

## ASX RELEASE


26 February 2010

## Prime Trust Lodgements

We submit herewith, the following lodgements:

- 1) Appendix 4D – 31 December 2009
- 2) ASX and Media Release
- 3) Half year results presentation
- 4) Financial Report 31 December 2009

Yours faithfully



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

**PRIME RETIREMENT AND AGED CARE  
PROPERTY TRUST  
AND CONTROLLED ENTITIES**

**HALF-YEAR INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009  
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A**

**This half-year financial report is to be read in conjunction with the financial  
report for the year ended 30 June 2009.**

# Appendix 4D

## Half Year Report for the six months to 31 December 2009

Name of entity: Prime Retirement and Aged Care Property Trust and Controlled Entities

ABN or equivalent company reference: ARSN 097 514 746

### 1. Reporting period

Report for the half year ended: 31 December 2009

Previous corresponding periods: Financial year ended 30 June 2009  
Half- year ended 31 December 2008

### 2. Results for announcement to the market

Revenues from ordinary activities ( <i>item 2.1</i> )	Up	23 %	to 23,658
Loss from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Down	88%	to (11,905)
<b>Distributions (<i>item 2.4</i>)</b>	Amount per unit		
Interim dividend	N/A		
Final dividend	N/A		
Previous corresponding period – Interim dividend	1.0c		
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	N/A		
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):			
<i>Refer to attached commentary on the results</i>			

### 3. Net tangible assets per unit (*item 3*)

	Current period	Previous period
Net tangible asset backing per ordinary unit	\$ 0.46	\$ 0.48

**4. Details of entities over which control has been gained or lost during the period: (item 4)**

**Control gained over entities**

Name of entities (item 4.1)	Nil	
Date(s) of gain of control (item 4.2)	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 4.3)		\$ -
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)		\$ -

**Loss of control of entities**

Name of entities (item 4.1)	Nil	
Date(s) of loss of control (item 4.2)	N/A	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 4.3).		\$ Nil
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)		\$ Nil

**5. Distributions** *(item 5)*

	<b>Date of payment</b>	<b>Total amount of distribution</b>
Interim distribution year ended 30 June 2010	N/A	\$ Nil
Final distribution year ended 30 June 2009	N/A	\$ Nil
Interim distribution Year ended 30 June 2009	Quarterly (Paid)	\$ 5,674,273

**Amount per unit**

	<b>Amount per unit</b>
<b>Total distribution:</b> Current year	Nil
Previous year - Interim	1.0¢

**Total distribution on all units**

	<b>Current period \$A'000</b>	<b>Previous corresponding Period - \$A'000</b>
Ordinary units <i>(each class separately)</i>	Nil	5,674
<b>Total</b>	<b>Nil</b>	<b>5,674</b>

**6. Details of distribution reinvestment plans in operation are described below** *(item 6):*

The Distribution Reinvestment Plan (DRP) is still in operation but since there were no distribution made this year, no units were issued under the Plan
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The last date(s) for receipt of election notices for participation in the distribution reinvestment plan

N/A
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**7. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).**

**8. Independent review of the financial report** *(item 9)*

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

26 February 2010

## The Prime Retirement and Aged Care Property Trust announces Improved Half Year Result.

The Chairman of the Prime Retirement and Aged Care Property Trust (“the Trust”), the Hon. Dr Michael Wooldridge, today announced an improved half year result. He said, “This is a significant improvement on the prior comparative period”.

“After property valuation movements and losses on the sale of non-core assets (but prior to interest expense) the Trust recorded Earnings Before Interest and Tax of \$552,000 compared to the prior period loss of \$77,619,000. While operating cash flow was lower than prior year this was because of the relatively high number of first time unit sales in the half year to December 2008”.

Key financial outcomes for the six months to 31 December 2009 are as follows:

	<b>Dec 2009</b> <b>\$'000</b>	<b>Dec 2008</b> <b>\$'000</b>
Operating cash flow	10,392	26,669
Earnings before interest and tax	552	(77,619)
Net (Loss) after tax	(11,905)	(91,189)
Distributions paid	Nil	5,674
Distribution (cents per unit)	Nil	1.00
Net tangible assets per unit	\$0.46	\$0.76

“During this period, the Trust has executed a number of the key recommendations resulting from the Strategic Review recently undertaken which will underpin the next stage of the Trust’s development. We are also pleased to update unitholders on the progress made in addressing and resolving the covenant breaches of certain debt facilities”.

The Chairman noted a number of important milestones and events for the Trust during the half year that included:

- Obtaining a call option to acquire the Management Rights to its core retirement villages for an amount between \$42.5m and \$45m which will enable the Trust to internalise its operational management giving it complete autonomy over the day to day operations of its villages. The option expires on 30 June 2010;

- Resolution of all contractual disputes with the current manager of the retirement villages allowing for cash flow from the roll-over of units to be received;
- An increase in demand with the number of unit rollovers for the first six months totalling 96 units compared to 74 units for the same period last year;
- A decrease in operating costs by \$5.4m or 34% from \$15.9m in the comparative period to \$10.5m;
- Reducing secured debt by \$92 million or 22%, from \$411m at 30 June 2009 to \$319m at 31 December 2009, reducing interest costs from \$17m to \$12.5m for the respective periods.
- Disposal of a number of non-core assets with all remaining non-core assets under contract of sale and expected to be sold by June 2010. Following settlement of these assets, the Trust's secured debt level will reduce by approximately \$44m to \$275 million; and
- Improved financial position of the Trust with its gearing being 54% compared to 60% as at 30 June 2009.

