

**ASX RELEASE**

**28 August 2009**

**Prime Trust Lodgements**

We submit herewith, the following lodgements:

- 1) Appendix 4E – 30 June 2009
- 2) Full year results presentation
- 3) Financial Report 30 June 2009

**Yours faithfully**



**Mahanthran Krishnan**  
**Company Secretary**  
**Prime Trust**

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**THE PRIME RETIREMENT & AGED CARE PROPERTY  
TRUST  
ARSN 097 514 746**

**FINANCIAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2009  
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A**

**Appendix 4E Preliminary Final Report**

Name of entity

The Prime Retirement &amp; Aged Care Property Trust

ABN or equivalent company reference: ARSN 097 514 746

**1. Reporting period**

Report for the financial year ended	30 June 2009
Previous corresponding period is the financial year ended	30 June 2008

**2. Results for announcement to the market**

Revenues from ordinary activities ( <i>item 2.1</i> )	down	67 %	to	40,839,000
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	down	N/A	to	(251,556,000)
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	down	N/A	to	(251,556,000)
<b>Trust Distributions (<i>item 2.4</i>)</b>	Amount per security			
Interim/Final distribution	1.0 ¢			
Previous Corresponding Period	8.5 ¢			
Record date for determining entitlements to the distributions ( <i>item 2.5</i> )	2 October 2008 and Paid on 21 October 2008.			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):				
<b><i>Refer to attached commentary on results</i></b>				

**3. Income Statement (item 3)**  
Refer to the attached statement

**4. Balance Sheet (item 4)**  
Refer to the attached statement

**5. Statement of Cash Flows (item 5)**  
Refer to the attached statement

**6. Distributions (item 6)**

	<b>Date of payment</b>	<b>Total amount of distributions</b>
Interim distributions – year ended 30 June 2009	Quarterly (Paid)	\$ 5,674,273
Final distribution – year ended 30 June 2009	-	\$ -
	<b>Total</b>	<b>\$ 5,674,273</b>

**Total distribution on all securities**

	<b>Current period \$A'000</b>	<b>Previous corresponding Period - \$A'000</b>
Ordinary securities	5,674	47,396
<b>Total</b>	<b>5,674</b>	<b>47,396</b>

**7. Details of dividend or distribution reinvestment plans in operation are described below (item 7):**

Distribution Re-investment Plan (DRP) The DRP is currently in operation.	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

**8. Statement of retained earnings (item 8)**

	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of year	50,483	40,542
Net (loss)/profit attributable to members of the parent entity	(251,556)	57,337
Total available for appropriation	(201,073)	97,879
Dividends paid	(5,674)	(47,396)
Balance at end of year	<u>(206,747)</u>	<u>50,483</u>

**9. Net tangible assets per security (item 9)**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	0.479	0.939

**10. Details of entities over which control has been gained or lost during the period: (item 10)**

**Control gained over entities**

Name of entities (item 10.1)	N/A
Date(s) of gain of control (item 10.2)	N/A
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 10.3)	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$ nil

**Control lost over entities**

Name of entities (item 10.1)	N/A
Date(s) of loss of control (item 10.2)	N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (*item 10.3*)

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 4.3*)

\$ Nil

**11. Details of associates and joint venture entities (*item 11*)**

N/A

**12. Significant information relating to the entity's financial performance and financial position.**

*Refer attached presentation.*

**13. The financial information provided in the Appendix 4E is based on the annual financial report, which has been prepared in accordance with Australian accounting standards (*item 13*).**

Attached

**14. Commentary on the results for the period.**

*Refer attached presentation*

**15. Audit of the financial report (*item 15*)**

The financial report has been audited and is attached.  
Also attached are the Chairman's letter and the media release.

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# THE PRIME *retirement & aged care* PROPERTY TRUST

## Financial Year 2009 Results

28 August 2009



# Year in review- Financial Year 2009

- Prime Trust (PTN) completed a strategic review of its operations which has resulted in focusing its investment in 12 Retirement Villages. These are considered “core assets” to the trust (Refer to map).
- Accordingly, PTN has been marketing its “non-core” facilities being:
  - 13 Aged Care facilities and Retirement Villages leased to Lend Lease Primelife (“LLP”);
  - 12 retirement pension assets currently managed by Eureka Care Communities; and
  - 2 Aged Care facilities.
- Results to date:
  - Sale of 1 Aged Care facility
  - The post-year end sale of the 13 rental facilities
  - Other non-core facilities are expected to be sold by end of this calendar year
- Other key events include:
  - Option to acquire by 30 June 2010 the management rights for the 12 core Retirement Villages
  - Resolution of all legal and operational disputes with LLP
  - Implementation of a rigorous cost reduction program through reduced employee numbers, reduced development commitments and simplified the business model
  - Completed 106 new living units at 2 existing villages. 60 new units were settled during FY09. Including FY08 developed units, 63 units remain on hand to be sold





# FY June 2009- Financial Performance

Performance indicators	FY09	FY08
Operating EBIT	11,105	(3,368)
Net (loss)/profit after tax (\$'000)	(251,556)	57,337
Operating Cash Flow (\$'000)	44,919	31,030
NTA per share*	48 cents	96 cents
NTA discount to share price	59%#	49%
Secured Bank Debt	410,536	408,198
Gearing ratio^	60.3%	39.0%
Distributions paid (\$'000)	5,674	47,396
Distributions per unit	1 cent	8.5 cents

## Result impacted by:

- \$191m write-down of property valuations
- \$48m provision on development loans to external retirement village developers

\* Using weighted average units on issue over the period

^ Net Debt/(Net Debt + Net Assets)

# Share price @ 28 August = 19 cents.

# Key Messages- Financial Year 2009

## Capital Management

- **LLC transaction** (14 August 2009) to reduce debt by more than \$70m;
- **Sale of Veronica Aged Care** facility (June 2009) to reduce debt by \$8m;
- **Retire an additional \$65m** of debt through sale of non-core assets and sale of new independent living units.
- **Reduce debt to circa \$260m** (50% gearing)

## Strategic Position

- **Core Asset base:** Focus on the 12 Retirement Villages on the central and north east coast of Australia.
  - Obtain ability to manage the core asset base directly.
- **Non-core assets:** 13 rental facilities were sold in August 2009. 12 Eureka pension villages are for sale this financial year.

## Strategic Review

- Focus on **reducing debt, lowering costs and ceased development and reduced refurbishment works** until demand justifies such expenditure
- **Reduce existing stock levels** at core Retirement Villages through improved sales focus
- Consider a restructure through **capital raising or transaction with a cornerstone investor** with objective of exercising option to acquire Retirement Village management rights and restructure the Trust and Responsible Entity.

## Operational initiatives

- Removed legal disputes so providing **greater certainty and improvement of cash flow**
- **Employee numbers have been rationalised** to fit the down sizing of trust operations
- **Operational Cash flow is up 45%** yoy.
- Core unit sales turnover for FY09 was circa 4.5%. Long-term average is expected to be circa 8%. LLP transaction provides PTN with **ability to influence sales in the future.**

# Strategic Review- Progress to date

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Date	Action
15 December 2009	Strategic review to bridge the gap between the NTA and Unit Price
24 February 2009	<p>Undertake a business rationalisation program which focused on reducing:</p> <ul style="list-style-type: none"> <li>- development expenditure</li> <li>- refurbishment expenditure</li> <li>- employment costs</li> <li>- interest costs</li> </ul> <p>The Board will consider recapitalising the balance sheet via:</p> <ul style="list-style-type: none"> <li>- sale of non-core assets;</li> <li>- capital raising; and</li> <li>- equity injection through a cornerstone investor</li> </ul> <p>Identity “core” and “non-core” asset portfolio:  <b>Core-</b> 12 Retirement Villages and related developments  <b>Non Core-</b> LLP rental facilities, Eureka Rental facilities, Aged Care facilities</p>
16 June 2009	Sold the Veronica Aged Care facility
14 August 2009	<p>Sold 13 rental facilities</p> <p>Resolved all legal and operational disputes with LLP</p> <p>Obtained an option agreement to acquire the management rights to the core retirement villages.</p>

# LLC/LLP Transactions August 2009

## Key components of the transaction

### 13 Non-Core LLP rental facilities

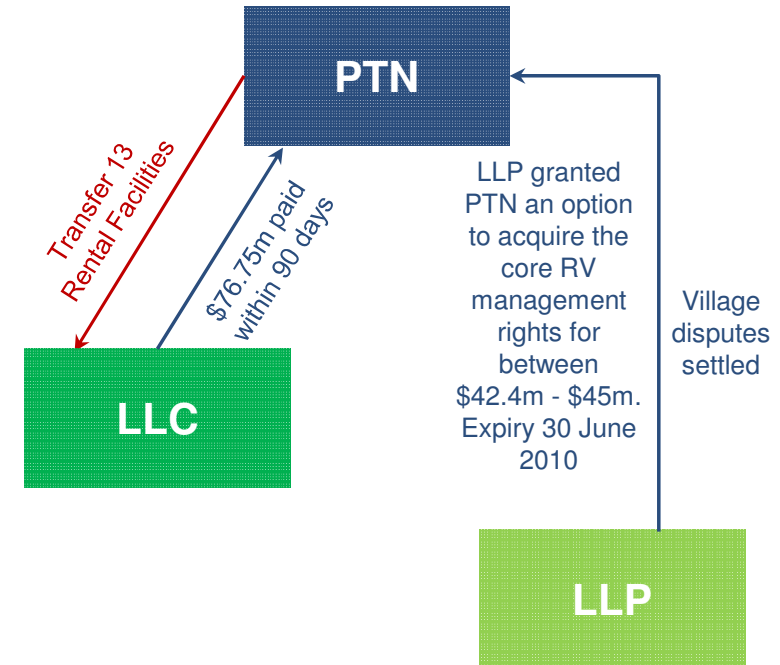
- Sold to Lend Lease Corporation (“LLC”) for \$76,750,000.
  - Settlement to occur over 3 tranches. Seven settled in late August with staggered settlements all within 90 days
  - Circa 20% discount to December 2008 Book value
  - Debt secured against the properties is approximately \$58m
  - Total debt to be paid down is expected to be circa \$73m (translates to an interest saving of \$6m per annum and 17% debt reduction).

### Settlement of LLP legal disputes

- Default notices have been removed from the 12 Retirement Villages
  - Results in immediate cash flow benefits to the Trust
  - Improved relationship with LLP
  - Better information flow on each Retirement Village
  - Settlement of Aged Care facility dispute

### PTN has option to acquire the management rights for the 12 core villages:

- Management rights are valued between \$42.5m and \$45m
  - Option is exercisable prior to 30 June 2010
  - PTN can manage the facilities and reap the benefits of full operational control.

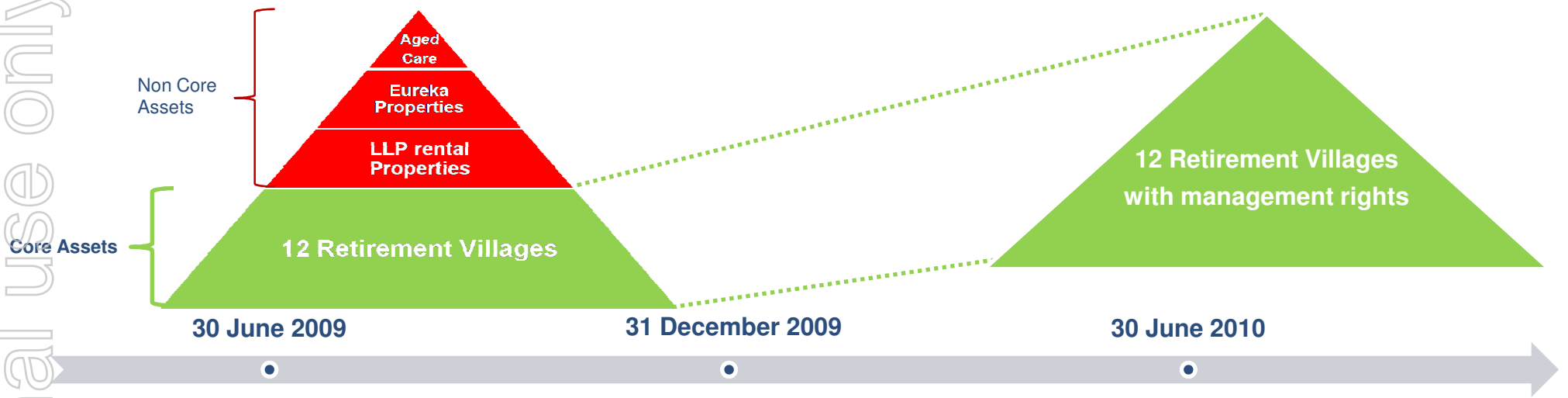


## Benefits of the transaction:

- Immediate and significant cash generation
- Pay down of 17% of PTN's existing debt balance, circa \$73m
- Settlement of litigation/disputes
- \$6.9m from Age Care facility settlement
- Option to manage facilities.

