

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

This Fourth Supplementary Product Disclosure Statement is dated 14 October 2009 and is supplementary to and must be read together with the Product Disclosure Statement dated 21 November 2007 and a number of supplementary Product Disclosure Statements (Supplementary PDS) being the Supplementary PDS dated 19 December 2007, the Second Supplementary PDS dated 16 July 2008 and the Third Supplementary PDS dated 1 December 2008 (together referred to as the PDS) issued by Trilogy Funds Management Limited (Responsible Entity) with respect to the Trilogy HealthCare REIT ARSN 127 026 251 (Trust). ASIC takes no responsibility for the contents of this Fourth Supplementary PDS. As the Trust is not fully subscribed, the Responsible Entity wishes to update information for investors.

**Note:**

- **You should note that all terms used in this Fourth Supplementary PDS have the same meaning as they are given in the PDS unless the contrary is expressly indicated.**
- **In preparing this document, your objectives, financial situation and needs have not been taken into account and it may therefore not be applicable to your situation. Before making an investment decision you should consider your circumstances and whether the information contained in the PDS, including this Fourth Supplementary PDS is applicable to your situation. Investment in the Trust is subject to investment risk as noted in the PDS.**

The Third Supplementary PDS advised that ASIC had developed eight disclosure principles for unlisted property schemes that could help retail investors understand the risks, assess the rewards being offered and decide whether these investments are suitable for them. It was advised that in future the disclosure principles would be updated via the Responsible Entity's website at [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au). The latest disclosure principles for the Trust is dated 31 May 2009 and the Responsible Entity wishes to update this material by deleting Table 4.3 and replacing in its stead the following:

4.3	In relation to any property development, disclose:  a. The project timetable with significant milestones; b. Funding arrangements; c. Pre-sale and lease pre-commitments where applicable; and d. Development approval status (e.g. percentage of completion).	As at 14 October 2009, the following applies:  a. The Development Application was lodged with the council on 12 October 2009. We anticipate council approval by approximately March 2010. Depending on when we receive council approval, site works are planned to commence approximately June 2010 and planned to be completed by approximately March 2012. b. There is no development funding arrangements at present. c. There is no current pre-sales and lease pre-commitments at present. d. 0%
-----	---	--

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

The information below is to supplement and amend the information currently contained in the PDS.

Changes to the PDS

*Financial, updated disclosure principles for the Trust*

Page 32 of the PDS is amended by inserting above 'Key Accounting Policies' the following:

**Review of results and operations for the financial year ending 30 June 2009**

*Results and distributions*

The total carrying value of the Trust's assets as at the end of the financial year was \$7,545,100 (2008: \$8,606,265) and net assets attributable to unitholders were \$3,955,542 (2008: \$1,891,956) equating to \$0.60 per unit (2008: \$0.63).

Net loss attributable to unitholders for the year ended 30 June 2009 was \$1,491,414 (20 December 2007 to 30 June 2008: \$1,085,115).

Annualised cash yields, together with cash distributions paid to unitholders since inception are as follows:

	1 July 2008 to 30 June 2009	20 December 2007 to 30 June 2008
Distributions paid/payable	(\$309,860)	(\$78,444)
Annualised cash yields	4.73%	2.62%

*Indirect cost ratio*

The Indirect Cost Ratio (ICR) is the ratio of the Trust's management costs over the Trust's average net assets attributable for the year, expressed as a percentage.

Management costs include management fees and other expenses or reimbursements deducted in relation to the Trust, but do not include transactional and operational costs. Management costs are not paid directly by the unitholders of the Trust.

The ICR for the Trust for the financial year ended 30 June 2009 is 4.88% (20 December 2007 to 30 June 2008: 17.22%).

**Units on issue**

During the financial year 3,555,000 (2008: 2,996,847) units were issued by the Trust and no (2008: nil) units were redeemed.

**Trust assets**

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

At 30 June 2009 the Trust held assets to a total value of \$7,545,100 (2008: \$8,606,265). The basis for valuation of the assets is disclosed in Note 2 to the financial statements.

Income Statement for the year ended 30 June 2009

	Notes	1 July 2008 to 30 June 2009 \$	20 December 2007 to 30 June 2008 \$
<b>Revenue and other income</b>			
Rental revenue and recoverable outgoings		663,150	338,001
Interest		26,348	29,317
		<u>689,498</u>	<u>367,318</u>
<b>Operating expenses</b>			
Property expenses and outgoings	4	(69,900)	(103,835)
Management and administration costs	5	(39,255)	(22,291)
Responsible Entity fees		(266,625)	(224,764)
<i>Finance costs (excluding unitholders):</i>			
- Borrowing costs	6(a)	(295,362)	(345,952)
<i>Net loss from fair value adjustments to:</i>			
- Investment property	11	(1,199,910)	(677,147)
		<u>(1,871,052)</u>	<u>(1,373,989)</u>
<b>Net loss attributable to unitholders</b>		<u>(1,181,554)</u>	<u>(1,006,671)</u>
<i>Finance costs:</i>			
- Distributions to unitholders	6(b)	(309,860)	(78,444)
<b>Change in net assets attributable to unitholders</b>		<u>(1,491,414)</u>	<u>(1,085,115)</u>