#### **Bank Debt**

The Chairman also noted that Unitholders had been previously advised that the Trust had breached the covenants of a number of its secured debt facilities and said, "We are pleased to advise that as a result of the sale of non-core assets and the proposed exercise of the Call Option to acquire the Management Rights of our core retirement villages, that the Trust is in a substantially improved its position in respect to these debt facilities". He noted that the current position is as follows:

- From the proceeds of non-core asset sales, one financier has been fully repaid;
- A facility of \$150m had a breach on its Interest Cover Ratio (ICR) covenant. This facility was due to expire in March 2010. The financier has proposed a 12 month extension with a further 12 month extension if the Trust exercises the Call Option. The Board has accepted the terms of the extension and is proceeding to formally document the revised terms.
- A facility of \$22.8 million (which was also due to expire in March 2010) is expected to be extended on similar terms to the facility above with an additional requirement that circa \$3 million is applied to this facility from the sale proceeds of one of the non-core facilities.
- A facility of \$36.3m is in breach of its Loan to Value Ratio (LVR) covenant. While the financier has reserved its rights and powers in relation to the facility, it has advised that, subject to the proposed acquisition of the Management Rights, it is prepared to consider and provide a standstill waiver or equivalent, subject to satisfactory legal advice from its solicitor.
- A facility of \$20.1m was in breach of its LVR covenant as at 31 December 2009. A letter of variation was entered into after the end of the reporting period extending the facility to June 2010, by which time it should be fully repaid from proceeds of the sale of non-core assets.
- The Trust is complying with all of its other secured debt facilities.

The Trust also had 50 newly completed units in stock at 31 December; as these units are sold and settled the proceeds will primarily be used to pay down debt.

**Property Valuations**

An independent valuation of four of our twelve core villages was conducted in December 2009. The remaining villages were independently valued in June 2009. As a result of these valuations the properties at these locations were reduced in value by \$6.2m compared to the \$44.8m reduction in the prior comparative period.

**Capital Structure**

The Chairman confirmed that the Responsible Entity continues to review its capital structure options and an announcement in respect of these matters will be made at the appropriate time.

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Media contact:

Philip Powell, Managing Director: 0416 043 007



THE PRIME *retirement &  
aged care* PROPERTY TRUST

**Half Year 2010 Results Presentation**

**26 February 2010**

# Half Year Review - 1HY10 Results

Performance indicators	1HY10	1HY09	Explanation of movement
Earnings before interest & tax (\$'000)	552	(77,619)	Asset write off HY10 - (\$6.2m) against write off HY09 - (\$80.8m)
Operating Cash Flow (\$'000)	10,392	26,669	Reduction primarily due to reduced new sales 1HY10 = 14 Vs 1HY09 = 46
NTA per share*	46 cents	76 cents	Asset write offs in 2 <sup>nd</sup> 1HY09 and 1HY10
NTA discount to share price (%) <sup>#</sup>	79%	84%	
Secured Bank Debt (\$'000)	318,504	410,436	Non core asset sales
Gearing ratio <sup>^</sup> (%)	54%	47%	Asset write offs in excess of asset sale proceeds (60% @ 30 June 2009)
Distributions paid (\$'000)	-	5,674	Cash preservation in light of results
Distributions per unit	-	1 cent	Cash preservation in light of results

\* Using weighted average units on issue over the period

<sup>^</sup> Net Debt/(Net Debt + Net Assets)

<sup>#</sup> Share price at close on 18 February 2010 = 10 cents and 9 February 2009 = 0.12 cents

# Key Messages- Half Year 2010

## Strategic Review achieving results

- **Entered into a call option** to purchase the RV management rights from Lend Lease Primelife (LLP). This will provide the Trust with management and ownership of its core villages;
- **Board considering capital structure;**
- **Non-core asset sales** of 13 LLP Rental facilities, Veronica Aged Care and 4 Eureka villages settled during 1HY10;
- **Non-core asset sales** of remaining Eureka Villages and Aged Care assets expected to settle 2HY10;

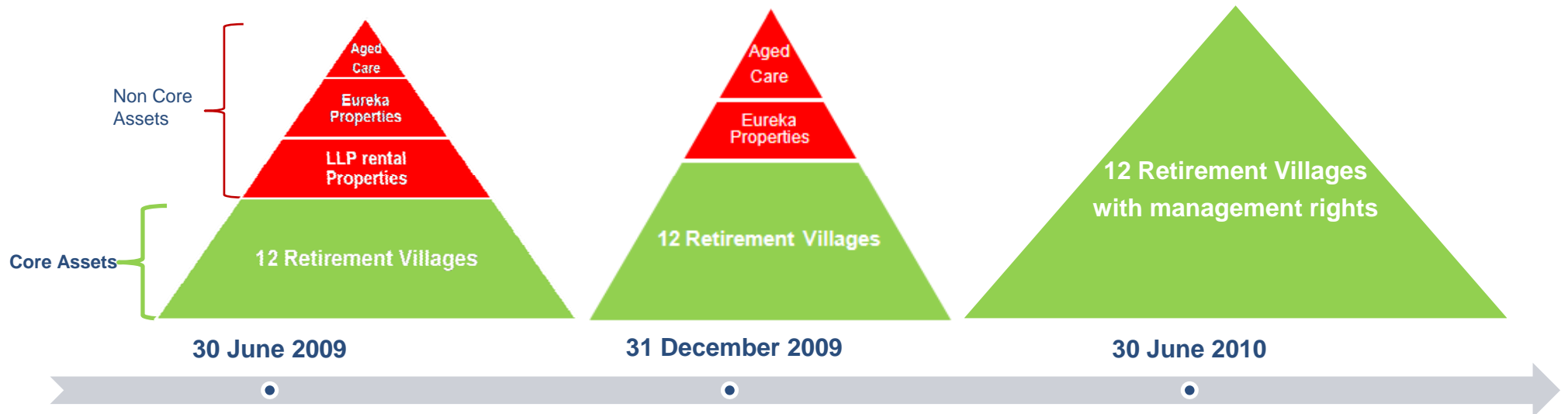
## Substantial reduction in debt

- Non core asset sales **have successfully paid down \$92m** of debt with an **additional \$42m expected to be paid down by 30 June 2010;**
- **Finalise renegotiation of existing bank facilities** that have existing covenant issues;
- **Goal is for a reduction of debt LVR to below 50%** once restructure has been executed;