# Strategic Direction- Focus Going forward

## PTN will focus on 12 core Retirement Villages



- Recapitalise the balance sheet and reduce and service debt through:
  - Non core asset sales;
  - Cornerstone investor; and
  - Equity raising;
  - Improved cash flow's
- Acquire the management rights to the Core villages by 30 June 2010
- Stapling the Responsible Entity to the Trust in preparation for purchasing the core Retirement Village management rights
- Focus on selling the remaining non core assets over the next 6 months
  - Eureka Properties are currently being actively marketed
  - Aged Care facilities will be considered for sale under a controlled process to ensure realisation is maximised.
- Manage the existing facility stock levels to ensure the facilities can take advantage of any upswing in the near future.
- Continue to work with financiers to consider core debt restructuring
- Reduce core debt to \$250m-\$260m → Gearing < 50%

# Core Assets- Retirement Villages

Village	State	Independent Living Units	Serviced Apartments	TOTAL UNITS
Hibiscus- Buderim Garden Resort	QLD	385	15	400
Hibiscus- Noosa Outlook	QLD	234		234
Hibiscus- Buderim Meadows	QLD	203		203
Hibiscus- Chancellor Park	QLD	403		403
Hibiscus- Nambour	QLD	55		55
Hibiscus- Bellflower	QLD	460		460
Argyle Gardens- Bundaberg	QLD	323	77	400
Carlyle Gardens- Townsville	QLD	456		456
Carlyle Gardens- Mackay	QLD	283		283
Ashton Gardens- Newcastle	NSW	61		61
Lindfield Gardens- Gold Coast	QLD	180		180
Brentwood- Terrigal	NSW	498	100	598
<b>TOTAL UNITS</b>		<b>3,541</b>	<b>192</b>	<b>3,733</b>

## Asset Summary

- Residents pay upfront for a license to occupy a unit
- Trust retains ownership of unit
- Resident pays a monthly service fee to operator to cover e.g. rates, building insurance, maintenance, upkeep of common areas, village administration
- Deferred management fee (DMF) accrues and is paid to the village by the exiting resident

## Financial Position

	FY 2009	FY 2008
Book Value	\$1,200m	\$1,295m

- Reduction of \$95m has occurred for the following reasons:
  - Increased discount rates
  - Reduced growth rates

# Debt Facilities at 30 June 2009

## PTN will use non core asset sale proceeds to pay down debt and improve gearing

Asset Portfolio	Book Value (\$'000)	Secured Debt (\$'000)	Weighted Average Interest Rate @ 30 June 2009
<b>Core Assets</b>			
Retirement Villages^	512,993	(290,717)	6.3%
Development WIP	16,365	-	N/a
<b>TOTAL Core Assets</b>	<b>529,358</b>	<b>(290,717)</b>	<b>6.3%</b>
<b>Non-Core Assets</b>			
LLP Rentals	73,680	(58,194)	5.4%
Eureka Facilities	37,500	(37,075)	7.2%
Aged Care Facilities	38,051	(24,550)	7.4%
<b>TOTAL Non-Core Assets</b>	<b>149,231</b>	<b>(119,819)</b>	<b>6.3%</b>
<b>TOTAL</b>	<b>678,589</b>	<b>(410,536)</b>	<b>6.3%</b>

^ Source- value is net of resident loans

- Over 90% of the debt is floating interest. PTN has received benefit of the reduction in the cash rate from 7.25% in mid 2008 to 3% in mid 2009;
- Non-core asset sale proceeds will be committed to debt reduction. Debt secured against non core assets represents circa 30% of the existing debt balance;
- PTN currently has a number of non-compliance matters in terms of its banking facilities. These primarily relate to Interest rate coverage ratios (ICR) and Leverage ratios (LVR). PTN continues to work with the banks with the goal of restructuring its current debt position and maintaining support.
- Individual assets are secured against specific loans. PTN will consider restructuring the existing debt to a club or syndicated facility to ensure compliance and covenant requirements are standardised over one facility

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## Appendices

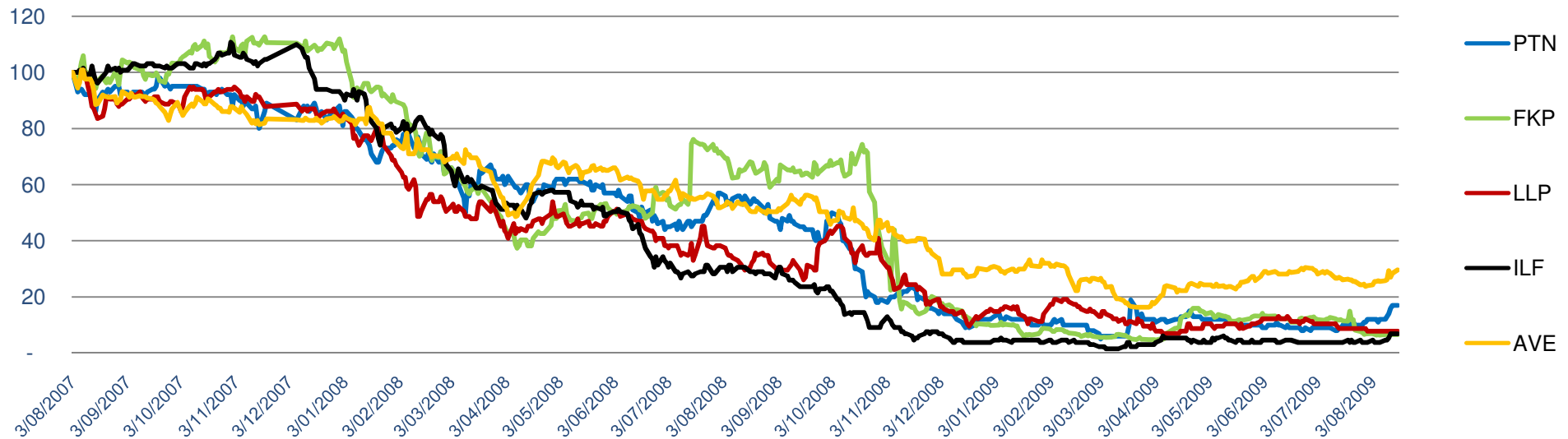


# Industry Review

## Property valuation assumptions have been realigned to reflect greater risk

- Property valuations have been severely impacted by increased discount rates and reduced growth assumptions. This is reflected in the price movements of listed senior living class assets.
- Markets are factoring in greater risk following a period during early FY08 in which debt was easily accessible and risk premiums remained low.
- Listed property equity stocks, have been severely effected in the past 12 months, with a key focus of the market being the exposure to maturing debt in an environment where refinancing is more difficult and more costly.
- PTN unit price performance is generally in line with market. The above graph shows 5 of the major industry players starting from an indexed base of 100.

Share Price performance from PTN Listing date (3 Aug 07) from base of 100



# Property Market and Demographics

## Signs of improved market conditions

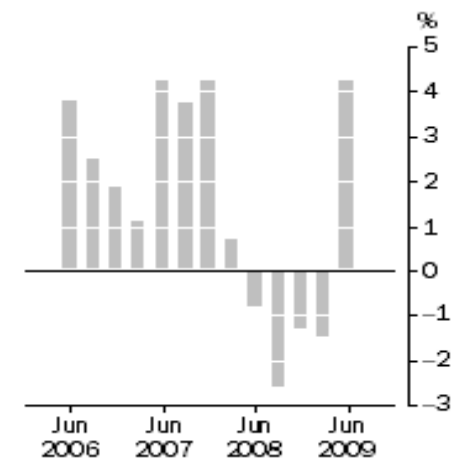
### Housing Performance

- Demand driven factors during the last quarter have seen the housing market recover many of the losses made in the preceding 18 months.
  - June Qtr house prices have recovered 4.2% to reduce the 12 month loss to 1.4%
  - Factors that have contributed to this have been:
    - First Home Buyers Grant (FHBG);
    - Cheap finance; and
    - Government stimulus packages
- Retirement Living Unit sales track along with the performance of the residential market.
- Despite the recent strength, growth is expected to be patchy due to the following:
  - Abolition/Reduction of the FHBG;
  - Monetary policy tightening as indicated by RBA; and
  - Uncertainty surrounding unemployment

### PTN, the Housing Industry and the aging population

- Strategically acquired 6 retirement villages on the Sunshine Coast to take advantage of the retirement demographics in the region.
  - Forecasters predict that the Sunshine Coast region is likely to experience 5% price growth per annum for houses (Source: Residex)
- Slower resales in FY09 has resulted in a significant amount of stock at its existing facilities. The Trust is well placed to take advantage of any residential upswing.
- The current economic indicators suggest there will be a rise in demand, with shortened turnover time.
- Coupled with the fastest growing demographic, and available stock, PTN is well positioned.

Quarterly house price change of eight capital cities



Source: ABS - [www.abs.gov.au/AUSSTATS/abs@.nsf/MF/6416.0](http://www.abs.gov.au/AUSSTATS/abs@.nsf/MF/6416.0)

# Operating Cash Flow FY09

Operating Cash flow has improved 45% yoy

Cash Flow Statement	FY09- 30 June 09	FY08- 30 June 08
Interest Inflow	3,421	12,900
Rental income	19,306	14,957
Resident incoming contributions (incl first time sales)	39,777	26,822
Payments to Suppliers and expenses	( 20,886)	( 27,192)
Other	3,301	3,543
<b>Cash Flow from Operating Activities</b>	<b>44,919</b>	<b>31,030</b>
Advances for property acquisitions	( 14,234)	( 7,784)
Investments in retirement villages including development outflows	( 67,663)	( 127,038)
Other	( 144)	( 7)
<b>Cash Flow from Investing Activities</b>	<b>( 82,041)</b>	<b>( 134,829)</b>
Borrowing costs	( 28,320)	( 31,713)
Distributions paid	( 16,654)	( 36,091)
Unit Issue	1,355	88,334
Proceeds of borrowings	2,338	78,788
Other	( 150)	( 31,009)
<b>Cash Flow from Financing Activities</b>	<b>( 41,431)</b>	<b>68,309</b>
<b>Net increase/(decrease) in cash held</b>	<b>( 78,553)</b>	<b>( 35,490)</b>
<b>Cash at the beginning of the year</b>	<b>82,575</b>	<b>118,065</b>
<b>Cash held at the end of the period</b>	<b>4,022</b>	<b>82,575</b>

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# Income Statement

2HY09 produced a significantly improved EBIT performance from (\$0.1m) to \$11.1m

Income Statement	1HY09 \$'000	2HY09 \$'000	FY2009 \$'000	FY2008 \$'000	Change %
Revenue from operating activities	15,789	21,169	36,958	19,450	90%
<b>Total income</b>	<b>15,789</b>	<b>21,169</b>	<b>36,958</b>	<b>19,450</b>	<b>90%</b>
Professional Service Fees	( 2,249)	( 1,270)	( 3,519)	( 2,614)	35%
Village Management Fees	( 1,859)	( 3,173)	( 5,032)	( 2,596)	94%
Responsible Entity Fees	( 2,927)	( 2,459)	( 5,386)	( 3,992)	35%
Custodian fees	( 1,218)	( 1,129)	( 2,347)	( 2,508)	(6%)
Other Operating Expenses	( 7,679)	( 2,033)	( 9,712)	( 11,108)	(13%)
<b>Total Expenses</b>	<b>( 15,932)</b>	<b>( 10,064)</b>	<b>( 25,996)</b>	<b>( 22,818)</b>	<b>14%</b>
<b>Earnings before Interest, Tax, Depreciation and One-off revaluations (EBIT)</b>	<b>( 143)</b>	<b>11,105</b>	<b>10,962</b>	<b>( 3,368)</b>	<b>(425%)</b>
Development Investment write down	( 36,035)	( 12,163)	( 48,198)	55,194	(187%)
Property upward revaluation/(Property write down)	( 44,856)	( 146,839)	( 191,695)	31,113	(716%)
DMF Management fee write off	-	-	-	( 15,846)	(100%)
Loss on sale of Investment	-	( 1,126)	( 1,126)	-	n/a
<b>Earnings before Interest, Tax, Depreciation</b>	<b>( 81,034)</b>	<b>( 149,023)</b>	<b>( 230,057)</b>	<b>67,093</b>	<b>(443%)</b>
Borrowing costs	( 13,556)	( 11,343)	( 24,899)	( 16,037)	55%
Tax Expense/(Benefit)	3,401	( 1)	3,400	6,281	(46%)
<b>Net Profit After Tax</b>	<b>( 91,189)</b>	<b>( 160,367)</b>	<b>( 251,556)</b>	<b>57,337</b>	<b>(539%)</b>

# Financial Position

Balance Sheet	30 June 09	30 June 08
Cash	4,022	82,575
Receivables	8,495	16,250
Investment property (Incl assets held for sale)	1,333,307	1,451,268
Other investments- Developments, WIP	36,747	84,511
Other Non-Current Assets	1,029	5,259
<b>Total Assets</b>	<b>1,383,600</b>	<b>1,639,863</b>
Current Liabilities	12,514	22,742
Resident Loans	671,084	661,638
Interest Bearing Debts	423,661	421,323
Non Current Liabilities	0	3,400
<b>Total Liabilities</b>	<b>1,107,259</b>	<b>1,109,103</b>
<b>Net Assets</b>	<b>276,341</b>	<b>530,760</b>
<b>Number of shares ('000)</b>	<b>576,340</b>	<b>553,872</b>
<b>Net Tangible Assets per security</b>	<b>48 cents</b>	<b>96 cents</b>
<b>Net Debt Gearing</b>	<b>60.3%</b>	<b>39.0%</b>

## Key Messages

- \$868m of the Investment property value was independently valued for June 2009. The remaining \$465m was internally assessed and adjusted to fair value.
- Decline of the NTA balance was primarily driven by the following:
  - \$191m Property investment write-off;
  - \$48m Development investment write-off;
  - Cash deterioration from development expenditure and refurbishment outflows

# Asset write-down- FY09

	Retirement Villages (\$'000)	LLP Rental facilities (\$'000)	Eureka Care Rental facilities (\$'000)	Aged Care facilities (\$'000)	TOTAL Value
Investment / Held-for-sale property value	CORE	NON-CORE	NON-CORE	NON-CORE	
Opening balance- 30 June 2008	1,264,758	101,782	54,327	30,401	1,451,268
Write-downs	(141,969)	(28,102)	(16,827)	(4,797)	(191,695)
Construction/Development expenditure	69,522	-	-	12,446	81,968
Resident share of capital reduction	(8,234)	-	-	-	(8,234)
<b>Closing Balance- 30 June 2009</b>	<b>1,184,077</b>	<b>73,680</b>	<b>37,500</b>	<b>38,050</b>	<b>1,333,307</b>

## Retirement Villages

- Write down driven by discount rate increases by 60 basis points over the asset portfolio, as well as reduced growth expectations in the short –medium term.
- Additions a result of construction expenditure and development at the Brownfield sites and improvements at other villages.

## LLP rentals

- Write off incurred to reflect the sale price (less transaction costs)

## Eureka Care

- Directors reflected greater discount rates as well as expected realisation amount upon selling the portfolio (less transaction costs)

## Aged Care facilities

- Write down have been conducted to reflect net realisable value from asset sales.

# Core Assets- Property Valuation impact

## Discount rates on Retirement Villages increased during FY09 impacting asset values

Company	Scale (Approx)^	Discount Rate	Growth Rate
FKP	10,200 units	12.5%	5.0%
Becton	910 units	12.55%	4.0%
Stockland	3,600 units	12.55%	3.7%
<b>PTN</b>	<b>3,700 units</b>	<b>12.83%</b>	<b>2.5%</b>
LLP	11,200 units	12.93%	3.98%
Aevum	2,200 units	13.53%	4.3%
<b>Weighted Average</b>		<b>12.79%</b>	<b>4.1%</b>

^ Source- ASX announcements

- Retirement Village discount rates have increased on average by 60 basis points since 30 June 2008 over the PTN portfolio.
- PTN's growth rate assumptions on its Retirement Villages has also eased for the immediate future (1-3% growth for the next 3 years). Former growth rates consistently reflected a 4-5% improvement year on year.
- From the above industry comparison, PTN considers its valuation position as reasonable in comparison to other industry players

# FY June 2009 Core Property Portfolio Performance

## Core portfolio turnover rates in FY09 were hampered by the slowing property market

### Resale rate

- Achieved 159 settlements during the period. This represents an annualized turnover of 4.3% on the entire portfolio. FY08 achieved a turnover of 219 units (6.1% per annum). In normal economic periods would expect a circa 8% turnover per annum.
- Settlements and turnover rates were under pressure during FY09 as incoming residents took longer to sell their own homes.

Settlements		H1 FY09	H2 FY09	FY 09	FY 08
Number of Settlements	Resale of Units	79	80	159	219
Resale Unit Rate	TOTAL resale Units	3,733	3,733	3,733	3,627
	ANNUALISED ROLLOVER RATE	4.2%	4.2%	4.2%	6.0%

### Stock levels

- Stock levels have risen from 189 during FY08 to 245 at the end of FY09.
- PTN is well positioned to take advantage of any residential upswing in the immediate future.