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

Balance Sheet as at 30 June 2009

	Notes	2009 \$	2008 \$
<b>Current assets</b>			
Cash and cash equivalents	7	488,020	398,169
Trade and other receivables	8	9,335	57,104
Derivative financial instruments	9	-	10,300
Other financial assets	10	3,587	7,625
Total current assets		<u>500,942</u>	<u>473,198</u>
<b>Non-current assets</b>			
Other financial assets	10	22,500	26,087
Investment property	11	6,900,000	8,100,000
Property, plant & equipment	12	121,658	6,980
Total non-current assets		<u>7,044,158</u>	<u>8,133,067</u>
<b>Total assets</b>		<u><b>7,545,100</b></u>	<u><b>8,606,265</b></u>
<b>Current liabilities</b>			
Trade and other payables	13	151,008	309,489
Distributions payable	6(b)	30,530	14,050
Interest bearing liabilities	14	3,232,500	4,815,250
Total current liabilities		<u>3,414,038</u>	<u>5,138,789</u>
<b>Non-current liabilities</b>			
Trade and other payables	13	175,520	175,520
Interest bearing liabilities	14	-	1,400,000
Total non-current liabilities		<u>175,520</u>	<u>1,575,520</u>
Total liabilities (excluding liabilities attributable to unitholders)		<u>3,589,558</u>	<u>6,714,309</u>
Net assets attributable to unitholders		<u>3,955,542</u>	<u>1,891,956</u>
<b>Total liabilities</b>		<u><b>7,545,100</b></u>	<u><b>8,606,265</b></u>

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

Statement of changes in net assets attributable to unitholders for the year ended 30 June 2009

	No of units	\$
<b>At 20 December 2007</b>	-	-
Net loss attributable to unitholders	-	(1,006,671)
Distributions to unitholders	-	(78,444)
Equity raising costs	-	(19,776)
Application for units	2,996,847	2,996,847
Redemption of units	-	-
<b>At 30 June 2008</b>	<b>2,996,847</b>	<b>1,891,956</b>
Net loss attributable to unitholders	-	(1,181,554)
Distributions to unitholders	-	(309,860)
Application for units	3,555,000	3,555,000
Redemption of units	-	-
<b>At 30 June 2009</b>	<b>6,551,847</b>	<b>3,955,542</b>

Cash flow statement for the year ended 30 June 2009

	Notes	1 July 2008 to 30 June 2009 \$	16 November 2007 to 30 June 2008 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		831,345	488,042
Payments to suppliers		(541,918)	(250,697)
Interest received		26,348	29,317
Finance costs paid		(369,266)	(235,867)
<i>Net cash flows (used in)/from operating activities</i>	15	<b>(53,491)</b>	30,795
<b>Cash flows from investing activities</b>			
Acquisition of property, plant & equipment		(99,256)	(8,757,285)
Acquisition of investment property		(25,972)	-
<i>Net cash flows used in investing activities</i>		<b>(125,228)</b>	(8,757,285)
<b>Cash flows from financing activities</b>			
Receipts from issue of units		3,555,000	2,996,847
Proceeds from borrowings		-	8,783,000
Financing Costs		(10,300)	(15,250)
Repayment of borrowings		(2,982,750)	(2,568,000)
Equity raising and formation costs paid			(7,544)
Distributions paid		(293,380)	(64,394)
<i>Net cash inflows from financing activities</i>		<b>268,570</b>	9,124,659

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

Net increase in cash and cash equivalents		89,851	398,169
Cash at beginning of the year		398,169	-
Cash at end of the year	7	<u>488,020</u>	<u>398,169</u>

**Note 1. Corporate information**

The financial report of the Trilogy HealthCare REIT for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 29 September 2009.

The Trilogy HealthCare REIT is an Australian Registered Scheme, constituted on 21 November 2007. Trilogy Funds Management Limited, the Responsible Entity of the Trust, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Brisbane Club Tower, Level 10, 241 Adelaide Street, Brisbane, Queensland, 4000.

The nature of the operations and principal activities of the Trust are described in the Directors' report.

**Note 2. Summary of significant accounting policies**

**(a) Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the Trust's Constitution and the requirements of the *Corporations Act 2001*, and Australian Accounting Standards.

The financial report has also been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report is presented in Australian dollars, which is the Trust's functional currency.

**(b) Statement of compliance**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS').

**(c) Financial instruments**

*(i) Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

*(ii) Financial assets at fair value through profit and loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 *Recognition and Measurement of Financial Instruments*.

Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*(iv) Held-to-maturity investments*

These investments have fixed maturities, and it is the Trust's intention to hold these investments to maturity. Any held-to-maturity investments held by the Trust are stated at amortised cost using the effective interest rate method.

*(v) Available-for-sale financial assets*

Available-for-sale financial assets include any financial assets not included in the above categories.

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

*(vi) Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

*(vii) Derivative instruments*

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

*(viii) Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

#### Fourth Supplementary Product Disclosure Statement

##### *(ix) Impairment*

At each reporting date, the Trust assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

##### *(x) Derecognition*

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

The Trust uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

##### **(d) Revenue and income recognition**

###### *Rental revenue*

Revenue from the rental property is recognised when the Trust has a right to receive the rent in accordance with the lease agreement.

Revenue from rents and recoverable outgoings are recognised to the extent that it is probable that the economic benefits will flow to the Trust, and that the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable.

###### *Interest revenue*

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

###### *Changes in the fair value of investments*

Net gains or losses on investments designated as at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses, but does not include interest or dividend revenue.