## Modest improvement in roll-over rates and cash flow

- Removed LLP legal disputes to provide the Trust with **greater certainty and improvement of cash flow;**
- **Rationalised workforce, and reduced development and refurbishment costs** in response to non-core asset sales and recent downturn in RV unit demand. The Trust is well positioned to take advantage of an RV demand upswing in the future;
- RV unit sale turnover for 1HY10 of circa 5.1%, 1% above that achieved during FY09. **Purchase of the RV Management Rights will provide PTN with autonomous control of retirement village performance** with the goal of achieving the expected long-term average rollover rate of 8%.

# Strategic Review- Focus Going Forward



## NEAR TERM GOALS

- Recapitalise the balance sheet and reduce and service debt
- Acquire the RV Management Rights to the Core villages by 30 June 2010
- Internalise the operational management of the Trust by Stapling the Responsible Entity to the Trust
- Manage the existing unit stock levels to ensure the facilities can take advantage of any upswing in the near future
- Reduce core debt to \$250m-\$260m → Gearing < 50%

**WE ARE ON TARGET TO ACHIEVE THESE GOALS**

# Strategic Review- Progress to date

15 December  
2008

- Strategic Review announced to bridge the gap between the NTA and Unit Price

24 February  
2009

- Business rationalisation program executed to reduce cash outflows, ie development, refurbishment and work force rationalisation
- Board support to non core divestment program, capital raising and equity injection

16 June  
2009

- Sold Veronica Aged care facility

14 August  
2009

- Sold 13 LLP rental facilities to Lend Lease Corporation which resulted in resolution of legal and operational disputes with LLP
- Obtained call option to acquire the RV Management Rights to the core retirement villages

31 December  
2009

- Sold and settled 4 Eureka facilities

30 June  
2010

- Remaining non-core facilities expected to settle (8 Eureka Rental Villages, 1 Aged Care Facility)
- Expiry of RV Management Rights call option

# Strategic Review- Non- Core Divestment Program

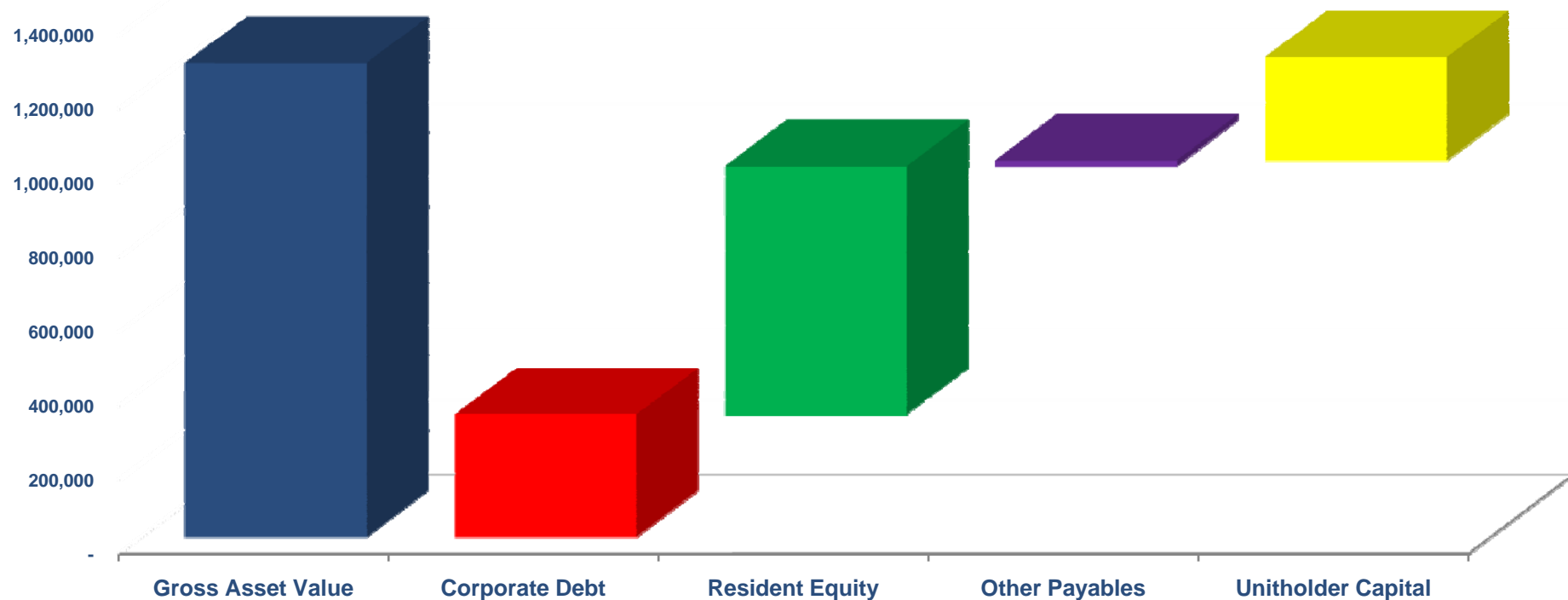
- PTN continues to work towards divesting its “non-core” facilities
- At the date of this announcement PTN has successfully sold and settled the following facilities:
  - 13 Aged Care facilities and Retirement Villages leased to Lend Lease Primelife;
  - 8 Retirement pension assets currently managed by Eureka Care Communities (ECC); and
  - 1 Aged Care facility.
- The remaining non-core assets are currently sold under contract and settlement expected by June 2010. These include:
  - 1 Aged Care facility; and
  - 4 retirement pension assets managed by ECC.
- Key impact of non-core asset sale includes:
  - Pay down of \$92m of debt to date with an additional \$30m expected to be paid down in coming 6 months;
  - Interest saving of circa \$10m per annum;
  - Option to acquire RV Management Rights by 30 June 2010 for between \$42m and \$45m;
  - Resolution of all legal and operational disputes with LLP resulting in release of cash flow;
  - Focus on Retirement Village operations; and
  - Concentration of core assets on the demographically attractive eastern coast of Australia.