Stock Levels	FY 09	FY 08
Resale stock on hand	245	189
TOTAL resale units	3,733	3,627
% of stock on hand	6.6%	5.2%
Occupancy Level	93.4%	94.8%

### Brownfield Development Units at RV sites

- PTN completed 106 units at Townsville (73 ILUS's) and Lindfield (33 apartments) during FY09. FY08 completed 30 ILU's at MacKay.
- PTN have settled 67 of these new units (FY09- 60, FY08- 7) to gross \$27m in cash (FY08- \$2.5m FY09- \$24.5m).
- Gross proceeds from the remaining 63 units of stock is expected to be \$25.1m.



# FY June 2009- Non Core Asset Portfolio Performance

## 13 LLP Rental facilities- Non Core

- Operate under a standard Lease/Management agreement with CPI/fixed % increase on base rentals
- Cash inflow generated from these properties for FY09 equates to \$9.2m (FY 08- \$9.0m)
- Rental inflow increased yoy by approximately 3% which is in accordance with Lease agreements
- These 13 properties have been sold to LLC in August 2009
- Assets were sold for a circa 20% discount on December 2009 values

## 12 Eureka Care facilities- Non Core

- Operate under pension rental model where residents subsidise rental fees through fortnightly government pension and rental allowances
- Cash inflow from these properties for FY09 = \$3.9m; FY08 circa \$3.9m
- Weighted average occupancy for the 12 facilities FY09 was circa 85%, FY08 - 83%.
- Won a Federal Court decision in April to cancel the former management agreement with the Fig Tree
- Contracted Eureka Care Communities to manage these facilities from 1 July
- Eureka have successfully maintained mid 80% occupancy level since managing the facility
- All Eureka Properties are currently being actively marketed during a controlled sale process

## Other Aged Care investments

- Veronica Aged Care facility sold during the period (settlement due in September 2009)
- Buderim Views Aged Care facility opened in March 2009 with 50 residents in the facility at 30 June 2009 (26 August 2009: 72 beds occupied)

State	Retirement Villages	Aged Care Facilities
VIC	2	7
NSW	1	0
SA	1	2
<b>TOTAL</b>	<b>4</b>	<b>9</b>
LLP Rentals	FY 2009	FY 2008
Book Value	\$73.68m	\$101.78m

State	Pension Facilities	
QLD	6	
NSW	1	
SA	5	
<b>TOTAL</b>	<b>12</b>	
Eureka	FY 2009	FY 2008
Book Value	\$37.5m	\$54.32m

**PRIME RETIREMENT and AGED CARE PROPERTY TRUST  
and  
CONTROLLED ENTITIES  
ARSN 097 514 746**

**FINANCIAL REPORT  
for the year ended 30 June 2009**

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**TABLE OF CONTENTS**

Directors' of Responsible Entity Report	1
Auditor's Independence Declaration	11
Financial Report for the year ended 30 June 2009	
Consolidated Income Statement	12
Consolidated Balance Sheet	13
Consolidated Statement of Changes in Unitholders' Funds	14
Consolidated Statement of Cash flows	15
Notes to Financial Statements	16
Directors' of Responsible Entity Declaration	41
Independent Auditor's Report	42
Corporate Governance Statement	44
Corporate Directory	52

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

The Directors of Australian Property Custodian Holdings Limited, the responsible entity of the Prime Retirement & Aged Care Property Trust, present their report together with the financial report of the Prime Retirement & Aged Care Property Trust ("the Trust") and of the consolidated entity, being the Trust and its controlled entities, for the year ended 30 June 2009 and the auditor's report thereon.

**Directors**

The directors of the responsible entity during or since the end of the financial year are:

<b>Name and qualifications</b>	<b>Age</b>	<b>Experience and special responsibilities</b>
<p><b>Hon. Dr Michael Wooldridge</b></p> <ul style="list-style-type: none"> <li>- Degree in Science, Medicine</li> <li>- Masters in Business Administration</li> <li>- Post Graduate MBA</li> </ul>	52	<ul style="list-style-type: none"> <li>- Non-Executive Chairman</li> <li>- Director of Australian Pharmaceutical Industries Ltd (ASX Code: API), former Minister for Health and Care (1998-2001). Qualified Medical Practitioner with professorial positions with Monash University and University of Melbourne. Government appointed positions, including Chairman of the Health Services Advisory Committee.</li> </ul>
Responsibilities		<ul style="list-style-type: none"> <li>- Oversee the fund in accordance with philosophy, policy and objective of the listed Trust. Member of the Audit Committee.</li> </ul>
Interest in Units and Options		<ul style="list-style-type: none"> <li>- 53,953 Units and 2,450,000 Options held.</li> </ul>
<p><b>Philip John Powell</b></p> <ul style="list-style-type: none"> <li>- B Com (Hons), ACA, FINSIA</li> </ul>	52	<ul style="list-style-type: none"> <li>- Managing Director</li> <li>- Director of Clever Communications Australia Ltd and Kidder Williams Ltd.</li> </ul>
Responsibilities		<ul style="list-style-type: none"> <li>- Undertake negotiations, legal and finance issues with respect to acquisitions and disposals. Develop and implement strategies and business plan, liaise with analysts.</li> </ul>
Interest in Units and Options		<ul style="list-style-type: none"> <li>- 2,087,856 Units of which 1,952,856 held by Kidder Williams Ltd of which Philip Powell is a Director.</li> </ul>
<p><b>Kim Samuel Jaques</b></p> <ul style="list-style-type: none"> <li>- Certificate of Bus.(Real Estate)</li> </ul>	62	<ul style="list-style-type: none"> <li>- Director</li> <li>- Experience in property management in the commercial and retail areas.</li> </ul>
Responsibilities		<ul style="list-style-type: none"> <li>- Property acquisition and retirement village management. Since December 2008, new accommodation unit sales management and marketing strategies.</li> </ul>
Interest in Units and Options		<ul style="list-style-type: none"> <li>- 2,132,279 Units and 4,500,000 Options held.</li> </ul>

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

<b>Mark Frederick Butler</b>	49	<ul style="list-style-type: none"> <li>- Director (resigned 17 December 2008)</li> </ul>
<ul style="list-style-type: none"> <li>- Advanced Certificate in Real Estate</li> <li>- Certificate in Shopping Centre Management</li> </ul>		<ul style="list-style-type: none"> <li>- Corporate and retirement village marketing and sales.</li> <li>- Involvement in planning and implementing of retirement village marketing strategies and assisting in acquisition processes.</li> </ul>
Responsibilities		<ul style="list-style-type: none"> <li>- Sales and Marketing management of the living units owned by the Trust.</li> </ul>
Interest in Units and Options		20,000 Units and 2,250,000 Options held.
<b>Peter John Clarke</b>	53	<ul style="list-style-type: none"> <li>- Director</li> </ul>
<ul style="list-style-type: none"> <li>- Qualified architect</li> </ul>		<ul style="list-style-type: none"> <li>- Former Executive Director of Royal Australian Institute of Architects (Victoria), Senior Executive of Lend Lease in Victoria, recently Managing Director of Urban Alliance Corporation, consultancy specialising in Aged Care and Senior Living Projects. City of Melbourne Councillor. Has advised both public companies and Federal and State Government on property, construction, planning and other policy issues.</li> </ul>
Responsibilities		<ul style="list-style-type: none"> <li>- Overseeing of development of new living units and aged care facilities.</li> </ul>
Interest in Units and Options		- 22,712 Units and 1,200,000 Options held.
<b>Anthony Hancy</b>	61	<ul style="list-style-type: none"> <li>- Non-Executive Director</li> </ul>
<ul style="list-style-type: none"> <li>- B.Comm (Univ. of Melb.), MBA (Univ. of Melb.), AICD, CPA, AIM</li> </ul>		<ul style="list-style-type: none"> <li>- Tony Hancy gained extensive experience in healthcare and technology at Accenture (previously Andersen Consulting) as the Managing Partner for the healthcare practice in the Asia Pacific Region for 12 years, followed by 2 years overseeing Accenture Technology Ventures' operations in Australia and Accenture's Corporate Development in Australia and New Zealand.</li> </ul> <p>Tony has been actively involved in serving on the board of a number of not-for-profit organisations in Australia. He is currently a member of the Strategy Committee of Sinclair Knight Merz, the largest private engineering consulting firm in Asia Pacific.</p>
Interest in Units and Options		- 50,000 Units and 450,000 Options held.

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AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

**Neil Rodaway**

45 - Non-Executive Director

- Chartered Accountant (UK)  
Honours – Business Studies

- Former Chief Executive Officer of Vision Group Holdings Ltd.

Neil has extensive experience in health care, logistics and finance having worked at Symbion Health/Mayne for almost 13 years in the finance, logistics and diagnostics divisions. The majority of Neil's time at Mayne was spent in senior management roles ranging from divisional CFO to Group General Manager. Prior to his employment at Mayne, Neil was an auditor at KPMG based in the UK and Australia.

Responsibilities:

- Chairman of the Audit Committee.

Interest in Units and Options

- Nil Units and 450,000 Options held.

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AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

**Results**

The consolidated profit and loss of the economic entity and the Trust, as represented by the results of its operations, were as follows:

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Net Operating (Loss) /Income	(251,556)	57,337	(185,779)	37,743
Distribution Paid	5,674	47,396	5,674	47,396
Distribution (cents per unit)	1.0	8.5	1.0	8.5

A distribution of 1 cent per unit was made by the Trust during the year ended 30 June 2009.

**Review of Operations**

During the year the economic entity engaged in its principal activity, the results of which are disclosed in the attached financial statements.

The loss after tax for the year ended 30 June 2009 in large part reflects a review of the carrying value of the Trust's investments: \$191.7m relates to a reduction in the investment value of properties and \$48.2m relates to impairment of investment loans made to external developers.

The property valuation adjustments reflect the increased discount rates and reduced growth forecasts being applied by independent valuers in a depressed property market and senior living asset class market. Discount rates applied to estimated future cash flows for our retirement villages are now in the range of 12.5% to 14.0% and an incremental growth rate of 1% to 5% have been adopted for the next 5 years. The discount rates adopted for all of our other facilities where the Trust receives monthly cash rentals ranged from 9% to 12%.

For several years the Trust has provided funds to developer entities on a second mortgage basis with the right to purchase the village on completion of the development. The Board will not make any new loans at the present time and it has decided to make a provision for losses on some existing loans because of recoverability concerns due to lower than expected sales and, in some cases, over-capitalisation of development costs.

There were three development loans that were written off by the Trust during the year and these were developments that were carried out by developers who have gone into liquidation. The total write down of these three developments was \$23.9 million. The Trust has also written down the value of five other developments due to the uncertainty in the recoverability of the loans and advances made towards these developments.

Over the last 6-12 months, the retirement market had a slowdown in activity and we noted that the number of rollovers or resales of individual living units decreased from the usual 7-8% pa, depending on the village, to about 4-5% pa. Resales of vacant units have taken longer than in the past due to extended timeframes for the incoming residents selling and settling their property to move to the village. This has resulted in the stock levels at all villages increasing to unprecedented levels.

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AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

As a result of this, our June 2009 stock levels of units for resale are higher than at June 2008. This puts the Trust in a good position when the market demand eventually improves. In addition, all of the first stage of new units and apartments at Townsville (73 units), Mackay (30 units), and Lindfield (33 apartments) are now completed. At reporting date, of this first stage development 44 units and 9 apartments are yet to be sold.

During the year \$68m was invested in new accommodation units, refurbishments, property improvements, a new 120-bed Aged Care facility at Buderim and general community improvements at all villages. The result of these long term development commitments, which were made over recent years, is that the Trust's infrastructure and stock of units is very strong when a market upturn eventually occurs.

The amount of interest bearing debt remained steady at \$410.5m. We have classified all of this debt as current which includes all the debts associated with the non-core assets that are currently for sale or sold and other debt due for re-financing in the next 12 months. We have had discussions with the financiers to pay facilities secured by non-core assets and to further reduce the debt using the surplus of the net proceeds from these sales. The financiers are in concurrence with our strategic actions of selling the non-core assets to reduce debts. The Trust has had breaches in loan to value ratios and interest cover ratios with some facilities which then created technical breaches with other facilities. Management has successfully negotiated new deeds of variations with three of its five financiers and is continuing to work closely with them. There are continuing breaches and the Trust is working with the financiers to remedy by either the sale of non-core assets and/or obtaining waiver.

In December 2008 the Board announced that a strategic review of the net assets in the Balance Sheet of the Trust would be carried out with the intention to bridge the gap between this value and the trading value of its unit price.

At the direction of the Board, management has reassessed its entire strategy with the specific objective of seeking to maximise Unitholder value.

The outcome of the review was the recognition of the need to restructure the Trust to reduce debt, lower costs, simplify operations and stop development at the present time.

The Board considered a number of strategic options:

- Continuing operations but with significantly reduced development and refurbishment expenditure;
- A total or partial sale of assets;
- A re-capitalisation of the Trust by an equity raising; and
- A merger with other entities.

The Board concluded:

- A break-up of the Trust and sale of all assets is likely to lead to a significant discount on net asset values in the current market, especially for the core Retirement Village assets (value of circa \$625m). Accordingly, a sale of these assets was not recommended at this stage. The Villages will continue to operate but with marketing expenditure and refurbishment costs closely matched to market conditions;



**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

- A sale of Prime Trust's leased retirement and aged care facilities would be attractive to investors, and cash from such a sale could be applied in part to reducing current debt. The Board considered the sale of certain other non-core assets (approx \$42m);
- A re-capitalisation of the Trust by way of an equity raising may be pursued if a cornerstone investor is prepared to pay in excess of the current market price and provided existing Unitholders have the ability to participate on the same terms. The Board will consider minor capital raisings in conjunction with cash requirements;
- The Board will continue to consider merger and consolidation options. Whilst this may not result in immediate significant value creation, a merger with a synergistic partner may provide a base for longer term value. The owner of the responsible entity has indicated that it is prepared to include its interest in any corporate transaction; and
- Stapling of the responsible entity with the Trust is also on the agenda.

The Board is not able to provide guidance on when future distributions might occur as it depends very much on future economic activity and, in particular, the pay down of bank debt and the level of resale of units (which will be driven by the ability of retirees to sell their own properties).

The Board is extremely mindful of the reliance that many of its Unitholders have on the distributions and wishes to assure that it will make a distribution once it becomes prudent to do so.

The current environment is extremely challenging but we believe we will be in a strong position to take advantage of economic improvements when they eventually occur, and we have already undertaken the following steps:

- Ceased all new development expenditure at existing sites;
- Limited any expenditure on future refurbishments of existing accommodation units to only those supported by a confirmed re-sale;
- Significantly reduced staffing and operational costs; and
- Deferring substantial amounts of the responsible entity fee.

The immediate focus of the Board is to conserve cash, reduce debts to economically sound gearing levels and financially prepare the Trust for the upturn in the property market with the sale of current stock and recommence development for constant stock supply.