**Trilogy Funds Management Limited**

**ABN 59 080 383 679**

**AFSL 261425**

**Trilogy HealthCare REIT**

**ARSN 127 026 251**

**Fourth Supplementary Product Disclosure Statement**

**(e) Cash and cash equivalents**

Cash and cash equivalents in the Balance Sheet comprise cash at bank, deposits at call and short term deposits with an original maturity of three months or less.

For the purposes of the Cash flow statement, cash and cash equivalents consist of cash and cash equivalents defined above, net of outstanding bank overdrafts..

**(f) Trade and other receivables**

Receivables are recognised and carried at original amount, less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off when identified.

Amounts are generally received within 30 days of being recorded as receivables.

**(g) Impairment of assets**

At each reporting date, the Trust reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value-in-use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(h) Trade and other payables**

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Trust.

**(i) Investment properties**

This represents the Trust's investment in commercial properties. Investment property is property which is held either to earn income or for capital appreciation or both. Initially, investment property is measured at cost including transaction costs. The investment property is subsequently measured at fair value, with any change therein recognised in profit or loss. The Trust has an internal valuation process for determining the fair value at each reporting date. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties at least every two years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with the valuation policy of the Responsible Entity. In addition, the Trust has utilised internal valuation processes for determining fair

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

#### Fourth Supplementary Product Disclosure Statement

value during the period. These valuation processes are taken into consideration when determining the fair value of the investment properties.

The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuations are prepared by considering the capitalisation of net income and the discounting of future cash flows to their present value. These methods incorporate assumptions of future rental income and costs, appropriate capitalisation and discount rates and also consider market evidence of transaction prices for similar investment properties.

#### **(j) Property, plant & equipment**

Property that is being constructed or developed for future use as investment property is accounted for as property, plant & equipment and is stated at cost until construction of the development is complete. At this time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit and loss.

Property, plant & equipment, classified as held for sale, is measured at the lower of carrying amount and fair value less costs to sell.

#### **(k) Lease incentives**

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including up front cash payments, rent free financial periods, or a contribution to certain lessee costs such as fit out costs or relocation costs. They are recognised as an asset in the balance sheet as a component of the carrying amount of investment property and amortised on a straight line basis over the lease period as a reduction of rental income.

#### **(l) Taxation**

Under current legislation, the Trust is not liable for income tax provided the unitholders are presently entitled to the income of the Trust and the Trust fully distributes its net taxable income.

#### **(m) Borrowings and financing costs**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the financial liability are spread over its expected life. Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

**Trilogy Funds Management Limited**

**ABN 59 080 383 679**

**AFSL 261425**

**Trilogy HealthCare REIT**

**ARSN 127 026 251**

**Fourth Supplementary Product Disclosure Statement**

**(o) Derivative financial instruments**

The Trust is exposed to changes in interest rates and uses interest rate swaps to hedge these risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The Trust enters into interest rate swap agreements that are used to convert certain variable interest rate borrowings to fixed interest rates or vice versa. The swaps are entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Trust has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they do not qualify for hedge accounting and gains or losses arising from changes in fair value are recognised immediately in the income statement.

**(p) Distributions**

In accordance with the Trust's constitution, the Trust fully distributes its distributable income to unitholders. Distributions are payable at the end of each year. Such distributions are determined by reference to the net taxable income of the Trust. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any future realised capital gains.

**(q) Terms and conditions on units**

Unitholders' funds are classified as a debt instrument in the balance sheet as under the Constitution of the Trust, the Trust has a finite life which requires the initial investment by the unitholders to be reimbursed at the end of the Trust.

In addition, the Trust has an obligation under its Constitution to deliver all net taxable income to the unitholders at the end of each period.

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the *Corporations Act 2001*, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

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

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense item as applicable; and
- receivables and payable are states with the amount of GST included.

Reduced input tax credits (RITC) recoverable by the Trust from the ATO are recognised as a receivable in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

**(s) Application of Accounting Standards**

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2009.

Reference	Title	Summary	Application date of standard	Application date for Scheme	Impact on Scheme
AASB 8	Operating Segments	AASB 8 introduces the 'management approach' to segment reporting. The presentation and disclosure of segment information is to be based on the internal reports regularly reviewed by the Scheme's Chief Operating Decision Maker in order to assess each	1 January 2009	1 July 2009	The Scheme has not yet determined the potential effect of the revised standard on the Scheme's financial statements.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

		segment's performance and to allocate resources to them.			
AASB 101	Presentation of Financial Statements (2007)	The revised standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented either as a single statement of comprehensive income (effectively combining both the Income statement and all non- owner changes in equity in a single statement) or, in a income statement and separate statement of	1 January 2009	1 July 2009	The revised AASB 101 is expected to have a significant impact on the presentation of the financial statements. The Scheme plans to provide a total comprehensive income in a single statement of comprehensive income for its 2010 financial statements.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

		comprehensive income.			
AASB 123	Borrowing Costs	This revised standard removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. In accordance with the transitional provision, the Scheme will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.	1 January 2009	1 July 2009	There will be no impact on the prior period disclosures within the Schemes 2010 financial statements.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvement Process.	Changes to various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	1 January 2009	1 July 2009	These amendments are not expected to have any impact on the schemes financial statements.
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from Annual Improvements Processes				

AASB 2008-02	Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation	AASB 2008-02 changes the definition of a financial liability requiring puttable instruments that meet certain conditions to be classified as equity.	1 January 2009	1 July 2009	The Scheme has not yet determined the potential effect of the revised standard on the Scheme's disclosures.
--------------	---	--	----------------	-------------	---

The Trust does not anticipate early adoption of any of the above reporting requirements and does not expect any of them to have any material effect on the Trust's financial statements.