# Capital Management

- Net Debt at 31 December 2009 was \$321m (30 June 2009 - \$420m)
- Gearing Ratio (net debt/net debt plus equity) of 54% (30 June 2009: 58%)
- PTN is currently in breach of ICR and LVR covenants on 4 of its 5 existing loan facilities:
  - 1 facility will be eliminated and paid down with the sale proceeds from non core asset sales; and
  - Resolution to breaches have been renegotiated and are now subject to documentation.

**Capital allocation of PTN balance sheet (\$'000)**



# Income Statement- 1HY10

Income Statement	1HY10 \$'000	1HY09 \$'000	Change \$'000	Change %
Revenue from operating activities	23,658	19,204	4,454	23%
<b>Total income</b>	<b>23,658</b>	<b>19,204</b>	<b>4,454</b>	<b>23%</b>
Professional Service Fees	(2,207)	(1,847)	(360)	(19%)
Village Management Fees	(1,950)	(1,859)	(91)	(5%)
Responsible Entity Fees	(2,116)	(2,927)	811	28%
Custodian Fees	(909)	(1,218)	309	25%
Other Operating Expenses	(3,327)	(8,081)	4,754	59%
<b>Total Expenses</b>	<b>(10,509)</b>	<b>(15,932)</b>	<b>5,423</b>	<b>34%</b>
<b>Earnings before Interest, Tax, and Revaluations (EBITR)#</b>	<b>13,149</b>	<b>3,272</b>	<b>9,877</b>	<b>302%</b>
Property/Development Investment write down	(6,173)	(80,891)	74,718	92%
Loss on sale of assets held for sale	(6,424)	-	(6,424)	(100%)
<b>Earnings before Interest and Tax</b>	<b>552</b>	<b>(77,619)</b>	<b>78,171</b>	<b>101%</b>
Borrowing costs	(12,457)	(16,971)	4,514	27%
Tax (Expense)/Benefit	-	3,401	(3,401)	(100%)
<b>Net Profit After Tax</b>	<b>(11,905)</b>	<b>(91,189)</b>	<b>79,284</b>	<b>87%</b>
Distribution Paid	-	(5,674)	5,674	100%
<b>Undistributed Loss</b>	<b>(11,905)</b>	<b>(96,863)</b>	<b>84,958</b>	<b>88%</b>

- EBITR# improved by 302% as a result of stronger turnover rates (refer slide 12) and implementation of the cost rationalisation program.

- Reduction in property/ investment write-off is in line with industry trends.

## Outlook

- Capitalisation rates and growth rates remain conservative in response to the current economic environment.

- Valuation write downs may have hit the bottom of the downward cycle.

- Distressed sales from heavily geared industry participants may be seen as the only key risk to property valuation improvements in the near term future.

# Before revaluations



# Financial Position

Balance Sheet	31 December 2009 \$'000	30 June 2009 \$'000
Cash	10,492	4,022
Receivables	5,722	7,196
Investment property (including assets held for sale)	1,227,930	1,333,307
Other investments - Developments, WIP	34,476	39,075
<b>Total Assets</b>	<b>1,278,620</b>	<b>1,383,600</b>
Current Liabilities	15,420	12,514
Resident Loans	667,135	671,084
Interest Bearing Debts	331,629	423,661
<b>Total Liabilities</b>	<b>1,014,184</b>	<b>1,107,259</b>
<b>Net Assets</b>	<b>264,436</b>	<b>276,341</b>
<b>Number of units ('000)</b>	<b>576,339</b>	<b>576,339</b>
<b>Net Tangible Assets per unit</b>	<b>46 cents</b>	<b>48 cents</b>
<b>Net Debt Gearing</b>	<b>54%</b>	<b>60%</b>

## Key Messages

- Working capital (including cash) position has improved as a result of improved resale rates as well as non core asset sales
- Gearing has improved in line with strategic review expectations. Further reduction in gearing expected in 2HY10 with the settlement of the remaining non core assets and the capital raising.

# Operating Cash Flow 1HY10

Cash Flow Statement	1HY10 \$'000	1HY09 \$'000
Cash Flow from Operating Activities	10,392	26,669
Cash Flow from Investing Activities	100,737	(65,004)
Cash Flow from Financing Activities	(104,659)	(31,501)
<b>Net increase/(decrease) in cash held</b>	<b>6,470</b>	<b>(69,836)</b>
Cash at the beginning of the year	4,022	82,575
<b>Cash held at the end of the period</b>	<b>10,492</b>	<b>12,739</b>

- Cash flow savings have been realised through rationalisation of the Trust development program, reduced employee numbers and reduced greenfield investment.
- Cashflow improvements were offset by reduced new unit sales over comparative periods:
  - 1HY10 equated to 15 new sales (worth \$5.8m) (avg selling price \$387k);
  - 1HY09 equated to 46 new sales (worth \$17.5m) (avg selling price \$378k)

# Operations- Core Property Portfolio Performance

## Resale rate

- Achieved 96 settlements during 1HY10. This represents an annualised resale rate of 5.1% on the entire portfolio. Achieved 74 units sales during 1HY09 which was an annualised turnover rate of 4.1%. The standard turnover rate at PTN's mature villages is expected to be circa 8% per annum.
- PTN are assessing ways to improve the current resale rate at each of the villages.