The investment policy of the Trust continues to be that detailed in the Product Disclosure Statement ("PDS") and in accordance with the provisions of the governing documents of the Trust.

**Options**

At the date of this report, the unissued units in the Trust under option were 26,750,000 and they were granted as follows:

<u>Grant Date</u>	<u>Date of Expiry</u>	<u>Exercise Price</u>	<u>Number under Option</u>
March 2006	31 Dec 2010	\$ 1.00 per Unit	16,000,000
June 2007	31 Dec 2010	\$ 1.00 per Unit	5,000,000
June 2007	31 Dec 2010	\$ 1.00 per Unit	<u>5,750,000</u>
			26,750,000

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

Options were initially granted by Prime Retirement & Aged Care Property Trust to the responsible entity in part consideration for management fees. All Options have an exercise price of \$1.00 to be exercised on or before 31 December 2010. The responsible entity subsequently allocated options to the following directors, employees or related parties. The options currently held are as follows:

- 9,300,000 options granted to William Lewski;
- 2,250,000 options granted to Mark Butler;
- 4,500,000 options granted to Kim Jaques;
- 2,450,000 options granted to Hon. Dr Michael Wooldridge;
- 1,200,000 options granted to Peter Clarke;
- 450,000 options granted to Anthony Hancy;
- 450,000 options granted to Neil Rodaway;
- 5,000,000 options granted to wholesale distributors of Prime Trust Units; and
- 1,150,000 options granted to senior executives and officers.

All options were allocated prior to 1 July 2008 and no options have been exercised at the date of this report. There have been no movements in options held except for those of Mark Butler whose holdings reduced from 3,000,000 to 2,250,000. 750,000 of options granted to Mark Butler expired when he ceased as director (refer Note 4(c)).

**Director Remuneration**

The directors are remunerated by the responsible entity or its associated entities.

**Significant changes in state of affairs**

The overall slowdown in the global financial markets and the depressed local property market had a negative impact on the Trust activities during the year. There was a slowdown in the number of individual living units that were taken up by new incoming residents to the villages and the sales of units from our new developments were also not selling to expectations. This affected the valuation of the properties we were carrying in our accounts and substantial write down has been done in line with the market expectations.

During the year the Board of the responsible entity undertook a major strategic review of the affairs and activities of the Trust. The result of this review was the decision to change the strategy to focus on a more core assets portfolio. The Board believes this will reduce the debt situation of the Trust and improve Unitholder interest and value in the Trust.

In March 2009 the Trust initially commenced marketing the non-core aged care and retirement villages assets leased to Lend Lease Primelife to interested parties. The Trust, subsequent to the year end, has signed sale contracts to dispose of the thirteen properties. Other non-core assets are also currently being marketed. Upon completion of these sales, the Trust will focus on the core assets of the Trust which include the twelve DMF villages and some active external developments.

**Principal Activities**

The Trust is a registered managed investment scheme domiciled in Australia.

The principal activity of the Trust during the financial year was to invest funds in accordance with the current PDS and in accordance with the provisions of the Trust Constitution. The Trust invests in property, predominantly retirement and aged care facilities.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

The Trust did not have any employees during the year, however the economic entity employed seven employees at year end. APCH Administrators Pty Ltd provides administration and other services under a long term contract.

There were no significant changes in the nature of the economic entity's activities during the year other than those outlined in this report.

**After Balance Date Events**

The Trust entered into agreements with Lend Lease Corporation to sell 13 of the properties leased to Lend Lease Primelife. Settlements are expected to occur in tranches from August to October. We are also marketing the remaining non-core assets including the assisted accommodation facilities.

The proceeds from the sale of these assets are to be used to re-pay debts attributed to the property sold and any surplus will be used to further reduce the overall debts of the Trust. The Trust has also been granted an Option by Lend Lease Primelife to acquire the management rights to the villages owned by the Trust.

In addition to the sale of properties transaction with Lend Lease Corporation, the Trust also resolved all disputes and claims that existed between the Trust and Lend Lease Primelife.

These agreements with Lend Lease Corporation are all subject to certain conditions being satisfied in respects of each tranche of property settlements.

**Likely Developments**

The repayment of the debts from the proceeds of the sale of the non-core assets is expected to terminate the need for any funding from two of our current five financiers. The funding strategy going forward will be one of a syndicated loan to encompass all the debt funding needs of the Trust. We will be negotiating with three or four financiers for this syndicated loan and may include all the remaining three current financiers.

With the improvement in the overall economy and the property market, we will re-commence the development projects to continue with the building of new living units that will continue supply of stock for the Trust to meet demands for the new retirees to the market. One of our villages in NSW, which is already well stocked with approximately 140 units still to be occupied, will be renovated to a standard expected by retirees.

**Environmental regulation**

The economic entity's operations are not subject to any significant environmental regulations under Commonwealth, State or Territory Legislation.

**Distributions Paid, Recommended and Declared**

The Board declared a distribution of 1 cent per unit to be paid to all Unitholders for the quarter ended September 2008. The Trust has since been conserving cash for operations as the cash flows from re-sales has been lower due to the lower activity at the villages in the last 12 months.

The distributions paid in the reporting period were as follows:

<b>Date of Payment</b>	<b>Total payment each quarter (\$000)</b>
21 October 2009	<u>5,674</u>
Total distribution paid	5,674

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

**Indemnification and insurance of officers and auditors**

No insurance premiums are paid out of the assets of the Trust in relation to insurance cover for the officers of Australian Property Custodian Holdings Limited. Officers of Australian Property Custodian Holdings Limited remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust, subject to their acts being in accordance with the Trust Constitution and the Law.

Neither the Trust nor the responsible entity has indemnified any Auditor of the Trust.

**Proceedings on Behalf of the Economic Entity**

No person has applied for leave of Court to bring proceedings on behalf of the economic entity. The Trust has applied to the Courts to resolve disputes with third parties as referred to in Note 17.

**Directors' Meetings**

The number of meetings of the Board of Directors and of each Board committee were held during the financial year and the numbers of meetings attended by each director were:

	<b>Board of Directors</b>		<b>Audit Committee</b>	
	<b>Eligible to attend</b>	<b>Attended</b>	<b>Eligible to attend</b>	<b>Attended</b>
Michael Wooldridge	23	23	3	3
Kim Jaques	23	19	-	-
Mark Butler	7	7	-	-
Peter Clarke	23	20	-	-
Philip Powell	23	23	-	-
Anthony Hancy	23	23	-	-
Neil Rodaway	23	23	3	3

**Fees paid to and interests held in the Trust by the responsible entity or its associates**

Fees paid to the responsible entity and its associates out of Trust property during the year are disclosed in Note 11 of the financial statements.

There were no fees paid from Trust property to the directors of the responsible entity during the year. Any interests in the Trust held by the responsible entity or its associates as at the end of the financial year are disclosed in Note 11 of the financial statements. Contracts to which the directors are a party or under which a director is entitled to a benefit and/or confer a right to call for or deliver interests in the scheme are also disclosed in Note 11.

**Units on Issue**

The movement in units on issue of the Trust for the year was as follows:

	<b>2009</b>	<b>2008</b>
	<b>'000</b>	<b>'000</b>
Opening Balance	565,265	450,001
Number of units issued	11,075	115,264
Number of units on issue at 30 June	576,340	565,265
Gross Asset Value of Trust as at 30 June (\$000)	1,383,600	1,639,863

The basis for valuation of the Trust's assets is disclosed in Note 1 to the financial statements.

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AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

**Non-audit Services**

The Board of Directors, in accordance from advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general Standard of Independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 3 did not compromise the external auditors' independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethics Standards Board.

**Rounding of Amounts**

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

The report is made in accordance with a Resolution of the Directors of Australian Property Custodian Holdings Limited.

Dated at Melbourne on 28 August 2009.



**Hon. Dr Michael Wooldridge  
Chairman**



**Philip Powell  
Managing Director**

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**AUDITOR'S INDEPENDENCE DECLARATION**

To the Directors of Australian Property Custodian Holdings Limited.

In relation to the independent audit of the Prime Retirement and Aged Care Property Trust for the year ended 30 June 2009, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001.
- (ii) No contraventions of any applicable code of professional conduct.



**S SCHONBERG**  
Partner  
28 August 2009



**PITCHER PARTNERS**  
Melbourne

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Economic Entity		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Investment income</b>					
Interest		3,421	16,713	22,021	34,407
Rent		15,304	17,240	15,237	16,409
Increment in fair value of investment properties		-	55,194	-	27,403
Discount on resident loans		22,096	31,113	8,946	16,010
Sundry income		18	2,210	13	2,172
<b>Total investment income</b>		<b>40,839</b>	<b>122,470</b>	<b>46,217</b>	<b>96,401</b>
<b>Expenses</b>					
Advertising costs		(2,322)	(2,753)	(2,316)	(2,677)
Professional Fees	3	(665)	(505)	(665)	(505)
Employment costs		(949)	(469)	-	-
Legal costs		(2,854)	(2,109)	(2,850)	(2,056)
Village Management fees		(5,032)	(2,596)	(5,031)	(2,443)
Responsible entity fees	11	(5,386)	(3,992)	(5,386)	(3,992)
Custodian fees	11	(2,347)	(2,508)	(2,347)	(2,508)
Unit registry fees		(381)	(222)	(381)	(222)
Borrowing costs	3	(28,320)	(32,750)	(27,805)	(31,328)
Amortisation of borrowing costs	3	(389)	(379)	(389)	(379)
Valuation fees		(199)	(351)	(199)	(351)
Loss on sale of Investment		(1,126)	-	(1,126)	-
Decrement in fair value of investment properties	1(t)	(191,695)	-	(114,152)	-
Investment Write Down	1(t)	(48,198)	-	(43,449)	-
Loan Impairment	1(t)	-	-	(20,476)	-
Deferred Management Fee write off	1(p)	-	(15,846)	-	(5,759)
Other expenses from ordinary activities		(5,932)	(6,934)	(5,424)	(6,438)
<b>Total expenses</b>		<b>(295,795)</b>	<b>(71,414)</b>	<b>(231,996)</b>	<b>(58,658)</b>
<b>Profit / (Loss) before income tax</b>		<b>(254,956)</b>	<b>51,056</b>	<b>(185,779)</b>	<b>37,743</b>
<b>Income tax (expense) benefit</b>	5	3,400	6,281	-	-
<b>Profit / (Loss) from continuing operations</b>		<b>(251,556)</b>	<b>57,337</b>	<b>(185,779)</b>	<b>37,743</b>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2009**

	Notes	Economic Entity		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>ASSETS</b>					
Cash assets	7(a)	4,022	82,575	4,034	82,996
Receivables	7(b)	7,196	21,684	5,232	18,999
Capitalised borrowing costs	7(c)	1,299	1,537	1,299	1,499
Asset held for sale	7(d)	149,231	-	149,231	-
Investment property	7(e)	1,184,076	1,451,268	558,270	787,627
Plant and equipment	7(f)	1,029	977	-	-
Village works in progress	7(g)	16,369	30,673	8,536	-
Acquisitions in progress and investments	7(h)	20,378	48,404	9,878	29,465
Related party loans	7(i)	-	2,745	282,013	281,961
<b>TOTAL ASSETS</b>		<b>1,383,600</b>	<b>1,639,863</b>	<b>1,018,493</b>	<b>1,202,547</b>
<b>LIABILITIES</b>					
Payables	8	12,514	10,306	16,151	10,412
Distribution Payable	6	-	12,436	-	12,436
Loans	9	423,661	421,323	404,597	398,451
Payables to village residents	10	671,084	661,638	317,696	312,557
Deferred tax liabilities	5(d)	-	3,400	-	-
<b>TOTAL LIABILITIES</b>		<b>1,107,259</b>	<b>1,109,103</b>	<b>738,444</b>	<b>733,856</b>
<b>NET ASSETS</b>		<b>276,341</b>	<b>530,760</b>	<b>280,049</b>	<b>468,691</b>
Unitholders' funds	4(a)	276,341	530,760	280,049	468,691
<b>TOTAL UNITHOLDERS' FUNDS</b>		<b>276,341</b>	<b>530,760</b>	<b>280,049</b>	<b>468,691</b>



**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDER'S FUNDS  
FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
<b>TOTAL UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR</b>		530,760	455,748	468,691	413,273
<b>Net income recognised directly in equity</b>		-	-	-	-
<b>Profit / (Loss) for the year</b>	4	(251,556)	57,337	(185,779)	37,743
<b>Total recognised income and expense for the period</b>		(251,556)	57,337	(185,779)	37,743
Attributable to:					
Members of the parent		(251,556)	57,337	(185,779)	37,743
<b>Transactions with equity holders in their capacity as equity holders:</b>					
New allotments of units	4	1,355	110,501	1,355	110,501
Costs arising on issue of units	4	-	(45,430)	-	(45,430)
Distribution reinvestments	4	1,456	-	1,456	-
Distributions paid	6	(5,674)	(47,396)	(5,674)	(47,396)
		(2,863)	17,675	(2,863)	17,675
<b>TOTAL EQUITY AT THE END OF THE YEAR</b>		<b>276,341</b>	<b>530,760</b>	<b>280,049</b>	<b>468,691</b>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**CONSOLIDATED STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	Economic Entity		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>Cash flows from operating activities</b>					
Rental income		19,306	14,957	16,587	14,738
Net proceeds from resident incoming contributions		39,777	26,822	14,085	12,183
Payment to suppliers and expenses		(20,886)	(27,192)	(14,593)	(20,395)
Interest received		3,421	12,900	2,905	12,900
Sundry Receipts		3,301	3,543	3,845	2,015
<b>Net cash provided by operating activities</b>	<b>12(b)</b>	<b>44,919</b>	<b>31,030</b>	<b>22,829</b>	<b>21,441</b>
<b>Cash flows from investing activities</b>					
Payment for property, plant and equipment		(144)	(7)	-	-
Advances for property acquisitions		(14,234)	(7,784)	(14,234)	(7,751)
Payment for development of retirement villages		(67,663)	(53,433)	(33,278)	(11,570)
Investment in retirement villages		-	(73,605)	-	(73,605)
<b>Net cash used in investing activities</b>		<b>(82,041)</b>	<b>(134,829)</b>	<b>(47,512)</b>	<b>(92,926)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from unit issue		1,355	88,334	1,355	88,334
RE Listing Fees		-	(25,470)	-	(25,470)
Proceeds from borrowings		2,338	78,788	6,146	55,916
Borrowing costs		(28,320)	(31,713)	(27,805)	(31,313)
Capitalised borrowing costs		(150)	(776)	(150)	(774)
Advances from / (to) related parties		-	(4,763)	(17,171)	(10,735)
Distributions paid		(16,654)	(36,091)	(16,654)	(36,091)
<b>Net cash (used in) provided by financing activities</b>		<b>(41,431)</b>	<b>68,309</b>	<b>(54,279)</b>	<b>39,867</b>
Net decrease in cash held		(78,553)	(35,490)	(78,962)	(31,618)
Cash at the beginning of the financial year		82,575	118,065	82,996	114,614
<b>Cash at the end of the financial year</b>	<b>12(a)</b>	<b>4,022</b>	<b>82,575</b>	<b>4,034</b>	<b>82,996</b>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is for the entity Prime Retirement & Aged Care Property Trust as an individual parent entity and Prime Retirement & Aged Care Property Trust and controlled entities as an economic entity.