**(t) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

**Note 3 Critical accounting judgement and estimates**

The preparation of financial statement requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimate uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in Note 18 Financial risk management objectives and policies.

**Note 4. Property expenses and outgoings**

	2009	2008
	\$	\$
<i>(a) Rental expenses: (i)</i>		
Parking allowance	(68,400)	(34,490)
Other fees	(1,500)	(2,127)
	<u>(69,900)</u>	<u>(36,617)</u>
<i>(b) Property transaction costs:</i>		
Valuation fees	-	(12,700)
Quantity surveyor costs	-	(4,150)
Due diligence costs	-	(30,368)
Investigative accountants fees	-	(20,000)
	<u>-</u>	<u>(67,218)</u>
	<u>(69,900)</u>	<u>(103,835)</u>

(i) As disclosed in the Supplementary Product Disclosure Statement dated 19 December 2007, the Responsible Entity will meet the costs of property management fees, local authority rates, water rates, land tax and building insurances as they relate to the North Sydney property from its own resources to the extent that they are not paid for by the tenant. These expenses have been paid by the Responsible Entity and total \$87,175 (2008: \$28,573).

**Note 5. Management and administration costs**

Audit fees	(19,250)	(13,700)
Filing fees	(1,000)	(2,010)
Custodian fees	(16,500)	(6,355)
Compliance costs	(2,505)	(226)
	<u>(39,255)</u>	<u>(22,291)</u>

**Note 6. Finance costs**

*(a) Borrowing costs*

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

Interest expense (i)	(277,437)	(341,914)
Amortisation of interest rate swap (Refer Note 9)	(10,300)	-
Amortisation of loan establishment costs (Refer Note 10(ii))	(7,625)	(4,038)
	<u>(295,362)</u>	<u>(345,952)</u>

	2009		2008	
	\$	Cents per unit \$	\$	Cents per Unit \$
<i>(b) Distributions to unitholders</i>				
Interim distribution	(279,330)	5.16	(64,394)	5.16
Final distribution (ii)	(30,530)	0.47	(14,050)	0.47
Distributions to unitholders	<u>(309,860)</u>	<u>5.63</u>	<u>(78,444)</u>	<u>5.63</u>

(i) The payment of interest on borrowings used to acquire the investment property have been made in accordance with the provisions of the Product Disclosure Statement dated 21 November 2007.

(ii) The June 2009 distribution was unpaid at the end of the financial year. This amount is recorded in the Balance sheet as distributions payable.

**Note 7. Cash and cash equivalents**

	2009	2008
	\$	\$
Cash at bank (i)	488,020	398,169
	<u>488,020</u>	<u>398,169</u>

(i) Includes \$175,520 (2008: \$132,737) from tenant rental bonds (refer Note 13).

**Note 8. Trade and other receivables**

GST receivable	9,335	3,793
Trade and other debtors	-	10,528
Rental bond receivable (i)	-	42,783
	<u>9,335</u>	<u>57,104</u>

(i) A rental bond for the sublease of the premises was held on trust with Gadens Lawyers in the previous financial year. The bond was transferred into the Trust's account during the period.

**Note 9. Derivative financial instruments**

Interest rate swap contracts - at fair value	-	10,300
	<u>-</u>	<u>10,300</u>

*Movement in derivative financial instruments:*

Balance at beginning of the year	10,300	-
Additions at cost	-	10,300
Less amortisation	(10,300)	-
Balance at end of the year	<u>-</u>	<u>10,300</u>

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

The Responsible Entity acquired an interest rate swap (on behalf of the Trust) from the ANZ Bank. The purpose of the instrument was to fix a portion of the senior debt facility (Refer Note 14). The particulars of the swap transaction are as follows:

Notional amount:	\$4,000,000
Cap rate:	8.00%
Trade date:	17 June 2008
Effective date:	1 July 2008
Termination date:	1 January 2009

**Note 10. Other financial assets**

Car park property option (i)	22,500	22,500
Borrowing costs (ii)	15,250	15,250
Less: Accumulated amortisation	(11,663)	(4,038)
	<u>26,087</u>	<u>33,712</u>
<i>Represented by:</i>		
Current	3,587	7,625
Non-current	22,500	26,087
	<u>26,087</u>	<u>33,712</u>

(i) The car park property option (lots 2-6) comprise the adjoining 20 space open car park, for which the Responsible Entity has paid the option fee of \$22,500. The option price is \$2,250,000 (subject to an annual CPI adjustment) if it is exercised after 1 July 2008. The option, if not exercised sooner, expires on 1 July 2011. The option may be exercised at any time or within 30 days of receiving an approved development application which is acceptable to the Responsible Entity.

Prior year's comparatives have been restated to reflect the option on the car park property as a non-current financial asset.

(ii) Comprise all costs in relation to the establishment, arrangement and documentation of the senior debt facility. These costs are amortised over the life of the facility, which expires on 20 December 2009.