Settlements		1HY10	1HY09
Number of Settlements	Resale of Units	96	74
Resale Unit Rate	<b>Total resale Units</b>	3,733	3,627
	<b>ANNUALISED ROLLOVER RATE</b>	<b>5.1%</b>	<b>4.1%</b>
Value of Sales	Resale Units	\$28,639,000	\$22,298,000
Average Selling Price	Resale Units	\$298,000	\$301,000

## Stock levels

- Stock levels have risen from 232 during 1HY09 to 282 at 31 December 2010 due to lower resale rates;
- PTN is well positioned to take advantage of any residential upswing in the immediate future. Over 20% of the stock has been refurbished and can be sold immediately with another 25% recognised in WIP.

Stock Levels	HY10	HY09
Resale stock on hand	282	232
TOTAL resale units	3,733	3,627
<b>% of stock on hand</b>	<b>7.5%</b>	<b>6.4%</b>
<b>Occupancy Level</b>	<b>92.5%</b>	<b>93.6%</b>

## Brownfield Development Units at RV sites

- PTN sold 15 newly developed units during HY10 (value: \$5.8m) in comparison to 46 units during HY09 (value: \$17.5m);
- 50 new units are ready to be sold from the existing Brownfield sites (Townsville, Lindfield and MacKay)

# Valuation Analysis- Core Villages

- 4 of the 12 Core Retirement Villages were externally valued during 1HY10. As a result, PTN recognised a \$6m write down directly attributable to the Core RV properties.
- Key assumptions applied to value the 12 core village valuations were:
  - Weighted average discount rate of 12.87% (increase of 4 basis points from June 2009);
  - Capital Asset Growth Rate remains consistent to the FY09 period (1-3% growth for medium term and 4% thereafter);
  - Average valuation date is September 2009.
- Industry trends suggest the level of asset write downs continue to slow. PTN prior period write downs are presented below:

Valuation of CORE asset portfolio	6 months to 31 December 2008 \$'000	6 months to 30 June 2009 \$'000	6 months to 31 December 2009 \$'000
Investment Property write down	(44,856)	(146,836)	(6,173)
Weighted average capitalisation rate applied to asset valuation	12.26%	12.83%	12.87%
Growth rate assumptions	Average- 4.36% pa	Year 1-5- 1-3% Year 5+ - 4%	Year 1-5- 1-3% Year 5+ - 4%

**Prime Retirement & Aged  
Care Property Trust and  
Controlled entities  
ARSN 097 514 746**

Financial Report  
for the half-year ended  
31 December 2009

This half-year financial report is to be  
read in conjunction with the 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**

**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 condensed financial statement of the consolidated entity being Prime Retirement & Aged Care Property Trust ("the Trust") and the entities it controlled for the half year ended 31 December 2009 and the independent review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

**Directors**

The following persons held office as directors of the Responsible Entity during the period or since the end of the period and up to the date of this report:

Hon. Dr Michael Wooldridge  
Philip John Powell  
Kim Samuel Jaques  
Peter John Clarke  
Anthony Hancy  
Neil Rodaway

The directors have been in office since the start of the financial period to the date of this report.

**Results**

The consolidated results of the economic entity for the six months ended 31 December 2009 were as follows:

	<b>Dec 2009 \$'000</b>	<b>Dec 2008 \$'000</b>
Operating cash flow	10,392	26,669
Earnings before interest and tax	552	(77,619)
Loss after tax	(11,905)	(91,189)
Distributions paid	Nil	5,674
Distribution (cents per unit)	Nil	1.00
Net tangible assets per unit	\$0.46	\$0.76

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

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

**Review of Operations**

The results for the period are a significant improvement on the prior comparative period.

After property valuation movements and losses on the sale of non-core assets (but prior to interest expense) the Trust recorded Earnings Before Interest and Tax of \$552,000 compared to the prior period loss of \$77,619,000. While operating cash flow was lower than prior year this was because of the relatively high number of first time unit sales in the half year to December 2008.

During this period, the Trust has executed a number of the key recommendations resulting from the Strategic Review recently undertaken which will underpin the next stage of the Trust's development. We are also pleased to update unitholders on the progress made in addressing and resolving the covenant breaches of certain debt facilities.

Important milestones and events for the Trust during the half year included:

- Obtaining a call option to acquire the Management Rights to its core retirement villages for an amount between \$42.5m and \$45m which will enable the Trust to internalise its operational management giving it complete autonomy over the day to day operations of its villages. The option expires on 30 June 2010;
- Resolution of all contractual disputes with the current manager of the retirement villages allowing for cash flow from the roll-over of units to be received;
- An increase in demand with the number of unit rollovers for the first six months totalling 96 units compared to 74 units for the same period last year;
- A decrease in operating costs by \$5.4m or 34% from \$15.9m in the comparative period to \$10.5m;
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- Disposal of a number of non-core assets with all remaining non-core assets under contract for sale and expected to be sold by June 2010. Following settlement of these assets, the Trust's secured debt level will reduce by approximately \$44m to \$275 million; and
- Improved financial position of the Trust with its gearing being 54% compared to 60% as at 30 June 2009.