The responsible entity of Prime Retirement & Aged Care Property Trust is Australian Property Custodian Holdings Limited. The responsible entity's registered office is Level 2, 613 St. Kilda Road, Melbourne, Victoria, 3004.

The Prime Retirement & Aged Care Property Trust ("the Trust") was constituted on 27 December 2000 and commenced activities on 27 July 2001.

This general purpose financial report has been prepared in accordance with the Australian Accounting Standards, interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 in Australia.

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures compliance with International Financial reporting Standards (IFRS).

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The following is a summary of the material accounting policies adopted by the Trust in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which Prime Retirement & Aged Care Property Trust controlled from time to time during the year and at balance date.

A controlled entity is an entity controlled by the Trust. Control exists where the Trust has capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Trust to achieve the objectives of the Trust. Details of the controlled entities are contained in Note 14.

All inter-entity balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Investment income and expenses**

Investment income and expenses are brought to account on an accruals basis.

Rents in the form of variable and fixed rents are recognised when receivable from the managers of the villages. Capital growth is recognised in accordance with fair value assessments and residents' share of capital gain are adjusted pursuant to resident agreements and accrued upon valuation of a property.

Interest revenue is recognised on a time proportionate basis that takes into account the interest rates applicable to the financial assets.

**(c) Cash**

Cash and cash equivalents include cash on hand and at banks and deposits held at call with financial institutions.

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

**(d) Investment Property**

Investment in land and buildings is recorded at fair value. Fair value is determined by the responsible entity based on recent independent valuations and directors' valuations. Changes in carrying amounts arising on revaluation of investments in land and buildings are charged to profit and loss.

Investments in direct property are initially recorded at cost plus transaction costs. Cost includes the net liabilities assumed on acquisition in relation to those properties. Investments are subsequently re-valued to their net fair value as at reporting date in the years following the acquisition. Net fair value is determined by the responsible entity based on recent independent valuations and directors' valuations and movement in accrued capital gains entitlements pursuant to resident agreements.

Investment in properties that are currently being improved by extension or additional units developed on vacant land in the existing villages are recorded at costs whilst work is in progress. Upon completion of the units, they are transferred to investment property and recognised at fair value. Fair value is determined by current market value for the new units that have not been occupied, or by grossing up to match the corresponding resident liability for the occupied units.

Investments in unlisted unit trusts and unlisted companies are carried at cost.

**(e) Plant and equipment**

All classes of plant and equipment are measured at cost.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Depreciation*

The depreciable amounts of plant and equipment are depreciated on a diminishing-value basis over their estimated useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

<u>Class of asset</u>	<u>Depreciation rate</u>
Plant and equipment	15.0%
Motor vehicles	18.75%
Village capital works	2.0%

**(f) Impairment of assets**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use, refer Note 1(t) below for impairment review.

**(g) Distributions**

In accordance with the Trust Constitution, the Trust will pay, apply or set aside the whole of the taxable income and the accounting income of the Trust for the benefit of the Unitholders annually.

The Trust adopts a distribution reinvestment plan whereby distributions declared and payable can be reinvested by the Unitholders on payment date. Units are issued for the cash from distribution reinvested in the Trust without any discount on the pricing of these units.

**(h) Transfer to/from Unitholders' funds**

Undistributed income is transferred directly to the Unitholders' funds and may consist of unrealised changes in the net market value of the investments, accrued income not yet assessable, expenses provided or accrued which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously taken directly to Unitholders' funds) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

**(i) Accounts payable**

These amounts represent liabilities for amounts owing by the Trust at year end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition or as agreed with the creditors.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the responsible entity by third parties such as audit fees, custodial services and investment management fees, have been passed on to the Trust. Investment management fees, custodial fees and other expenses have been recognised in the income statement net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts receivable are inclusive of GST. The net amount of GST receivable from the ATO is included in other receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

**(k) Taxation**

Under current legislation the Trust is not subject to income tax as the taxable income (including assessable realised gains) is distributed in full to Unitholders for the financial year.

The Trust fully distributes its distributable income, calculated in accordance with the Trust Constitution and applicable taxation legislation. The taxable income of the Trust is instead taxed in the hands of its individual Unitholders. This relates to the Trust and its controlled entities that are also trusts. To the extent that controlled entities are companies:

Current tax expense reflected in the financial statements relates to controlled entities that are companies (refer Note 14) and tax is payable on the current period's taxable income for those companies at the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities for controlled entities that are companies are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences which predominantly relate to unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are recognised for temporary differences which predominantly relate to the unrealised gains on company owned properties, the discount on advance facilities and other fees that are generally taxed on receipt.

Deferred tax liabilities are not recognised to the extent that they offset deferred tax assets that have not been recognised.

**(l) Borrowing costs**

Borrowing costs incurred for the acquisition of investment properties are capitalised as incurred and amortised over the period of the finance facility or over a period of five years, whichever is the lesser, refer Note 7(c).

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Employee benefits**

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

**(n) Rounding amounts**

The Trust is of a kind referred to in ASIC Class Order CO 98/0100 and, in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars.

**(o) Resident loans and entitlements**

Resident loans are measured at face value plus the resident's share of any capital gains based on the market value of the underlying property at balance date.

Resident loans are non-interest bearing and the net amount less any fees and charges accrued are repayable upon departure or transfer.

Resident loans are repayable on termination of the accommodation agreement by residents. The timing of these repayments cannot be determined reliably. The Trust does not have an unconditional right to defer settlement for greater than 12 months and therefore these loans are classified as current liabilities. Ordinarily, the repayment of resident loans will be funded by contributions from incoming residents.

**(p) Restructure**

These results reflect the impact of restructuring the arrangements with the operator of certain properties during the 2008 financial year as outlined in the Trust's June 2007 PDS.

The Trust leases the facilities to Lessees (currently members of Lend Lease Primelife Limited (LLP)) who in turn appoint an associated LLP entity to manage the properties. The Lessee is entitled to receive and retain all fees (including deferred management fees - DMF) payable by residents on departure from the village. The Trust is entitled to the capital increment on roll-overs as all incoming payments made by new residents are on-lent to it by the Lessee. The Trust is then required to repay the loan to the Lessee to settle the outgoing resident who leaves the village. The loans are interest free.

The Lessee pays the Trust a fixed rental and a variable rental of approximately 40% of DMF resulting from each roll-over of an accommodation unit.

All investment properties subject to this management arrangement have been valued based on the cash flows receivable by the Trust only.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Advance facilities**

The loans made to the Trust by the Lessee are at fair value. As they are interest free, they have been discounted at the rate of 5% on the assumption that the average stay of a resident is 12 years. The discount has only been applied to new loans since the restructure. This is a variation from what was stated in the Trust's June 2007 PDS as it is assumed, based on agreements since revised, that all resident loans would be at fair value. This change reflects an agreement between the Lessee and the Trust that resident loans at the commencement of the new structure would remain as direct liabilities of the Trust. The income impact in this financial year is (before tax) \$22.096 million. The amount in future years will depend on the relative movement of the net present value of new loans recorded.

**(r) Deferred management fees**

The deferred management fees represent the amount by which management fees and charges are accrued on an annual basis in accordance with the terms of the relevant resident agreements. As a result of the restructure in the 2008 financial year (refer Note 1(p)), the Trust has removed all accrued DMFs from its balance sheet. Any DMFs which have previously been recognised as income has been reversed, resulting in a one-off charge to the prior financial year's income statement and the balance representing DMFs on original acquisitions of properties has been reallocated to investment properties. Since the restructure, the Trust only brings to account entitlements to rental income as rollovers of units occur.

**(s) Financial Instruments**

*Classification*

The Trust classifies its financial instruments in the following categories: financial assets at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. The responsible entity determines the classification of its investments at initial recognition.

*Financial Liabilities*

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to entities related to the responsible entity.

**(t) Impairment Review**

As part of the strategic review conducted by the Trust, a comprehensive review of all assets was carried out for any impairment in value of the assets in the accounts of the Trust. These were in four main categories, namely investment properties, investment loans in developments, village works in progress and assets held for sale.

*Investment properties*

Eight of the twelve retirement villages recognised in investment properties were valued by an independent valuer as at 30 June 2009. The valuation was based on forecast cash flows due from these villages over the next 20 years and discounted at a rate that varied between 12.5% and 14%. The growth rates adopted were from 1% to 5% over the next 5 years. The independent valuation amounted to approximately 70% of the total valuation of these retirement villages in this category of assets. The directors used these same assumptions and acceptable market conditions to determine the fair value on the other four villages in this category.



**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Investment Loans in Developments*

The Trust invests in external developments that are carried out by third parties. These investments are made in the form of loans to the developers and upon completion of these villages the Trust is contracted to acquire the villages at a pre-determined sale formula calculation based on ongoing contribution held and DMF accrued. During the year, due to depressed property markets and scarce credit availabilities, three of these developments either went into receivership or liquidation. In these cases, the Trust wrote off these investments as there is no likelihood of recovering these monies.

On the remaining investment loans, the Trust assesses recoverable value as the basis for determining the impairment in value of these development loans. Two of these projects have since balance date been sold down to a third party. Impairment in these investment loans represent the difference between the settlement amount from the third party and the carrying value of these assets. One other investment loan where development has not commenced has been valued independently and the difference between this valuation and the carrying value in the accounts has been recognised as the impairment.

*Village works in progress*

There are two development projects in Townsville and Lindfield that are currently in progress on additional land owned by the Trust adjacent to the existing villages. In Townsville, additional infrastructure work has been carried out for the next stage and in Lindfield, an apartment block is largely complete. These projects are valued at cost and are considered to be fully recoverable.

*Assets held for sale*

As a result of the strategic review by the Board, the Trust commenced marketing the non-core assets. These properties are in three different segments, namely the properties leased to LLP for rental income, the properties managed by Eureka Care Communities and two Aged Care facilities which are also managed by an external party. The impairment in these properties are based on the actual contracted prices of the properties already sold, namely the rental properties and an Aged Care facility. As to the other properties, the expressions of interest, together with the directors' fair value assessment of these villages using the market effects for these properties, were used for the impairment in these properties after taking into consideration of any selling costs.

*Related party loans*

Loans granted to related entities were also reviewed during the year against net assets held by these entities. The Trust assessed the impairment of these loans by matching the impairment in value of the net assets held by these entities and adjusted its carrying value.

**(u) Going Concern**

The consolidated entity has reported a loss after tax of \$251.6 million, and net assets of \$276.3 million. It has also reported a net decrease in cash of \$78.6 million, however net cash from operating activities is positive \$44.9 million.

The amount of interest bearing debt remained steady at \$410.5m. We have classified all of this debt as current which includes all the debts associated with the non-core assets that are currently for sale or sold and other debt due for re-financing in the next 12 months. We have had discussions with the financiers to pay facilities secured by non-core assets and to further reduce the debt using the surplus of the net proceeds from these sales. The financiers are in concurrence with our strategic actions of selling the non-core assets to reduce debts. The Trust has had breaches in loan to value ratios and interest cover ratios with some facilities which then created technical breaches with other facilities. Management has successfully negotiated new deeds of variations with three of its five financiers and

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

is continuing to work closely with them. There are continuing breaches and the Trust is working with the financiers to remedy by either the sale of non-core assets and/or obtaining waiver. In the event of any of these negotiations failing, a debt may come due as payable and therefore these debts are included under current debts in Note 9. The result to date of the strategic review implementation addresses the conditions stipulated by the financiers.

The recent agreement (refer Note 2) to sell 13 properties to Lend Lease Corporation, the associated dispute resolution with Lend Lease Primelife, and grant of the option to acquire the management rights from Lend lease Primelife, are considered significant and positive steps forward for the Trust, in particular regarding debt reduction and improved cashflows. It is noted that these agreements are subject to certain conditions precedent which the directors believe will be met.

Based upon continued support by the Trust's financiers, and the Lend Lease transactions proceeding as expected, the directors consider the going concern basis as appropriate.

**(v) New Accounting Standards and Interpretations**

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The Directors have not yet assessed the impact of these standards or interpretations.

AASB 3 Business Combinations Operative from 1 July 2009

AASB 8 Operating Segments Operative from 1 January 2009

AASB 101 Presentation of Financial Statements Operative from 1 January 2009

AASB 123 Borrowing Costs Operative from 1 January 2009

AASB 127 Consolidated and Separate Financial Statements Operative from 1 July 2009

**2: SUBSEQUENT EVENTS**

The Trust has signed agreements for the sale of 13 facilities considered non-core assets to Lend Lease Corporation on 13 August 2009. The Trust also signed a Call Option with Lend Lease Primelife to acquire the management rights for the 12 retirement villages owned by the Trust currently managed by Lend Lease Primelife. This is in line with the strategy adopted by the Trust to focus on its core assets. The settlements of the sale of these properties will occur in tranches from August through to October and the Call Option is required to be exercised before 30 June 2010. As part of this transaction, the Trust also resolved several other disputes with Lend Lease Primelife and, subject to settlement of properties, has withdrawn all legal actions.

These agreements with Lend Lease Corporation are all subject to certain conditions being satisfied in respect of each tranche of property settlements.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**3: PROFIT FROM CONTINUING OPERATIONS**

Profit from continuing operations before income tax has been determined after the following specific expenses :

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Borrowing costs expensed:				
Interest paid on loans	28,320	32,750	27,805	31,328
Amortisation of borrowing costs	389	379	389	379
<b>Total borrowing costs expensed</b>	<b>28,709</b>	<b>33,129</b>	<b>28,194</b>	<b>31,707</b>
Other expenses				
Depreciation of non-current assets				
Plant and equipment	92	141	-	-
Auditor's remuneration				
An audit or review of the financial reports of the entity and any other entity in the economic entity	373	212	373	212
Other financial services provided by the Auditor				
- Other assurance services	60	67	60	67
- Taxation services	232	226	232	226
Other Auditors	-	-	-	-
	<b>292</b>	<b>293</b>	<b>292</b>	<b>293</b>
	<b>665</b>	<b>505</b>	<b>665</b>	<b>505</b>

**4: UNITHOLDERS' FUNDS**

**(a) Unitholders' funds**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Unit capital	481,500	478,689	481,500	478,689
Unit option reserve	1,588	1,588	1,588	1,588
Undistributed income	(206,747)	50,483	(203,039)	(11,586)
<b>Total Unitholders' funds</b>	<b>276,341</b>	<b>530,760</b>	<b>280,049</b>	<b>468,691</b>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**4: UNITHOLDERS' FUNDS (continued)**

**(b) Unit capital**

Movements in Unitholders' funds during the year were as follows:

	<b>30 June 2009</b>		<b>30 June 2008</b>	
	<b>No. of Units #000</b>	<b>\$000</b>	<b>No. of Units #000</b>	<b>\$000</b>
Opening balance	565,265	478,689	450,001	413,618
New allotment	11,075	2,811	115,264	110,501
Costs arising on issue of units*	-	-	-	(45,430)
Total trust funds at the reporting date	576,340	481,500	565,265	478,689

\*Includes ASX listing fee paid to the responsible entity

Included in the costs arising on issue of units is the listing fees paid to the responsible entity as a result of change in the structure of the responsible entity.