**Note 11. Investment property**

	2009	2008
	\$	\$
<i>At fair value</i>	<u>6,900,000</u>	<u>8,100,000</u>

**(a) Reconciliation of fair value**

Opening balance at beginning of period	8,100,000	-
<i>Acquisitions at cost:</i>		
• Acquisition price	-	8,100,000

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

• Transaction costs	(90)	677,147
Fair value adjustment	(1,199,910)	(677,147)
Closing balance at end of year	<u>6,900,000</u>	<u>8,100,000</u>

**(b) Assets pledged as security**

*Senior debt provider*

The ANZ Bank has a first ranking registered mortgage over Lot 1, 286 Pacific Highway, Crows Nest, North Sydney. This loan is on a limited recourse basis which is limited to the specific assets of the Trust related to the North Sydney units.

*Junior debt provider*

Rojacan Pty Ltd has a second ranking registered mortgage over Lot 1, 286 Pacific Highway, Crows Nest, North Sydney. This loan is on a limited recourse basis which is limited to the specific assets of the Trust related to the North Sydney units.

**(c) Details of property valuation**

Location: 286 Pacific Highway, Crows Nest, North Sydney.

Date acquired: 20 December 2007

The latest independent valuation was conducted by LandMark White (NSW) Pty Ltd on 7 June 2007, where the fair value of the property was valued at \$8,100,000.

Fair value of property	<u>6,900,000</u>	<u>8,100,000</u>
------------------------	------------------	------------------

**(d) Valuation basis**

Independent valuations of properties were carried out by qualified valuers with relevant experience in the types of property being valued. Independent valuations are carried out at least every 36 months. The value of investment properties is measured on a fair value basis, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In assessing the value of the investment property, the independent valuer has considered both discounted cash flow, and capitalisation methodologies.

The fair value of the investment property for the year ended 30 June 2009 has been performed by the Directors of the Responsible Entity. In determining their value the Directors took into consideration a number of factors which included sales within and outside of the location, medical use sales and strata sales in the location. Data was sourced from material provided by a major valuation practice that was instructed to provide this advice so as to assist Directors in their analysis. The Directors also considered the subject

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

property was purchased on a yield of 7.65% and from that date to now the lease has run down by two years and has an unexpired term of two years only. Additionally the Directors considered the impact of the global financial crisis on the Australian property markets which has caused a negative adjustment to the capital values of commercial property generally.

**Note 12. Property, plant & equipment** 2009 2008

*Non-current*

Property under construction and development (i)	<b>121,658</b>	6,980
---	----------------	-------

*Movement in non-current assets:*

Opening balance at beginning of period	<b>6,980</b>	-
Additions	<b>114,678</b>	6,980
Closing balance at end of period	<b>121,658</b>	6,980

(i) Concept drawings have been completed for the development of the rear car park (lots 2 to 6). The proposed development features five levels of approximately 5,022 square metres designed for a range of specialist medical users, together with two levels of underground parking for 88 motor vehicles.

Development costs incurred to date consist predominately of engineers and architects fees.

**Note 13. Trade and other payables**

Accrued expenses	<b>6,033</b>	6,223
Audit fees	<b>11,900</b>	13,700
Custodian fees	<b>19,105</b>	6,355
GST payable	<b>16,579</b>	17,304
Interest payable on senior debt (Refer Note 14)	<b>14,215</b>	41,915
Other payables (Refer Note 17(c))	-	36,272
Rental bond	<b>175,520</b>	175,520
Responsible Entity fees (Refer Note 17(c))	<b>57,766</b>	98,445
Trade creditors	<b>25,410</b>	89,275
	<b>326,528</b>	485,009

*Represented by:*

Current	<b>151,008</b>	309,489
Non-current	<b>175,520</b>	175,520
	<b>326,528</b>	485,009

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

Note 14. Interest bearing liabilities	2009	2008
<b>(a) Secured loans</b>	\$	\$
Junior debt provider - Rojacan Pty Ltd (i)	-	115,000
Senior debt provider - ANZ Bank (ii)	3,232,500	6,100,250
	<u>3,232,500</u>	<u>6,215,250</u>
<i>Represented by:</i>		
Current	3,232,500	4,815,250
Non-current	-	1,400,000
	<u>3,232,500</u>	<u>6,215,250</u>

(i) The junior debt provider was Rojacan Pty Ltd, a company associated with Rodger Bacon who is a director of the Responsible Entity. Interest on the loan was variable, and was determined by the 90 day bank bill reference rate, plus 5.00% p.a.

The senior debt is held with the ANZ Bank, which consists of a fully drawn advance, where interest is charged on a variable basis. The facility was renewed during the year until 31/03/2010.

Upon the raising of sufficient subscription funds, 90% of these funds was used to repay the junior debt facility. Subsequent subscriptions will be used to pay down the senior debt facility.

