,268	8.07
500,000 – 999,999	7	4,736,487	3.44
1,000,000 and over	11	40,760,013	29.57
TOTAL	5,149	137,823,946	100.00

SUBSTANTIAL SECURITY HOLDERS AS AT 23 AUGUST 2005

UNIT HOLDER NAME	NUMBER OF UNITS	% OF TOTAL UNITS
ING (NZ) Limited	12,255,929	9.12
AXA Asia Pacific Holdings Limited	7,541,451	5.65

As at 23 August 2005 the Trust had 137,823,746 Units on issue. At the date of the most recent Substantial Security Holder notice on 1 August 2003 filed by ING (NZ) Limited the Trust had 134,454,000 Units on issue.

UNITS IN WHICH DIRECTORS OF THE MANAGER AND ASSOCIATED PERSONS HAVE A RELEVANT INTEREST FOR THE PURPOSES OF THE SECURITIES MARKETS ACT 1988 AS AT 30 JUNE 2005

DIRECTORS	NUMBER OF UNITS
Bruce Charles Davidson (Independent Chairman)	Nil
Brian James Freestone	24,252
Ronald MacGregor Irvine (Independent Director)	Nil
Martin Victor Lyttelton	6,511
Timothy Ernest Corbett Saunders (Independent Director)	Nil
Miles Peter Wentworth	Nil

Directory

Directors of the Manager of the Trust

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

Secretary to the Manager of the Trust

Michael Pawlyk

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 Avenue
Auckland

Bankers

ANZ – part of 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
Knight Frank

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
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www.computershare.com



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Properties Trust

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