**(c) Unit options**

*Options over units*

The responsible entity allocated 27.5 million options over units in the Trust at the time of listing on the ASX. All options have an exercise price of \$1 with differing exercise conditions and allocation details as follows:

(i)	Options allocated to directors and employees of APCH following the Trust listing on the ASX and exercisable up to 31 December 2010.	16,000,000
(ii)	Options allocated to wholesale distributors of the Trust and exercisable up to 31 December 2010.	5,000,000
(iii)	Options allocated to directors and senior executives of Australian Property Custodian Holdings Ltd (APCH) in three equal classes. "A" class are exercisable any time after listing on the ASX, "B" class are exercisable any time after the first anniversary of listing on the ASX, "C" class are exercisable any time after the second anniversary of listing. All classes expire at the earlier of the third anniversary of listing, or on ceasing to be a director or employee of APCH, subject to having 90 days to exercise after ceasing employment.	5,750,000

750,000 of the options allocated to a directors expired at 17 December 2008 upon retirement of a director.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**4: UNITHOLDERS' FUNDS (continued)**

**(d) Unit option reserve**

(i) This reserve is used to record the value of equity benefits provided to directors, employees and service providers as remuneration for services provided. There was no material movement in this account during the year.

(ii)

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Options issued	1,588	1,588	1,588	1,588

**(e) Undistributed income**

Movements in undistributed income during the year were as follows:

Opening balance	50,483	40,542	(11,586)	(1,933)
Distributions – profit	(5,674)	(47,396)	(5,674)	(47,396)
Current year's earnings	(251,556)	57,337	(185,779)	37,743
Balance at end of period	(206,747)	50,483	(203,039)	(11,586)

**5: INCOME TAX**

**(a) Income tax expense:**

Current tax	-	-	-	-
Deferred tax	(3,400)	(6,281)	-	-
Total income tax expense/(benefit)	(3,400)	(6,281)	-	-

**(b) The prima facie tax payable on (Loss)/profit before income tax is reconciled to the income tax expense as follows:**

Prima facie income tax payable on (Loss)/profit before income tax at 30% (2008 – 30%)	(76,487)	15,317	-	-
Less:				
Tax effect of:				
Non taxable trust losses/(income)	50,860	(13,036)	-	-
Current year deferred balance not brought to accounts	19,636	156	-	-
Recognition of prior year losses	-	(9,289)	-	-
Current year loss not recognised	8,472	-	-	-
De-recognition of prior year deferred balances	(22,506)	-	-	-
De-recognition of prior year losses	19,106	-	-	-
Other non deductible	(2,481)	571	-	-
Income tax expense (benefit)	(3,400)	(6,281)	-	-

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**5: INCOME TAX (continued)**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>(c) Deferred tax (revenue)/expense comprises:</b>				
Tax losses carried forward	19,107	(19,107)	-	-
Increment in investment property value	(20,257)	22,668	-	-
Discount on resident loans	(4,531)	4,531	-	-
Carrying value of land	2,258	(11,178)	-	-
Increase in deferred management fees	-	(1,296)	-	-
Village residents capital gains paid	-	(1,897)	-	-
Movements in employee provisions	23	(2)	-	-
	<u>(3,400)</u>	<u>(6,281)</u>	<u>-</u>	<u>-</u>

**(d) Current tax liability:**

Balance at the beginning of the year	-	-	-	-
Income tax expense	-	-	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**(e) Deferred tax asset/(liability):**

Balance comprises:				
Carried forward losses	-	19,107	-	-
Deferred management and exit fees	-	-	-	-
Resident share of capital gains	-	-	-	-
Land held at market value	-	2,258	-	-
Employee provisions	-	23	-	-
Discount on resident loans	-	(4,531)	-	-
Increment in investment property value	-	(20,257)	-	-
Total deferred tax liability	<u>-</u>	<u>(3,400)</u>	<u>-</u>	<u>-</u>

**6: DISTRIBUTIONS PAID/PAYABLE**

	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>\$000</b>	<b>CPU</b>	<b>\$000</b>	<b>CPU</b>
Distributions Paid/Payable	<u>5,674</u>	<u>1.00</u>	<u>47,396</u>	<u>8.50</u>

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**7: ASSETS**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>(a) Cash assets</b>				
Cash at bank	4,022	82,575	4,034	82,996
<b>Total cash assets</b>	<b>4,022</b>	<b>82,575</b>	<b>4,034</b>	<b>82,996</b>
<b>(b) Receivables</b>				
Interest receivable	-	4,185	-	-
Receivable from related parties	3,806	8,735	3,806	8,735
Other receivables	3,390	8,764	1,426	10,264
<b>Total receivables</b>	<b>7,196</b>	<b>21,684</b>	<b>5,232</b>	<b>18,999</b>
<b>(c) Capitalised borrowing costs</b>				
Borrowing costs	2,667	2,516	2,667	2,478
Less: accumulated amortisation	(1,368)	(979)	(1,368)	(979)
<b>Total capitalised borrowing costs</b>	<b>1,299</b>	<b>1,537</b>	<b>1,299</b>	<b>1,499</b>
<b>(d) Assets held for sale</b>				
Assets held for sale	149,231	-	149,231	-
<p>The assets held for sale are either already sold and awaiting settlement or are being marketed at reporting date to be sold. The directors are of the opinion that the carrying value of these assets approximates their fair value less selling costs at reporting date refer Note 1(t).</p>				
<b>(e) Investment property</b>				
Property assets	1,184,076	1,451,268	558,270	787,627

The fair value of investment properties is based on independent valuations and directors' valuations. Eight of the twelve properties in the property assets have been independently valued as at 30 June 2009 with the other four properties being subject to directors' valuations.

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**7: ASSETS (continued)**

Reconciliations of the carrying amounts of investment property at the beginning and end of the current financial year:

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Opening balance as at 1 July 2008	1,451,268	1,146,986	787,627	555,969
Acquisition of investment properties	-	73,605	-	73,250
Additions	67,661	34,285	33,278	-
Reconstruction of deferred balances	-	71,865	-	63,284
Transfer of Development Cost	14,307	-	748	-
Transfer of Asset for Sale	(149,231)	-	(149,231)	-
Deferred balances acquired	-	63,341	-	67,721
Resident share of capital gain	(8,234)	5,992	-	-
Valuation increment (decrement) (Profit and Loss)	(191,695)	55,194	(114,152)	27,403
	<u>1,184,076</u>	<u>1,451,268</u>	<u>558,270</u>	<u>787,627</u>

**(f) Plant and equipment**

Plant and equipment	2,956	2,800	-	-
Accumulated depreciation	(2,479)	(2,399)	-	-
<b>Total plant and equipment</b>	<u>477</u>	<u>401</u>	<u>-</u>	<u>-</u>
Motor vehicles	263	263	-	-
Accumulated depreciation	(223)	(209)	-	-
<b>Total motor vehicles</b>	<u>40</u>	<u>54</u>	<u>-</u>	<u>-</u>
Village capital works	536	536	-	-
Accumulated depreciation	(24)	(14)	-	-
<b>Total village capital works</b>	<u>512</u>	<u>522</u>	<u>-</u>	<u>-</u>
<b>Total plant and equipment</b>	<u>1,029</u>	<u>977</u>	<u>-</u>	<u>-</u>



**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**7: ASSETS (continued)**

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year:

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Plant and equipment</b>				
Opening balance as at 1 July 2008	401	534	-	-
Additions	144	-	-	-
Disposal / Write down value of assets	-	(19)	-	-
Depreciation	(68)	(114)	-	-
	<u>477</u>	<u>401</u>	-	-
<b>Motor vehicles</b>				
Opening balance as at 1 July 2008	54	59	-	-
Additions	-	11	-	-
Disposal / Write down value of assets	-	-	-	-
Depreciation	(14)	(16)	-	-
	<u>40</u>	<u>54</u>	-	-
<b>Village capital works</b>				
Opening balance as at 1 July 2008	522	3,162	-	-
Additions	-	-	-	-
Transfer to Investment Property	-	(2,629)	-	-
Depreciation	(10)	(11)	-	-
	<u>512</u>	<u>522</u>	-	-
<b>(g) Village Works in progress</b>				
Village works in progress	16,369	30,637	8,536	-
	<u>16,369</u>	<u>30,637</u>	<u>8,536</u>	-
<b>(h) Acquisitions in progress</b>				
Investment Loans in projects developed by external parties	20,378	48,404	9,878	29,465
	<u>20,378</u>	<u>48,404</u>	<u>9,878</u>	<u>29,465</u>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**7: ASSETS (continued)**

There are contingencies attached to these acquisitions, refer Note 17. These are developments carried out by third party developers and are carried at recoverable value in the accounts. There are two projects in Victoria, namely in Torquay and Lilydale, that are actively being developed by external parties at the current time.

**(i) Related Party Loans**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Loans to related entities – Interest bearing	-	-	300,364	279,216
Loan Impairment Provision	-	-	(20,476)	-
Loans to related entities – Non-interest bearing	-	2,745	2,125	2,745
<b>Total related entity loans</b>	<b>-</b>	<b>2,745</b>	<b>282,013</b>	<b>281,961</b>

**8: PAYABLES**

Accounts Payable and accruals	8,685	9,653	12,355	9,843
Payable to related parties	3,796	569	3,796	569
Employee entitlements	33	84	-	-
<b>Total Payables</b>	<b>12,514</b>	<b>10,306</b>	<b>16,151</b>	<b>10,412</b>

**9: LOANS**

Loans – Secured	410,536	408,198	404,597	398,451
Other Loans not secured	13,125	13,125	-	-
	<b>423,661</b>	<b>421,323</b>	<b>404,597</b>	<b>398,451</b>
Current	423,661	4,410	404,597	4,410
Non - Current	-	416,913	-	394,041
	<b>423,661</b>	<b>421,323</b>	<b>404,597</b>	<b>398,451</b>

Loan facilities are for the purposes of acquisition and development of properties and each loan is secured by a 1<sup>st</sup> registered mortgage security on the respective property. The total secured facilities available and utilised by the economic entity at 30 June 2009 were \$410,536,137 (2008: \$408,198,144). There were no unused facilities available to the Trust.

There are two registered fixed and floating charges by a third party over all the assets of the Trust. These were granted following the acquisition of properties in 2005 and 2007 and were granted as a security to the then vendor for contingent liabilities arising from the acquisitions, including retained liabilities to pay loans received from residents.

Loans are treated as current unless an unconditional right to defer payment for greater than 12 months exists. Refer Note 1(u) regarding breach of debt covenants.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**10: PAYABLES TO VILLAGE RESIDENTS**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Resident loans	493,719	516,932	246,179	261,215
Advance facilities	122,025	54,728	57,957	28,162
Discount on advance facilities	(53,209)	(31,113)	(24,956)	(16,010)
Resident share of capital gains	108,549	121,091	38,516	39,190
<b>Total payable to village residents</b>	<b>671,084</b>	<b>661,638</b>	<b>317,696</b>	<b>312,557</b>

**11: RELATED PARTY TRANSACTIONS**

**Responsible entity**

The responsible entity of Prime Retirement & Aged Care Property Trust is Australian Property Custodian Holdings Limited. The responsible entity holds the assets of the Trust and is required to operate the Trust in accordance with the Corporations Act, the Trust Constitution and the ASX Listing Rules.

**Custodian**

The responsible entity as custodian is entitled to be remunerated at an annual rate equal to 0.15% of the Gross Asset Value of the Fund. The custodian fees are payable quarterly and reviewable annually.

**Unit registry services**

The unit registry services are provided by Link Market Services Limited.

**Responsible entity's fees and other transactions**

Under the terms of the Trust Constitution, the responsible entity is entitled to receive fees calculated as 0.25% per annum calculated on a daily basis of the Gross Asset Value of the Trust as at the last day of each month during which the fee accrued; and 4.0% per annum calculated on a daily basis of the Gross Income of the Trust as at the last day of each month during which the fee accrued.

The fees paid to the responsible entity during the year were as follows:

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Responsible entity fees paid by the Trust	5,386	3,992	5,386	3,992
Custodian fees paid to responsible entity	2,347	2,508	2,347	2,508
Listing fees paid to responsible entity	-	32,943	-	32,943

**Directors**

The names of persons who were directors of Australian Property Custodian Holdings Limited at any time during the financial year were as follows: Philip Powell, Kim Jaques, Mark Butler (resigned 17 December 2008), Hon. Dr Michael Wooldridge, Peter Clarke, Tony Hancy and Neil Rodaway.

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**11: RELATED PARTY TRANSACTIONS (continued)**

**Compliance Committee**

The names of the persons who were members of the Compliance Committee at any time during the financial year were as follows: Ian Richard Bond (Compliance Officer and Chairman, External Member), Paul Webb (External Member, resigned 5 August 2008), Timothy Smith (External Member, resigned 1 April 2009), Jay Chandran (External Member, resigned 20 November 2008), Angela Pollard (External Member, appointed 15 June 2009) and Mahanthran Krishnan (Internal Member, appointed 15 June 2009).

**Related party transactions**

All related party transactions are conducted on normal commercial terms and conditions.

**Director related parties**

Kidder Williams Ltd, of which Philip Powell is a director, charged consultancy fees during the year totalling \$151,255. These fees were payable for corporate advisory services to the Trust by Kidder Williams Ltd under a Consultancy agreement that included advice on mergers and acquisitions.

Since Balance Date, the 12 assisted accommodation villages are being managed by a company called Eureka Care Communities Pty Ltd. This is a company owned by Kidder Communities Pty Ltd which also owns the responsible entity. Eureka Care Communities earns the market rate of management fees from the Trust for the management of these villages.

**Director Interests**

The responsible entity, and its associates had the following interests in the Trust at year end:

	<b>Interest in units</b>	<b>Options granted</b>	<b>Effective grant date</b>	<b>Options - Value at grant date -</b>	<b>Exercise price</b>	<b>Expiry Date</b>
Michael Wooldridge	53,953	450,000	Aug 2006	\$0.056	\$1	31 Dec 2010
		2,000,000	Jul 2007	\$0.066	\$1	26 Jul 2010
Kim Jaques	2,132,279	3,750,000	Aug 2006	\$0.056	\$1	31 Dec 2010
		750,000	Jul 2007	\$0.066	\$1	26 Jul 2010
Peter Clarke	22,712	450,000	Aug 2006	\$0.056	\$1	31 Dec 2010
		750,000	Jul 2007	\$0.066	\$1	26 Jul 2010
Philip Powell	2,087,856	-	-	-	-	-
Anthony Hancy	50,000	450,000	Jul 2007	\$0.066	\$1	26 Jul 2010
Neil Rodaway	-	450,000	Jul 2007	\$0.066	\$1	26 Jul 2010

Of the Interest in Units held by Philip Powell, 1,952,856 units are held by Kidder Williams Ltd of which Philip Powell is a Director.