<b>(b) Total facilities available</b>		
Facilities utilised during the year	3,232,500	6,215,250
Unused facility	-	-
Total facility	<u>3,232,500</u>	<u>6,215,250</u>

**Note 15. Reconciliation of net cash provided by operating activities to profit and loss**

Net loss from ordinary activities before distributions to unitholders	(1,181,554)	(1,006,671)
<i>Adjustments for:</i>		
Amortisation of loan establishment costs	7,625	4,038
Amortisation of interest rate swap	10,300	-
Net loss from fair value adjustments	1,199,910	677,147
Non-recoverable outgoings	-	(19,861)
	<u>1,217,835</u>	<u>661,324</u>
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	47,769	(57,104)
Decrease/(increase) in derivative financial instruments	10,300	(10,300)
Decrease/(increase) in other financial assets	7,625	(33,712)
Increase in property, plant and equipment	(114,678)	(6,980)

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

(Decrease)/increase in trade and other payables	(158,481)	485,009
Increase in distributions payable	16,480	14,050
	<u>(190,985)</u>	<u>390,963</u>

*Balance sheet adjustments:*

Decrease in trade and other payables	(31,812)	(42,807)
Increase in other financial liabilities	36,272	-
Decrease in property, plant and equipment	114,678	6,980
(Increase)/decrease in other financial assets	(17,925)	21,006
	<u>101,213</u>	<u>(14,821)</u>
Net cash flows from operating activities	<u>(53,491)</u>	<u>30,795</u>

**Note 16. Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor (MGI Brisbane Pty Ltd) of the Trust:

*Amounts received or due and receivable by MGI Brisbane Pty Ltd for:*

- an audit and review of the financial report of the Trust	(13,780)	(8,000)
- other services in relation to the Trust		
• audit of compliance plan	(3,200)	(2,900)
• preparation of the income tax return	(2,270)	(2,800)
	<u>(19,250)</u>	<u>(13,700)</u>

**Note 17. Related party transactions**

**(a) Responsible entity**

The Responsible Entity of the Trilogy HealthCare REIT is Trilogy Funds Management Limited, whose parent company is Trilogy Capital Services Pty Limited.

**(b) Details of key management personnel**

*(i) Directors*

The Directors of the Responsible Entity are considered to be key management personnel of the Trust. The Directors of the Responsible Entity in office during the year and up to the date of this SPDS report are:

Rodger Bacon	Deputy Chairman
John Barry	Director
Trevor Gibson	Director
Rohan Butcher	Director
Philip Ryan	Managing Director
Robert M Willcocks	Independent Chairman

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

Nigel Chamier

Non-executive Independent Director

*(ii) Other key management personnel*

In addition to the Directors noted above, Trilogy Funds Management Limited, the Responsible Entity of the Trust is considered to be key management personnel with the authority for the strategic direction and management of the Trust.

*(iii) Compensation of key management personnel*

No amount is paid by the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Trust to the Directors as key management personnel.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in Note 17(c).

**(c) Fees**

Trilogy Funds Management Limited provides management, investment accounting, property management and administrative services to the Trilogy HealthCare REIT. All costs associated with the provision of these services are paid for by Trilogy Capital Services Pty Limited and its associated entities, and are conducted on normal commercial terms and conditions.

Transactions between the Trust and the Responsible Entity result from normal dealings with that company as the Trust's Responsible Entity. Trilogy Funds Management Limited is an Australian Financial Services Licence holder.

Amounts included in the determination of the financial position, and the loss from ordinary activities that resulted from transactions between the Trust, the Responsible Entity and its associated entities are as follows:

	2009	2008
<i>Transactions recorded in the Income statement</i>	\$	\$
Interest on junior debt provider - Rojacan Pty Ltd (i)	(680)	(64,132)
<i>Responsible Entity fees</i>		
Fundraising fees	(266,625)	(224,764)
Management fee (ii)	(43,464)	(24,336)
Less: Rebated management fee	43,464	24,336
	<u>(267,305)</u>	<u>(288,896)</u>
<i>Balances recorded in Balance sheet</i>		
Interest rate swap contracts - at fair value	-	10,300
Establishment fee (iii)	-	162,000
Junior debt provider - Rojacan Pty Ltd (i)	-	(115,000)
Responsible Entity fees payable (iv)	-	(36,272)

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

Responsible Entity fundraising fee payable	(57,766)	(98,445)
	<u>(57,766)</u>	<u>(77,417)</u>

- (i) Rojacan Pty Ltd is a company associated with the Deputy Chairman of the Responsible Entity.
- (ii) The Responsible Entity is entitled to a management fee of 0.5% of the gross value of the assets of the Trust applicable to the North Sydney units. The Responsible Entity has agreed to waive these fees in accordance with the provisions of the Supplementary Product Disclosure Statement dated 19 December 2007.
- (iii) The Responsible Entity receives 2.0% of the acquisition value of the property acquired by the Trust in accordance with the Product Disclosure Statement dated 21 November 2007.
- (iv) The Trust incurred legal costs associated with the acquisition of the property, together with costs relating to the derivative instrument which were paid by the Responsible Entity. The Trust reimbursed the Responsible Entity during the period. The transaction was completed on commercial terms, with no interest payable.

**(d) Expenses**

The following expenses were paid by the Responsible Entity on behalf of the Trust which will not be recovered from the Trust pursuant to the Product Disclosure Statement.

	2009	2008
	\$	\$
Insurance	17,496	6,130
Rates	12,389	8,578
Land tax	57,290	13,865
	<u>87,175</u>	<u>28,573</u>

**(e) Related party units held**

No related party units were held in the Trust during the financial year.