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

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

**Review of operations (Continued):**

Unitholders had been previously advised that the Trust had breached the covenants of a number of its secured debt facilities. The Directors are pleased to advise that as a result of the sale of non-core assets and the proposed exercise of the Call Option to acquire the Management Rights of our core retirement villages, that the Trust is in a substantially improved position in respect to these debt facilities. The current position is as follows:

- From the proceeds of non-core asset sales, one financier has been fully repaid;
- A facility of \$150m had a breach on its Interest Cover Ratio (ICR) covenant. This facility was due to expire in March 2010. The financier has proposed a 12 month extension with a further 12 month extension if the Trust exercises the Call Option. The Board has accepted the terms of the extension and is proceeding to formally document the revised terms.
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- A facility of \$36.3m is in breach of its Loan to Value Ratio (LVR) covenant. While the financier has reserved its rights and powers in relation to the facility, it has advised that, subject to the proposed acquisition of the Management Rights, it is prepared to consider and provide a standstill waiver or equivalent, subject to satisfactory legal advice from its solicitor.
- A facility of \$20.1m was in breach of its LVR covenant as at 31 December 2009. A letter of variation was entered into after the end of the reporting period extending the facility to June 2010, by which time it should be fully repaid from proceeds of the sale of non-core assets.
- The Trust is complying with all of its other secured debt facilities.

The Trust also had 50 newly completed units in stock at 31 December; as these units are sold and settled the proceeds will primarily be used to pay down debt.

An independent valuation of four of our twelve core villages was conducted in December 2009. The remaining villages were independently valued in June 2009. As a result of these valuations the properties at these locations were reduced in value by \$6.2m compared to the \$44.8m reduction in the prior comparative period. The valuer has adopted a discount rate of 12.5% to 13% for their discounted cash flow calculations. An annual incremental growth rate assumed ranges from 2.5% to 4% over the next five years. This is consistent with industry benchmarks for similar properties.

The fair value of external investments in properties under construction is \$18.9m which comprises six external projects of which the interests in three (totalling \$4.7m) have

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

**DIRECTORS' OF RESPONSIBLE ENTITY REPORT**

been acquired by a third party. The remaining three projects are being actively developed.

The Directors confirm that the Responsible Entity continues to review its capital structure options and an announcement in respect of these matters will be made at the appropriate time.

**Significant changes in state of affairs**

A significant transaction that occurred during the six months ending 31 December 2009 was the sale of the 13 properties that were leased to Lend Lease Primelife to Lend Lease Corporation. These sales were completed in October 2009 which terminated the rental agreements on these properties. The current sale of the Eureka Care Communities managed villages and another Aged Care facility will leave the Trust with the core assets of the 12 retirement villages and the opportunity to further develop these villages.

**Auditor's Independence Declaration**

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

**Rounding of amounts to nearest thousand dollars**

The amounts contained in this report and in the financial statement have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Trust under ASIC Class Order 98/0100. The Trust is an entity to which the Class Order applies.

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

Dated at Melbourne on 26 February 2010



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**Hon. Dr Michael Wooldridge  
Director**



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**Philip John Powell  
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, the responsible entity of the Prime Retirement & Aged Care Property Trust.

In relation to the half-year independent review for the six months to 31 December 2009 for Prime Retirement & Aged Care Property Trust, 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.



PITCHER PARTNERS  
Melbourne



S SCHONBERG  
Partner  
26 February, 2010

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	Half-year	
		Dec 2009 \$'000	Dec 2008 \$'000
<b>Total Income</b>	<b>2</b>	<b>23,658</b>	<b>19,204</b>
<b>Operating Expenses</b>			
Advertising costs		459	2,314
Professional fees		2,207	1,847
Unit registry fees		79	294
Employment costs		185	238
Legal costs		1,281	1,743
Administration fees		860	1,622
Responsible Entity fees		2,116	2,927
Custodian fees		909	1,218
Village Management fees		1,950	1,859
Amortisation of borrowing costs		207	224
Valuation fees		121	122
Other expenses from ordinary activities		135	1,524
Subtotal:		10,509	15,932
Decrement in fair value of investment properties		6,173	44,856
Loss on sale of assets held for resale		6,424	-
Investment write down		-	36,035
Interest expense		12,457	16,971
<b>Total Operating Expenses</b>		<b>35,563</b>	<b>113,794</b>
<b>Operating Loss before income tax expense</b>		<b>(11,905)</b>	<b>(94,590)</b>
Income tax benefit		-	3,401
<b>Total comprehensive Loss</b>		<b>(11,905)</b>	<b>(91,189)</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2009**

	Note	Dec 2009 \$'000	Jun 2009 \$'000
<b>Assets</b>			
Cash assets		10,492	4,022
Receivables		5,722	7,196
Capitalised borrowing costs		-	1,299
Assets Held for Sale	<b>4</b>	46,018	149,231
Investment property	<b>5</b>	1,190,388	1,184,076
Plant and equipment		990	1,029
Village works in progress		5,985	16,369
Acquisitions in progress and investments		18,883	20,378
Related party loans		142	-
<b>TOTAL ASSETS</b>		<b>1,278,620</b>	<b>1,383,600</b>
<b>Liabilities</b>			
Payables	<b>6</b>	15,420	12,514
Loans	<b>7</b>	331,629	423,661
Payables to residents		667,135	671,084
<b>TOTAL LIABILITIES</b>		<b>1,014,184</b>	<b>1,107,259</b>
<b>NET ASSETS</b>		<b>264,436</b>	<b>276,341</b>
<b>UNITHOLDERS' FUNDS</b>			
Unit Capital	<b>8</b>	264,436	276,341
<b>TOTAL UNITHOLDERS' FUNDS</b>		<b>264,436</b>	<b>276,341</b>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS FUNDS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

<b>Change in unit holders funds for the half year ending 31 December 2009</b>	<b>Contributed equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance as at 1 July 2009</b>	<b>481,500</b>	<b>1,588</b>	<b>(206,747)</b>	<b>276,341</b>
Loss for the half year	-	-	(11,905)	(11,905)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>(11,905)</b>	<b>(11,905)</b>
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2009</b>	<b>481,500</b>	<b>1,588</b>	<b>(218,652)</b>	<b>264,436</b>