During the year, there was no compensation received by any key management personnel of the Trust directly from the Trust. All directors and key management personnel are compensated by the responsible entity or its associated entities. There was no equity based remuneration paid during the year (2008: nil).

For personal use only

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**11: RELATED PARTY TRANSACTIONS (continued)**

**Share Transactions of Directors**

Directors and director related entities hold directly, indirectly or beneficially as at reporting date the following equity interests in the responsible entity.

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Kidder Williams Limited		
- Philip Powell	5,000	5,000

**12: NOTES TO THE STATEMENT OF CASH FLOWS**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>a) Components of cash</b>				
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash at bank	4,022	82,575	4,034	82,996
<b>b) Reconciliation of net operating income to net cash inflow from operating activities</b>				
Net operating income	(251,556)	57,337	(185,779)	37,743
Non-cash flows in profit from investing activities:				
Retirement village revaluations	191,695	(55,194)	114,152	(27,403)
Loan Impairment Provision	-	-	20,476	-
Investment Write Down	48,198	-	43,449	-
Discount on Resident loans	(22,096)	(31,113)	(8,946)	(16,010)
Non-cash flows in profit from ordinary activities:				
Increase (decrease) in deferred tax balances	(3,400)	(6,281)	-	-
Depreciation of plant and equipment	92	141	-	-
Amortisation of borrowing costs	389	379	389	379
Borrowing Costs	28,320	31,713	27,805	31,313
DMF Write off	-	15,846	-	5,759
Changes in assets and liabilities:				
(Increase)/Decrease in receivables	11,292	(10,339)	(9,048)	(25,309)
Increase/(Decrease) in payables	2,208	1,719	6,246	2,786
Increase in resident loans	39,777	26,822	14,085	12,183
<b>Net cash inflow from operating activities.</b>	<b>44,919</b>	<b>31,030</b>	<b>22,829</b>	<b>21,441</b>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**13: FINANCIAL RISK MANAGEMENT**

The Trust's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable and loans to and from related entities.

**(a) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Trust's exposure to interest rate risk and the weighted average effective interest rate (for each class of financial asset and financial liability, and maturity period including floating rate financial asset and liabilities) is set out below:

<b>2009 Financial Instruments</b>	<b>Floating Interest Rate</b>	<b>Fixed interest rate maturing in:</b>			<b>Non- Interest Bearing</b>	<b>Total carrying amount as per the balance sheet</b>	<b>Weighted average effective interest rate</b>
		<b>1 year or less</b>	<b>Over 1 to 5 years</b>	<b>More than 5 years</b>			
	\$000	\$000	\$000	\$000	\$000	\$000	%
<i>i) Financial assets</i>							
Cash	4,022					4,022	4.8
Trade and other receivables					7,196	7,196	
Borrowing costs					1,299	1,299	
Investment loans			20,378			20,378	
Related party loans					-	-	
<b>Total financial assets</b>	<b>4,022</b>		<b>20,378</b>		<b>8,495</b>	<b>32,895</b>	

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**13: FINANCIAL INSTRUMENTS DISCLOSURE (continued)**

2009 Financial Instruments	Floating Interest Rate	Fixed interest rate maturing in:			Non- Interest Bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
<i>ii) Financial liabilities</i>							
Payables					12,514	12,514	
Bank and other loans	423,661				-	423,661	6.3
Village residents payable					671,084	671,084	
Total financial liabilities	423,661				683,598	1,107,259	

2008 Financial Instruments	Floating Interest Rate	Fixed interest rate maturing in:			Non- Interest Bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
<i>i) Financial assets</i>							
Cash	82,575					82,575	7.7
Trade and other receivables					21,684	21,684	
Borrowing costs					1,537	1,537	
Investment loans			48,404		-	48,404	
Other investments							
Receivables – other related parties					2,745	2,745	
Total financial assets	82,575	-	48,404	-	25,966	156,945	

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**13: FINANCIAL INSTRUMENTS DISCLOSURE (continued)**

2008 Financial Instruments	Floating Interest Rate	Fixed interest rate maturing in:			Non- Interest Bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years			
	\$000	\$000	\$000	\$000	\$000	\$000	%
<i>ii) Financial liabilities</i>							
Payables					22,742	22,742	
Bank and other loans	421,323					421,323	8.9
Village residents payable					661,638	661,638	
<b>Total financial liabilities</b>	<b>421,323</b>				<b>684,380</b>	<b>1,105,703</b>	

**(b) Credit risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved
- ensuring that transactions are undertaken with a large number of counterparties; and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

As such, the Trust does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Trust does not have any material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

The loans facilities available to the Trust are secured by the properties that are funded by the bank at acquisition. The loans are secured only by their respective properties and all other assets in the property. The maximum possible credit risk will be the net amount derived after offsetting the loan against the carrying value of the property after taking into consideration any impairment in the value of the property.



**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**13: FINANCIAL INSTRUMENTS DISCLOSURE (continued)**

The Trust uses five different financiers who are either Tier 1 or Tier 2 financiers. All loans have been classified as current liabilities unless an unconditional right to defer payment for over 12 months exists.

Investment loans relate to properties that are currently being developed. These properties are developed by third parties and are secured by agreements that allows step in rights in case of any default by these parties. These investments are interest bearing and the Trust receives a share in the development returns.

**(c) Fair value of financial assets and liabilities**

The carrying amounts of financial assets and financial liabilities as disclosed in the financial statements approximates their fair value at reporting date.

**(d) Liquidity Risks**

Liquidity is managed in a prudent manner and cash is very closely monitored. The cash derived from the operations of the business is utilised for the operational costs of managing the Trust. The banks are kept informed of the monetary situation at all times and all other costs including interest costs are factored in for periodic cash requirements. The cash flows are forecast weekly, monthly and for the next 12 months based on activities that are current and forecast and taking into account all strategic initiatives being undertaken. These cash flows are presented to independent parties outside the management for verification and the Board is informed of the tests undertaken periodically to manage this process.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**14: CONTROLLED ENTITIES**

During the year, the Trust did not acquire any new entities, nor dispose of any existing entities.

	<b>Country of Establishment or Incorporation</b>	<b>Percentage owned as at 30 Jun 2009</b>	<b>Percentage Owned as at 30 Jun 2008</b>
<b>Parent Entity:</b>			
Prime Retirement & Aged Care Property Trust	<b>Australia</b>		
<b>Subsidiaries of Prime Retirement &amp; Aged Care Property Trust</b>			
APCH Aged Care Services Pty Ltd	Australia	100%	100%
Hibiscus RV Properties Pty Ltd *	Australia	100%	100%
Buderim Meadows Retirement Village Pty Ltd *	Australia	100%	100%
Chancellor Park Retirement Village Pty Ltd *	Australia	100%	100%
Nambour Retirement Village Pty Ltd *	Australia	100%	100%
Noosa Outlook Retirement Village Pty Ltd *	Australia	100%	100%
APCH Investments Pty Ltd	Australia	100%	100%
Hibiscus Retirement Resort MP Pty Ltd	Australia	100%	100%
Hibiscus Retirement Resort DM Pty Ltd	Australia	100%	100%
Cater Corporation Pty Ltd	Australia	100%	100%
Carlyle RV Properties Pty Ltd *	Australia	100%	100%
Argyle Gardens Village Pty Ltd *	Australia	100%	100%
Carlyle Villages Pty Ltd *	Australia	100%	100%
Lindfield RV Properties Pty Ltd	Australia	100%	100%

\* Companies where it is intended to form a tax consolidated group. These controlled entities, unlike trusts whose taxable income is distributed to Unitholders, are required to account for and be responsible for their taxable income. The income tax expense and deferred liability reflected in the financial statements relates to these entities.

**15: SEGMENT REPORTING**

The Trust invested in property, predominantly in retirement and aged care facilities in Australia to generate rental income. There are some investment in third party developments from which no income has yet been derived. The Trust also has its own developments which are capitalised upon completion and used for rental income.

For personal use only

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**16: CAPITAL COMMITMENTS**

The Trust has entered into a Call Option with Lend Lease Primelife to acquire the management rights of the twelve villages owned by the Trust. The Trust has until 30 June 2010 to exercise this Option. If the Trust exercises this Option, the amount payable will be between \$42.5 million and \$45 million.

The Trust has also in place property investment and loan contracts which grant the Trust the right to acquire the villages that are currently being developed by third parties upon completion, refer Note 7(h). The acquisition price will be based on a pre-determined sale formula calculated using the ingoing contribution held and DMF accrued.

**17: CONTINGENT LIABILITIES**

Australian Property Custodian Holdings Ltd, as responsible entity of the Trust, is entitled to a removal fee payable if removed as the registered responsible entity of the Trust at the instigation of the Unitholders or ASIC to the value of 2.5% of the Gross Asset Value of the Trust calculated at the date of removal.

Australian Property Custodian Holdings Ltd, as responsible entity of the Trust, entered into nine acquisition arrangements whereby the Trust invests funds via mortgage security loans to a property developer who owns development land the Trust wishes to acquire (Note 7(h)). The Trust may provide working capital to complete the development if required at the discretion of the Trust and upon completion the investment loan amount will form part of the acquisition price for the Trust to purchase a 100% ownership in the completed development property. During the year, three of these developments loans were written off as the developing entities went into receivership.

There are two legal actions pending. The State Revenue Office has appealed to the Supreme Court for a case that has been ruled in favour of the Trust by a lower court. This is a dispute relating to the Decision of the Commissioner of State Revenue in respect of the Stamp Duty assessed on the transfer of the property at Lot 1, Townsend Road, St Albans Park, Geelong. The amount in dispute is immaterial to the Trust.

The Trust has filed a writ in the courts against a Joint Venture partner on a claim that they have made against the Trust with regards to the loans made to a subsidiary of the Trust for the investment in two separate external developments. These developments were being managed by an external developer who was a party to the property and loan agreement signed by all parties but the interest in these developments have now been acquired by a third party. The Trust still records both the Joint Venturer's share of assets and liabilities in the financial statements.

As at 30 June 2009, the Trust also had a claim from Lend Lease Primelife for payment of some accommodation bond deficiency attributable to the aged care facilities managed by them. In addition there were various other disputes at year end with LLP that also resulted in monetary claims by both LLP and the Trust. These matters were resolved as part of the Lend Lease transaction and whilst the settlement of this transaction is yet to occur, we are confident that all conditions precedent to settlement will be met.

**DIRECTORS' OF RESPONSIBLE ENTITY DECLARATION  
TO THE UNITHOLDERS OF  
PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES**

In the opinion of the directors of Australian Property Custodian Holdings Limited, the responsible entity of Prime Retirement & Aged Care Property Trust:

1. The financial statements and Notes as set out on pages 16 to 40, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards in Australia and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the financial position as at 30 June 2009 and performance of the Trust and economic entity, as represented by the results of their operations, changes in equity and its cash flows for the financial year ended on that date.
2. There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made after receiving the declaration required to be made by the Chief Executive Officer and the Chief Financial Officer to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2009, and in accordance with a Resolution of the Directors of the responsible entity, Australian Property Custodian Holdings Limited.

Dated at Melbourne of 28 August 2009.



**Hon. Dr Michael Wooldridge**  
Chairman



**Philip Powell**  
Managing Director

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF  
PRIME RETIREMENT & AGED CARE PROPERTY TRUST**

We have audited the accompanying financial report of Prime Retirement & Aged Care Property Trust ("the Trust") and controlled entities. The financial report comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' of the responsible entity declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

*Responsible Entity's Responsibility for the Financial Report*

The directors of the responsible entity, Australian Property Custodian Holdings Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors of the responsible entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
ARSN 097 514 746**

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF  
PRIME RETIREMENT & AGED CARE PROPERTY TRUST**

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's Opinion*

In our opinion,

- (a) the financial report of Prime Retirement & Aged Care Property Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Material uncertainty regarding continuation as a going concern**

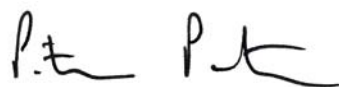
Without qualification to the opinion expressed above, attention is drawn to the matters described in Note 1(u) – Going Concern, which refers to the Trust's breaches of debt covenants, the ongoing negotiations with its financiers and future actions proposed, the recent agreement with Lend Lease which is subject to certain conditions precedent, and the related risks and possible consequences.

Should the Trust not have the continuing support of its financiers, or the Lend Lease transactions not proceed as expected, there would be significant uncertainty whether it would be able to continue as a going concern.

If the going concern basis of accounting is found to no longer be applicable, the recoverable amount of the assets shown in the Balance Sheet are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected in the Balance Sheet.



S SCHONBERG  
Partner  
28 August 2009



PITCHER PARTNERS  
Melbourne

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**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

**ADDITIONAL INFORMATION**

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

The information is current at 13 August 2009. As at 13 August 2009 a total of 576,339,791 units in the Prime Retirement and Aged Care Property Trust ("PTN") were on issue.

**DISTRIBUTION OF UNITS**

The number of Unitholders in the Trust by size of holding is:

<b>Size of holding</b>	<b>Number of Unitholders</b>	<b>Units</b>	<b>% of issued capital</b>
1 to 1,000	159	97,732	1.63
1,001 to 5,000	556	1,564,429	5.71
5,001 to 10,000	1,261	11,887,952	12.96
10,001 to 100,000	6,964	274,001,046	71.56
100,0001 and over	792	288,788,632	8.14
<b>Total</b>	<b>9,732</b>	<b>576,339,791</b>	<b>100</b>

The number of security investors holding less than a marketable parcel of 500 securities (\$0.155 on 13/08/2009) is 491 and they hold 705,506 securities.

**TWENTY LARGEST UNITHOLDERS**

The names of the 20 largest holders of units of PTN are:

<b>No</b>	<b>Investor</b>	<b>Current balance</b>	<b>% of issued capital</b>
1	Halcagni Pty Ltd	38,000,000	6.59
2	Daytree Pty Ltd	31,289,673	5.43
3	Citicorp Nominees Pty Limited	10,269,601	1.78
4	Asset Custodian Nominees (Aust) Pty Ltd	5,605,328	0.97
5	Brentwood Village Pty Ltd	4,806,553	0.83
6	Netwealth Investments Limited WRAP Services Account	4,615,338	0.80
7	Perpetual Custodians Limited	3,311,620	0.57
8	Palo Alto Pty Ltd	3,050,000	0.53
9	Netwealth Investments Limited Super Services Account	2,665,958	0.46
10	HSBC Custody Nominees (Australia) Limited	2,524,099	0.44
11	T/ees Order of Sisters of Presentation Queensland	2,155,000	0.36
12	VRE Holdings Pty Ltd	2,000,000	0.35
13	Hibiscus Management DM Pty Ltd	2,000,000	0.35
14	Kidder Williams Limited	1,952,856	0.34
15	Kim Samuel Jaques & Julie Louise Jaques	1,857,184	0.32
16	RBC Dexia Investor Services Australia Nominees Pty Limited	1,830,818	0.32

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

No	Investor	Current balance	% of issued capital
17	Halcagni Pty Limited	1,700,000	0.29
18	Mr David Mitchell Wise & Mr Peter Frank Wise	1,500,000	0.26
19	Tintagel Pty Ltd	1,400,000	0.24
20	Australian Christian Superannuation Pty Ltd	1,304,053	0.23
	<b>TOTAL</b>	<b>125,938,081</b>	<b>21.85</b>

**SUBSTANTIAL UNITHOLDERS**

The names of substantial Unitholders (which include their associates) who have advised PTN of their substantial unit holdings in accordance with Section 671B of the Corporations Act 2001 are as follows:

Holder	Number of securities	% of Issued Capital
William Lewski	31,289,673 units and 9,300,000 options	5.43 (On units only)
Halcagni Pty Ltd	39,700,000 units	6.59

**VOTING RIGHTS**

At a general meeting of the Trust every Unitholder entitled to vote may vote in person or by proxy, attorney or representative and has: - on a show of hands, one vote; and, on a poll, one vote for every unit they have invested in the Trust.