**(f) Terms and conditions of transactions with related parties**

All related party transactions are made in arms length transactions on normal commercial terms and conditions. Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

#### Fourth Supplementary Product Disclosure Statement

### Note 18. Financial risk management objectives and policies

#### (a) Overview

The Trust's assets principally consist of investment properties and property, plant & equipment. It holds these investment assets at the discretion of the Responsible Entity in accordance with the Trust's Constitution and Product Disclosure Statement.

The allocation of assets between the various types of financial instruments described above is determined by the Responsible Entity who manages the Trust's portfolio of assets to achieve the Trust's investment objectives.

The Trust's investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Interest rate risk
- Credit risk
- Liquidity risk

The nature and extent of the financial instruments employed by the Trust are discussed below. This note presents information about the Trust's exposure to each of the above risks, the Trust's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Trust's risk management framework.

The Board is responsible for developing and monitoring the Trust's risk management policies, including those related to its investment activities. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Trust, including those risks managed by the Responsible Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities.

The Board receives regular risk management reports from management. Reports include details of the controls it has in place to monitor compliance with the Trust's investment strategy, training and personnel management standards and procedures, and details of how management develops and maintains a disciplined and constructive control environment in which its employees understand their roles and obligations.

The Responsible Entity's Compliance Committee oversees how management monitors compliance with the Trust's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Trust.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

**(b) Estimation of fair values**

The major method and assumptions used in estimating the fair values of financial instruments were disclosed in Note 3 Critical accounting judgement and estimates.

The Trust had no unrecognised financial instruments at the end of the financial year.

**(c) Market risk**

Market risk is the risk that changes in market prices, such as interest rates and property values will affect the Trust's income, loan covenants or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Trust's strategy on the management of market risk is driven by the Trust's investment objective. The Trust's objective is designed to provide investors with regular income and capital growth over the medium to long term.

**(d) Interest rate risk**

The majority of the Trust's financial liabilities are interest-bearing loans which are subject to variable interest rates. As a result, the Trust is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The Trust's interest rate risk is managed on a daily basis by management in accordance with policies and procedures in place.

The Trust's effective interest rates of financial assets and liabilities for interest bearing financial instruments at the balance date are set out below:

	Fixed interest rate					
	Floating interest rate	1 year or less	Over 1 to 2 years	Non-interest bearing	Total	Weighted average interest rate
	\$	\$	\$	\$	\$	%
2008						
Financial assets:						
Cash and cash equivalents	398,169	-	-	-	398,169	6.26
Trade and other receivables	-	-	-	57,104	57,104	-
Derivative financial instruments	-	-	-	10,300	10,300	-
Other financial	-	-	-	33,712	33,712	-

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

assets

398,169	-	-	101,116	499,285	-
---------	---	---	---------	---------	---

Fixed interest rate

	Floating interest rate	1 year or less	Over 1 to 2 years	Non- interest bearing	Total	Weighted average interest rate
--	------------------------------	-------------------	----------------------	-----------------------------	-------	---

	\$	\$	\$	\$	\$	%
2008						
Financial liabilities:						
Trade and other payables	-	-	-	485,009	485,009	-
Distributions payable	-	-	-	14,050	14,050	-
Interest bearing liabilities	6,215,250	-	-	-	6,215,250	9.45
	6,215,250	-	-	499,059	6,714,309	-

2009

Financial assets:						
Cash and cash equivalents	488,020	-	-	-	488,020	5.25
Trade and other receivables	-	-	-	9,335	9,335	-
Other financial assets				26,087	26,087	
	488,020	-	-	35,422	523,442	-
Financial liabilities:						
Trade and other payables	-	-	-	326,528	326,528	-
Distributions payable	-	-	-	30,530	30,530	-
Interest bearing liabilities	3,232,500	-	-	-	3,232,500	6.52
	3,232,500	-	-	357,058	3,589,558	-

*Interest rate sensitivity*

A 100 basis point ('bps') increase/decrease to the interest rate charged on the senior debt as at reporting date would have the following affect on the Trust's financial position:

30 June 2009	+100 bps	-100 bps
\$	\$	\$

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

Net loss attributable to  
unitholders (before  
distributions)

(1,181,554)	(1,182,248)	(1,178,860)
-------------	-------------	-------------

*Property value risk*

The Trust is subject to property value risk in the prevailing commercial property market

Property value risk is managed on a regular basis by management in accordance with policies and procedures in place, including but not limited to:

- Monitoring the loan to valuation ratio ('LVR') on a monthly basis in terms of the loan covenant; and
- Maintaining a relatively low LVR.

*Property value sensitivity*

A 100 basis point ('bps') increase/decrease in property values as at reporting date would have the following affect on the Trust's LVR:

	30 June 2009	+100 bps	-100 bps
	%	%	%
Loan to value ratio (i)	46.85%	46.38%	47.32%

(i) Pursuant to the terms of the loan covenant, the Trust must not exceed a maximum loan to valuation ratio of 75.00%.

**(e) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust and cause a loss. The Responsible Entity manages the exposure to credit risk on an ongoing basis.

The carrying amount of the Trust's financial assets represents the maximum credit exposure. The Trust's maximum exposure to credit risk at the reporting date is as follows:

	2009	2008
<i>Financial assets:</i>	\$	\$
Cash and cash equivalents	488,020	398,169
Trade and other receivables	9,335	57,104
Total	497,355	455,273

All of the cash held by the Trust is invested with Australian financial institutions.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

Fourth Supplementary Product Disclosure Statement

This risk is minimised by regularly reviewing the Trust's trade and other receivables.