<b>Change in unit holders funds for the half year ending 31 December 2008</b>	<b>Contributed equity \$'000</b>	<b>Reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance as at 1 July 2008</b>	<b>478,689</b>	<b>1,588</b>	<b>50,483</b>	<b>530,760</b>
Loss for the year	-	-	(91,189)	(91,189)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(91,189)</b>	<b>(91,189)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of units as consideration for investments	1,354	-	-	1,354
Distributions reinvested	1,457	-	-	1,457
Distributions provided for or paid	-	-	(5,674)	(5,674)
<b>Total transactions with owners in their capacity as owners</b>	<b>2,811</b>	<b>-</b>	<b>(5,674)</b>	<b>(2,863)</b>
<b>Balance at 31 December 2008</b>	<b>481,500</b>	<b>1,588</b>	<b>(46,380)</b>	<b>436,708</b>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	<b>Half-year</b>	
	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Rental income	5,609	9,162
Proceeds from residents – rollover units	10,432	8,080
Proceeds from residents – on first time sales	5,812	17,343
Payment to suppliers and expenses	(11,577)	(11,884)
Interest received	116	3,415
Sundry receipts	-	553
<b>Net cash provided by operating activities</b>	<b>10,392</b>	<b>26,669</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment for property, plant and equipment	1	(155)
Advances for property acquisitions	-	(6,914)
Payment for development of retirement villages	(2,957)	(57,875)
Sale Proceeds from assets held for sale	101,698	-
Loans repaid from/(to) associated entities	1,995	(60)
<b>Net cash provided by/(used in) investing activities</b>	<b>100,737</b>	<b>(65,004)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from/(Repayment of) borrowings	(92,032)	2,239
Borrowing costs	(12,627)	(17,086)
Distributions paid	-	(16,654)
<b>Net cash used in financing activities</b>	<b>(104,659)</b>	<b>(31,501)</b>
<b>Net increase (decrease) in cash held</b>	<b>6,470</b>	<b>(69,836)</b>
Cash at beginning of the half year	4,022	82,575
<b>Cash at end of the half year</b>	<b>10,492</b>	<b>12,739</b>

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENT**

This half-year financial statement does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial statement be read in conjunction with the financial statement for the year ended 30 June 2009 and any public announcements made by Prime Retirement & Aged Care Property Trust and controlled entities during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation of the half-year financial report**

This general purpose half year financial statement has been prepared in accordance with Accounting Standard AASB 134 *'Interim Financial Reporting'* and the *Corporations Act 2001*.

**(b) Summary of significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.

**(c) 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. Where a controlled entity has entered or left the group its results have been included, from the date control was obtained or until the date control ceased.

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.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. All inter-entity balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.



**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**(d) Going Concern**

It has been previously advised that the Trust had breached the covenants of a number of its secured debt facilities. The Directors are pleased to advise that as a result of the sale of non-core assets and the proposed exercise of the Call Option to acquire the Management Rights of the core retirement villages, that the Trust is in a substantially improved position in respect to these debt facilities. The current position is as follows:

- From the proceeds of non-core asset sales, one financier has been fully repaid;
- A facility of \$150m had a breach on its Interest Cover Ratio (ICR) covenant. This facility was due to expire in March 2010. The financier has proposed a 12 month extension with a further 12 month extension if the Trust exercises the Call Option. The Board has accepted the terms of the extension and is proceeding to formally document the revised terms.
- A facility of \$22.8 million (which was also due to expire in March 2010) is expected to be extended on similar terms to the facility above with an additional requirement that circa \$3 million is applied to this facility from the sale proceeds of one of the non-core facilities.
- A facility of \$36.3m is in breach of its Loan to Value Ratio (LVR) covenant. While the financier has reserved its rights and powers in relation to the facility, it has advised that, subject to the proposed acquisition of the Management Rights, it is prepared to consider and provide a standstill waiver or equivalent, subject to satisfactory legal advice from its solicitor.
- A facility of \$20.1m was in breach of its LVR covenant as at 31 December 2009. A letter of variation was entered into post year end extending the facility to June 2010, by which time it should be fully repaid from proceeds of the sale of non-core assets.
- The Trust is complying with all of its other secured debt facilities.

The directors continue to be involved in negotiations with the Trust's financiers on facilities that are currently in breach of loan covenants and no demands for repayment of the facilities have been made by these financiers. The negotiations are ongoing and the directors are optimistic that due to the reduced debt exposure to these financiers, a negotiated outcome which is acceptable to both parties can be achieved. In the event that these negotiations fail, the debts payable under these facilities may become immediately due and payable. Accordingly this debt is classified as a current liability. The Board has negotiated new variations to the current facilities and is confident that

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
31 DECEMBER 2009**

the progress made to date on restructuring the Trust has addressed the conditions stipulated by the financiers. The sale of the remaining non-core assets and the utilisation of most of these sale proceeds towards the repayment of the debts will further reduce the overall debt position of the Trust.

In the light of the on-going positive negotiations with financiers and other actions described in the Review of Operations in the Directors Report and elsewhere in the accounts, the directors consider the going concern basis appropriate in preparing the financial statements.

**(e) Investment works in progress**

Investment property work in progress is measured at fair value, unless fair value cannot be reliably measured. Where fair value cannot be reliably measured the work in progress is recorded at cost until such point as the fair value can be reliably measured.

**NOTE 2: TOTAL INCOME**

The income of the trust includes the following:

	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investment Income</b>		
Interest	116	3,415
Rent	5,504	6,572
Discount on advance facility	18,038	9,210
Sundry income	-	7
<b>Total Income</b>	<b>23,658</b>	<b>19,204</b>

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**NOTE 3: SUBSEQUENT EVENTS**

The sale of the non-core assets continued to occur after the end of the reporting period to 31 December 2009. The remaining eight of the twelve villages managed by Eureka Care Communities are also sold and are all expected to settle by May 2010. Four of these eight have already settled and the proceeds of \$12.8 million were used to repay the current debts with the financier.