**OTHER INFORMATION**

Pursuant to the proportional takeover bid for 40% of BBC ordinary fully paid stapled securities, the Trust allotted 7,862,465 PTN units in exchange for the same number of BBC units held by BBC Unitholders who opted to accept the bid. The units were allotted at the VWAP price of 17.23 cents per unit under the terms and conditions of the proportional takeover bid statement.



**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

**Corporate Governance arrangements of Prime Trust**

The following outlines the main corporate governance practices in place for Australian Property Custodian Holdings Ltd (APCH) in its role as responsible entity of the Trust. The responsible entity must ensure it acts in the best interests of Unitholders and that the activities of the Trust are conducted in a proper and efficient manner.

Prime Retirement & Aged Care Property Trust is a Managed Investment Scheme whose activities are governed by the Trust Constitution as well as requirements set out in the Corporations Act 2001 and the Listing Rules. The latter requires listed entities to address the recommendations of the ASX Corporate Governance Council and to disclose the extent of compliance with these recommendations.

The overall goals of the corporate governance process are to:

- Deliver corporate and operational performance against set objectives;
- Assure a prudential and ethical base to the Trust's conduct and activities; and
- Ensure compliance with the Trust's legal and regulatory obligations.

**Functions and Responsibilities of APCH's Board of Directors**

The primary role of the Board is to protect and promote the interests of Prime Trust Unitholders in achieving sustainable returns and the long-term success of Prime Trust. The Board will, in conjunction with the Trust Manager, guide the development of strategies for the Trust, set and review the Trust's strategic objectives and monitor the performance of the Trust against those objectives.

The Board has established a Board Charter. This includes the following responsibilities:

- Review the performance of the Trust's Manager;
- Provide input as to the Trust Manager's strategy;
- Review and if appropriate approve significant functions;
- Oversee the operations of APCH, especially in respect of risk management and compliance; and
- Review all established policies and maintain required committees established under those policies.

Directors are able to seek independent professional advice on matters relating to the Trust, including matters relating to the discharge of its obligations, the cost of which may be borne by APCH or, where permitted, the Trust.

The remuneration of APCH in its capacity as responsible entity is regulated by the Trust Constitution. The fees of the non-executive directors are not paid by the Trust. Executive Directors are employed by entities associated with the owner of APCH, with their services provided by contractual agreements. A remuneration committee has been formed that consists of the three non-executive Directors to review the remuneration of senior executives of the responsible entity and the manager of the Trust.

A copy of the Board Charter can be viewed at the offices of the responsible entity.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

**Composition of APCH's Board of Directors**

APCH commits to the following principles:

- A Board comprising directors with a blend of skills, experience and attributes appropriate for APCH and its business; and
- The principal criterion for the appointment of new directors being their ability to add value to the business.

The Board will be headed by an independent non-executive Director.

The current Board comprises six persons being three non-executives and three executives. The three executives have been responsible for the operations and management of the Trust and their knowledge and skills are vital for the on-going performance of the Trust. At this time, it is felt that appointment of sufficient numbers of non-executive directors to result in a majority would not be cost effective or efficient. It is a long term objective to have a Board with a majority of independent non-executives, to comply with ASX Corporate Governance recommendations. The Board is required to institute internal procedures for evaluating the performance of the Board members, the individual directors and the Board committees.

The term in office held by each Director in office at the date of this report is as follows:

<b>Name</b>	<b>Position</b>	<b>Independent</b>	<b>First Appointed</b>
Michael Wooldridge	Non-Executive Chairman	Yes	21 March 2006
Philip Powell	Managing Director and CEO	No	27 June 2008
Mark Butler (resigned 17/12/2008)	Executive Director	No	1 March 2001
Kim Jaques	Executive Director	No	1 March 2001
Peter Clarke	Executive Director	No	21 August 2006
Anthony Hancy	Non-Executive Director	Yes	1 July 2007
Neil Rodaway	Non-Executive Director	Yes	1 July 2007

At the appropriate time, the Board will consider establishing a nomination committee comprising of non-executive Board members to consider new appointments.

As required by the Corporations Act, the Board has in place a Compliance Plan with a Committee of independents to oversee the operations of the Trust. This is described in the next section.

**Compliance Plan and Compliance Committee**

The responsible entity has prepared, and ASIC has registered, a Compliance Plan which sets out procedures that the responsible entity will apply in operating the Trust to ensure compliance with the Corporations Act and the Trust's Constitution. A summary of the principal terms of the Compliance Plan is set out below.

The responsible entity is required to adhere to the Compliance Plan that seeks to ensure compliance by the responsible entity with the Corporations Act and the Trust's Constitution by prescribing principles and procedures for the responsible entity to adopt in the management of the Trust.

The Compliance Plan identifies the personnel, the structure and the duties of the responsible entity as a whole as well as the duties of each officer. It also describes procedures and systems for the responsible entity to implement concerning various aspects of the management function.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

These aspects include:

- meetings and reports of the Compliance Committee;
- the safekeeping and inspection of records;
- valuation of the Trust's properties;
- engagement of external service providers;
- payment of fees;
- maintenance and audit of books of account;
- reporting to Unitholders;
- handling, collecting and dealing with money received for the Trust;
- the requirement that all staff of the responsible entity are to become familiar with, and comply with, the Compliance Plan; and
- the requirement that the responsible entity is to maintain an appropriate level of professional indemnity and fidelity insurances in respect of its operations.

A Compliance Committee has been established to monitor compliance by the responsible entity with the Compliance Plan and report any breaches to the responsible entity and otherwise report to the responsible entity on a regular basis.

The Compliance Committee is to report to ASIC if the responsible entity does not address any issues raised in an adverse report issued by the Compliance Committee to the responsible entity. The Compliance Committee members must disclose all their interests (if any) relating to the Trust. The Compliance Committee will assess the Compliance Plan at least quarterly to determine whether it is adequate, report to the responsible entity on the assessment and make recommendations to the responsible entity about any changes to the Compliance Plan.

A copy of the Compliance Plan may be viewed at the offices of the responsible entity.

### **Complaints Resolution**

The responsible entity seeks to resolve potential and actual complaints over the management of the Trust to the satisfaction of Unitholders. If an investor wishes to discuss any aspect of the management of the Trust or wishes to lodge a formal complaint, please write or telephone the responsible entity:

Australian Property Custodian Holdings Limited  
Level 2, 613 St Kilda Road  
Melbourne Vic 3004  
email: penny@primetrust.com.au  
Phone: (+61) 3 9533 7888  
Freecall: 1800 233 551  
Contact Person: Penny Berkshire

The responsible entity will promptly acknowledge any complaint received from a Unitholder, investigate it and decide in a timely manner any action that needs to be taken.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

If the responsible entity is unable to resolve your complaint, the responsible entity has established a formal complaints resolution process using the services of the:

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne Vic 3001  
Telephone: 1300 780 808  
Fax: (03) 9613 6399  
www.fos.org.au  
FOS Membership No 11112

Please quote the name of the entity (Australian Property Custodian Holdings Ltd) and the FOS number when you make an enquiry.

FOS may, at its discretion, decide that it will not deal with complaints by certain investors because they are wholesale clients for the purposes of the Corporations Act.

#### **Audit and Risk Management Committee**

The Audit and Risk Management Committee meetings will be held periodically throughout the year. It is the policy of the Board that where possible the members of the Audit and Risk Management Committee shall be non-executive directors, with the majority being independent.

The Audit and Risk Management Committee will co-ordinate its functions with the Compliance Committee to minimise duplication of activities. It is the intention that the two Committees meet jointly at least twice a year.

The Audit and Risk Management Committee will comprise at least two members, with at least one member qualified in accounting or finance. The Chairman of APCH will not be the chairman of the Audit and Risk Management Committee. The CEO, Chief Financial Officer, Compliance Officer and Auditors may attend the Audit and Risk Management Committee meetings by invitation.

The main functions of the Audit and Risk Management Committee will be to:

- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate and in accordance with all statutory compliance requirements;
- Ensure financial information provided to the Board and Unitholders is accurate and reliable;
- Review the scope and results of internal, external and compliance audits;
- Maintain open lines of communication between the Board and external auditors;
- Review annually the relationship between the external auditor and Prime Trust to ensure auditor independence is maintained;
- Review and report to the Board on the annual report and financial statements;
- Regularly review its own performance, processes and composition;
- Assess the adequacy of internal controls and make informed decisions regarding compliance policies, practices and disclosures; and
- Nominate the external auditor.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

The responsible entity has established and maintains a framework for identifying, assessing, monitoring and managing material risk throughout the organisation. This framework includes the responsible entity's internal compliance and control system as set out in the Trust's compliance plan and risk management plan. The Board is primarily responsible for identifying and managing a broad range of risks including, but not limited to, market risk, liquidity risk, credit risk, legal risk, compliance and operational risk and reputation risk. The Board has developed policies and procedures to identify, manage and mitigate these risks.

The responsible entity has appointed an External Compliance Committee which consists of two external members and one internal member. All three members of the Committee have extensive investment and compliance experience. The External Compliance Committee monitors the extent to which the responsible entity complies with the compliance plan, the Corporations Act and the Constitution and reports any breaches to the Board and to ASIC if necessary.

A copy of the Compliance Plan and the Risk Management Policy can be viewed at the offices of the responsible entity.

#### **Continuous Disclosure**

The Trust has a policy that all Unitholders have equal access to the Trust's information and procedures to ensure all price sensitive information is disclosed to Unitholders in accordance with the continuous disclosure requirements of the Corporations Act. All disclosures will be immediately posted on the Trust's website.

#### **Communications with Unitholders**

The Board aims to ensure that Unitholders are informed of all major developments affecting the Trust in a timely fashion. Information will be communicated in a variety of ways as follows:

- The full Annual Report will be distributed to each Unitholder (unless there is a specific request from a Unitholder not to do so);
- A half-yearly report containing summarised information and a review of operations will be lodged with ASIC;
- Notices of all Unitholder meetings will be provided to all Unitholders;
- Regular updates will be undertaken and provided to Unitholders; and
- All documents released publicly will be made available on Prime Trust's website.

The responsible entity, as a disclosing entity, will be subject to regular reporting and disclosure obligations. The responsible entity must also comply with all laws and the Listing Rules as they relate to information or documents to be provided to Unitholders. Copies of documents lodged with ASIC in relation to the Trust may be obtained from, or inspected at, an ASIC office.

Unitholders also have the right to obtain a copy of each annual report, half yearly report, and any continuous disclosure notice from the Trust free of charge. Documents will be provided within five (5) days of the responsible entity receiving a request from the Unitholder.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

**Conflicts of Interest**

The responsible entity has adopted a conflicts policy which sets out how any conflicts are to be managed and dealt with to ensure that the interests of Unitholders are protected in the event that a potential conflict of interest arises between the Trust and the responsible entity, its directors or others involved in the management of the Trust.

The conflicts policy defines a "conflict of interest" as a circumstance where some or all of the interests of the members of the Trust to whom the responsible entity has fiduciary obligations are inconsistent with, or diverge from, some or all of the interests of the responsible entity or its directors. This would include actual, apparent and potential conflicts of interest.

If any director of the responsible entity is aware of any actual or potential conflict of interest between that director's interest as a director of the responsible entity, and that director's interests personally or through any other entity, the director must forthwith disclose the circumstances of that conflict to the Board of the responsible entity. The Board will consider the disclosed conflict and, if appropriate, may request that consideration of the matter be made in the absence of the director who has disclosed the conflict. The remaining directors must deal with the conflict in a manner that satisfies the interests of the members of the Trust. If the Board is unable to effectively determine the action to be taken, it shall refer the matter to the external Compliance Committee for assistance.

A copy of the Conflicts Policy may be inspected at the office of the responsible entity.

**Securities Trading**

The responsible entity has adopted a securities trading policy that applies to trading in Units by any director or officer of the responsible entity or their associates.

The securities trading policy imposes restrictions on directors, officers and their associates in respect of dealing in any the Trust Units at a time they possess information which is price sensitive in relation to the Trust Units. The policy allows trading within specific periods of time after the release of financial information under periodic reporting requirements to ASX.

A copy of the Securities Trading Policy may be inspected at the office of the responsible entity.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT  
ARSN 097 514 746**

**Corporate Directory**

**Responsible Entity of Prime Trust**

Australian Property Custodian Holdings Limited  
(ABN 74 095 474 436) (AFSL 226692)  
(ARSN 097 514 746)  
Level 2  
613 St Kilda Road  
Melbourne Vic 3004  
Telephone: (03) 9533 7888  
Facsimile: (03) 9533 7921  
Freecall: 1800 233 551

**Directors of the Responsible Entity**

The Honourable Dr Michael Wooldridge (Chairman)  
Philip Powell (Managing Director)  
Peter Clarke  
Kim Jaques  
Anthony Hancy  
Neil Rodaway

**Company Secretary**

Mahanthran Krishnan

**Manager**

APCH Administrators Pty Ltd  
Level 2  
613 St Kilda Road  
Melbourne Vic 3004

**Lawyers to the Responsible Entity**

Madgwicks  
Level 33  
140 William Street  
Melbourne Vic 3000  
Telephone: (03) 9242 4744  
Facsimile: (03) 9242 4777

**Auditors**

Pitcher Partners  
Chartered Accountants  
Level 19  
15 William Street  
Melbourne Vic 3000  
Telephone: (03) 8610 5000  
Facsimile: (03) 8610 5999

**Corporate Adviser**

Kidder Williams Limited  
Level 35  
101 Collins Street  
Melbourne Vic 3000  
Telephone: (03) 9246 4200  
Facsimile: (03) 9246 4201

**Registry**

Link Market Services Limited  
Level 1  
333 Collins Street  
Melbourne Vic 3000

**Information line:**

1800 554 474 (Australian callers)  
(02) 8280 7732 (Overseas callers)

**Website**

[www.primetrust.com.au](http://www.primetrust.com.au)