The ageing of trade receivables at the reporting date are all current.

**(f) Liquidity risk**

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under normal conditions, without incurring unacceptable losses or risking damage to the Trust's reputation.

The Trust's liquidity risk is managed on a daily basis by the Responsible Entity in accordance with policies and procedures in place.

The Trust mitigates liquidity risk by preparing rolling forecasts for the proceeding 12 months.

**Note 19. Custodian of the Trust assets**

The Trust's Custodian is Trust Company Limited. The custodian holds title to the assets of the Trust in its name on behalf of the Trust. The total value of assets held by the custodian at cost as at 30 June 2009 totals \$8,570,829 (2008: \$8,450,923).

The custodian is entitled to an annual administration fee of \$15,000.

The relationship between the custodian and Responsible Entity is set out in the Custodial Agreement.

**Note 20. Operating leases**

	2009	2008
	\$	\$
Not later than one year	683,044	663,150
Later than one year and not later than five years	703,535	1,406,939
Total	<u>1,386,579</u>	<u>2,070,089</u>

The operating leases represent future rental income from fixed term tenancies after considering the effects of inflation. The lease is due to expire on 30 June 2011.

**Note 21. Segment reporting**

The Trust operates in a single business and geographical segment, which is the rental of commercial property in New South Wales, Australia.

**Note 22. Events after the balance sheet date**

Since 30 June 2009 there have been no other matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

#### Fourth Supplementary Product Disclosure Statement

##### *Consent of Auditor*

A number of the above statements are derived from the audited financial statements of the Trust as audited by MGI Brisbane. MGI Brisbane consents to these portions being included in this Fourth Supplementary PDS in the form and context in which they appear and have not withdrawn that consent prior to the date of issue of this Fourth Supplementary PDS.

##### *Notification of two new Directors appointed to the Board and a change in the Chairmanship of Trilogy Funds Management Limited*

Trilogy Funds Management Limited advises the following amendments to the Trilogy HealthCare REIT Product Disclosure Statement:

Page 20 of the PDS is amended by changing Rodger Ingle Bacon's title from Executive Chairman of Trilogy Funds Management to Deputy Chairman of Trilogy Funds Management.

Page 21 of the PDS is amended by inserting above Trevor John Gibson the following:

##### **“Robert Willcocks**

Independent Non - Executive Chairman

Robert is a former partner with Mallesons Stephen Jaques and, since 1994, a corporate adviser. Robert has represented clients on a range of assignments including private equity, fundraising, mergers and acquisitions, contractual negotiations and special projects.

Robert is also a former member of the Council of Bond University. In the late 1990s he was appointed by the Australian Government to be a member of the Australian International Legal Advisory Committee for the term of its program.

Robert is currently a Non-Executive Director of CBH Resources Limited (ASX listed), APAC Resources Limited (Hong Kong listed), ARC Exploration Limited (ASX listed) and an Alternate Director of Mt Gibson Iron Limited (ASX listed).

##### **Nigel Chamier**

Independent Non- Executive Director

Nigel is Executive Chairman of Paridian Property Development Fund Limited and NAC Investments (Qld) Pty Ltd, a Director of Scimitar Marine Pty Ltd and also the Honorary Consul for Sweden.

Nigel was elected President of the Queensland Division of the Property Council of Australia from 1985 to 1986 and was awarded a Medal in the Order of Australia for services to real estate and the property industry in 1994. In June 2008 Nigel was also awarded the Royal Order of the Polar Star for Services to Sweden.

Trilogy Funds Management Limited

ABN 59 080 383 679

AFSL 261425

Trilogy HealthCare REIT

ARSN 127 026 251

#### Fourth Supplementary Product Disclosure Statement

Nigel was with Jones Lang LaSalle from 1972 to 1992, latterly as joint Managing Director in Queensland and proprietor of the firm in the Pacific region. In 2001, Nigel retired after serving for nine years as Chairman of the Office of Economic Development for the City of Brisbane Limited.

Nigel was also previously a Director of the City of Brisbane Airport Corporation.”

#### ***Continuous disclosure and updating disclosure***

In accordance with the ASIC Regulatory Guide 198 - Unlisted disclosing entities: Continuous disclosure obligations to meet its continuous disclosure obligations, page 65 of the PDS is amended by deleting the paragraph headed “Reporting to Investors” and replacing the paragraph with the following:

#### **“Continuous disclosure and updating disclosure**

The Trust is a disclosing entity under the Corporations Act 2001 as it has more than 100 unitholders. As the Trust is a disclosing entity, it is subject to certain additional reporting and disclosure obligations.

As a disclosing entity, the Trust intends to follow ASIC good practice guidance contained in ASIC Regulatory Guide 198 - Unlisted disclosing entities: Continuous disclosure obligations to meet its continuous disclosure obligations. This means that the Trust will update investors by posting half yearly reports and continuous disclosure notices on its website at [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au).

This information is likely to be:

- a. information that investors and their professional advisers reasonably require to make an informed investment decision; and
- b. information that might reasonably be expected to have a material influence on the investment decision of a reasonable person, as a retail client.

Copies of any documents that are lodged with ASIC or made available on the website will, on request, be provided to you, free of charge. These will be sent to you by email (or post, if no email address is provided.”