The Buderim Views Aged Care facility has been contracted to sell and is expected to settle before May 2010. This is the last of the non-core assets that the Trust undertook to sell as part of its strategic initiative to sell non-core assets in order to reduce debts and improve compliance with banking covenants and reduce credit risks. Details of the remaining properties held for sale are shown in note 4.

**NOTE 4: ASSETS HELD FOR SALE**

	<b>Dec 2009</b>	<b>Jun 2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Assets held for sale	<b>46,018</b>	<b>149,231</b>

The assets held for sale as at 31 December 2009 are either contracted to sell or have been subsequently sold. They comprise of 9 non-core properties of which 4 have already settled. The rest are expected to settle by the end of the financial year. These assets are carried at contracted values at the reporting date after allowing for all selling costs.

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

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**NOTE 5: INVESTMENT PROPERTIES**

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

	<b>Dec 2009</b>	<b>Jun 2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance as at 1 July	1,184,076	1,451,268
Acquisition of investment properties	-	-
Additions	1,673	67,661
Transfer of Development Cost	10,812	14,307
Transfer of Asset for Sale	-	(149,231)
Resident share of capital gains	-	(8,234)
Valuation decrement	(6,173)	(191,695)
<b>Total investment property at fair value</b>	<b><u>1,190,388</u></b>	<b><u>1,184,076</u></b>

**NOTE 6: PAYABLES**

Included in the payables balance at 31 December 2009 is an amount payable to the Responsible Entity totalling \$4,861,000 (June 2009: \$2,421,144) being for deferred responsible entity fees plus an amount of \$3,051,475 (June 2009: \$Nil) being fees payable pursuant to the sale of Aged Care and rental properties during the half.

**NOTE 7: LOANS**

	<b>Dec 2009</b>	<b>Jun 2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Current – secured	318,504	410,536
Other Loans not secured	13,125	13,125
	<u>331,629</u>	<u>423,661</u>
Current	<b>331,629</b>	<b>423,661</b>
Non – Current	-	-
<b>Total Loans</b>	<b><u>331,629</u></b>	<b><u>423,661</u></b>

Loan facilities are for the purpose of acquisition and development of properties and each of the secured loans include a registered mortgage security over the respective property.

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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**NOTE 8: UNITHOLDERS' FUNDS**

Movements in unitholders' funds during the half year were as follows:

	<b>December 2009</b>		<b>June 2009</b>	
	<b>No. of Units #'000</b>	<b>\$'000</b>	<b>No. of Units #'000</b>	<b>\$'000</b>
Balance at the beginning of the reporting period	576,339	276,341	565,265	530,760
Applications	-	-	-	-
New Allotments	-	-	7,862	1,355
Distribution reinvestments	-	-	3,212	1,456
Distributions	-	-	-	(5,674)
Current year's earnings (losses)	-	(11,905)	-	(251,556)
<b>Balance at the end of the reporting period</b>	<b>576,339</b>	<b>264,436</b>	<b>576,339</b>	<b>276,341</b>

**NOTE 9: SEGMENT INFORMATION**

The Trust invests in property, predominantly in retirement and aged care facilities in Australia.

**NOTE 10: CHANGES IN THE COMPOSITION OF THE ENTITY**

There have been no changes to the composition of the Entity in the period under review.

**PRIME RETIREMENT & AGED CARE PROPERTY TRUST  
AND CONTROLLED ENTITIES  
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**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS  
31 DECEMBER 2009**

**NOTE 11: COMMITMENTS AND 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, has six existing acquisition arrangements whereby the Trust invests funds via mortgage security to a property developer who owns development land which the Trust wishes to acquire. The Trust may provide working capital to complete the development if required at the discretion of the Trust and upon completion the investment amount will form part of the acquisition price for the Trust to purchase a 100% ownership in the completed development property.

There are two legal actions pending. The State Revenue Office has appealed to the Supreme Court for a case that has been ruled in our favour by the lower courts. 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 Ventures' share of assets and liabilities in the financial statements. The carrying value of the assets is \$10.5 million and the value of the liabilities is \$13.1 million.

The Board of the Responsible Entity of the Trust announced on 22 December 2009 that a review of the capital structure of the Trust will take place this year. This includes the possibility of exercising the option of acquiring the management rights from Lend Lease Primelife. This is currently being assessed and if exercised is expected to have a positive cash flow impact on the Trust and revert operational control over these villages to the Trust.

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

**DIRECTORS' OF RESPONSIBLE ENTITY DECLARATION**

The directors of Australian Property Custodian Holdings Limited, responsible entity of Prime Retirement & Aged Care Property Trust, declare that the financial statements and notes set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including

- (a) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations Act 2001* and
- (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion 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 in accordance with a Resolution of the Directors of the Responsible Entity, Australian Property Custodian Holdings Limited.

Dated at Melbourne on 26 February 2010



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**Hon. Dr Michael Wooldridge**  
**Director**



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**Philip John Powell**  
**Director**

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

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Prime Retirement & Aged Care Property Trust and controlled entities, which comprises the condensed consolidated balance sheet as at 31 December 2009, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in unitholders funds and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the Prime Retirement & Aged Care Property Trust are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prime Retirement & Aged Care Property Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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



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

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prime Retirement & Aged Care Property Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**Material Uncertainty regarding Going Concern**

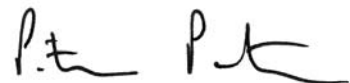
Without qualification to the conclusion expressed above, attention is drawn to the matters described in Note 1(d) to the half year financial report - Going Concern, which refers to the Trusts breaches of debt covenants, the ongoing negotiations with its financiers and future actions proposed.

Should the Trust not have the continuing support of its financiers or be able to obtain sufficient alternate funding should this be required, 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



PITCHER PARTNERS  
Melbourne

26 February 2010