GENERATION HEALTHCARE REIT

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ASX Announcement

22 May 2017

By e-lodgement

The Manager
Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Target's Statement - Off-market takeover offer by NWH Australia AssetCo Pty Ltd as trustee for NWH Australia Asset Trust

Dear Sir/Madam

In accordance with item 14 of section 633(1) of the Corporations Act 2001 (Cth), we enclose a copy of the target's statement dated 22 May 2017 (**Target's Statement**) issued by APN Funds Management Limited as the responsible entity of Generation Healthcare REIT (ARSN 118 712 584) (**Generation**) in relation to the all-cash, unconditional off-market takeover offer by NWH Australia AssetCo Pty Ltd as trustee for NWH Australia Asset Trust (**NorthWest Australia**) for all of the ordinary units in Generation it does not already own.

The Target's Statement has today been sent to NorthWest Australia and lodged with the Australian Securities & Investments Commission. It will be despatched to the unitholders of Generation tomorrow.

Yours sincerely

CChurchill

Ms Chantal Churchill
Company Secretary
On behalf of APN Funds Management Limited as the responsible entity of Generation Healthcare REIT

This is an important document and requires your immediate attention. If you are in any doubt about what to do, you should contact your broker or your legal, financial or other professional adviser as soon as possible.

GENERATION HEALTHCARE REIT

TARGET'S STATEMENT

Generation Healthcare REIT (ARSN 118 712 584)

This Target's Statement has been issued by **APN Funds Management Limited** (as the responsible entity of Generation Healthcare REIT) in response to the off-market takeover bid made by **NWH Australia AssetCo Pty Ltd** as trustee for NWH Australia Asset Trust, a controlled entity of NorthWest Healthcare Properties Real Estate Investment Trust.

The Directors of APNFM (as responsible entity for Generation Healthcare REIT) unanimously recommend that you

ACCEPT THE OFFER

from NorthWest Australia in the absence of a Superior Proposal.

Merrill Lynch
Financial Adviser

GILBERT + TOBIN
Legal Adviser

Generation Unitholders can call the Generation Unitholder Information Line on 1300 340 644 (within Australia) or +61 1300 340 644 (outside Australia) if they require assistance.

Important notices

Key Dates

Date of the Offer	**8 May 2017**
Date of this Target's Statement	**22 May 2017**
Close of the Offer (unless extended or withdrawn)	**7.00pm (Sydney time) 8 June 2017**

Nature of this document

This document is a Target's Statement issued by APN Funds Management Limited as the responsible entity of Generation Healthcare REIT (ARSN 118 712 584) under Part 6.5, Division 3 of the Corporations Act in response to the off-market takeover offers made on 8 May 2017 by NWH Australia AssetCo Pty Ltd as trustee for NWH Australia Asset Trust, a controlled entity of NorthWest Healthcare Properties Real Estate Investment Trust, for all ordinary units in Generation pursuant to the Replacement Bidder's Statement dated 8 May 2017.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to ASX on 22 May 2017. None of ASIC, ASX or any of their respective officers takes any responsibility for the content of this Target's Statement.

Defined terms

Capitalised terms used in this Target's Statement are defined in section 12. The rules of interpretation that apply to this Target's Statement are also set out in section 12.

No account of personal circumstances

The information contained in this Target's Statement does not constitute personal advice. In preparing this Target's Statement, Generation has not taken into account the objectives, financial situation or needs of individual Generation Unitholders. It is important that you consider the information in this Target's Statement in light of your particular circumstances. You should seek advice from your financial, legal or other professional adviser before deciding whether to accept or reject the Offer.

Forward-looking statements

This Target's Statement contains forward-looking statements, including statements of current intention or expectation. As such forward-looking statements relate to future matters, they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by such forward-looking statements. None of Generation or its directors, officers and advisers give any representation, assurance or guarantee to Generation Unitholders or any other person as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement (including in the Independent Expert's Report) reflect views held only as at the date of this Target's Statement. Except as required by applicable law or the ASX Listing Rules, APNFM and Generation do not undertake to update or revise these forward-looking statements nor any other statements (written or oral) that may be made from time by or on behalf of APNFM or Generation, whether as a result of new information, future events or otherwise.

Disclaimer as to information

The information on NorthWest and NorthWest Australia contained in this Target's Statement has been prepared by APNFM using publicly available information (including information contained in the Replacement Bidder's Statement) and has not been independently verified by APNFM. Accordingly, subject to the Corporations Act, APNFM does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

Independent Expert's Report

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. Neither APNFM, Generation nor any of its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report, save for, in the case of APNFM, in relation to the information which it has provided to the Independent Expert.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement may be restricted by law or regulation in some jurisdictions outside Australia. Accordingly, persons outside Australia who come into possession of this Target's Statement should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside Australia.

Privacy

APNFM has collected your information from the Register for the purpose of providing you with this Target's Statement. Such information may include the name, contact details and unit holdings of Generation Unitholders and the names of persons appointed to act as proxy, attorney or corporate representative of Generation Unitholders. Without this information, APNFM would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of unit holders to be held in a public register. Personal information of the type described above may be disclosed on a confidential basis to APNFM and Generation and its related bodies corporate, holders of Generation Units and external service providers, and may be required to be disclosed to regulators, such as ASIC. If you would like details of information about you held by Generation, please contact us on the Generation Unitholder Information Line as set out below.

Diagrams

Diagrams appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in charts, graphs and tables is based on information available at the Last Trading Date.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

Generation Unitholder Information Line

If you have any questions in relation to the Offer, please contact the Generation Unitholder Information Line on 1300 340 644 (within Australia) or +61 1300 340 644 (outside Australia) between 8.00am and 5.30pm (Sydney time).

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Chairman's letter

22 May 2017

Dear Generation Unitholder

ACCEPT the Offer for your Generation Units in the absence of a Superior Proposal

On 24 April 2017, NWH Australia AssetCo Pty Ltd as trustee for NWH Australia Asset Trust (**NorthWest Australia**), a controlled entity of NorthWest Healthcare Properties Real Estate Investment Trust (**NorthWest**), announced an all-cash, unconditional off-market takeover bid to acquire all ordinary units in Generation for **$2.24**[1] per Generation Unit (**Initial Offer**).

The Directors of APNFM did not solicit NorthWest Australia's Initial Offer but having received it, we assessed the $2.24 price against the underlying market value of Generation's existing portfolio and the "on completion" value of Generation's projects currently under development. Based on this review, the Directors of APNFM resolved that the Initial Offer undervalued your Generation Units.

Following negotiations with NorthWest Australia, NorthWest Australia agreed to increase its all-cash, unconditional offer to $2.30[2] per Generation Unit (the **Offer**). On 5 May 2017, NorthWest Australia declared the Offer final as to price and will not increase the Offer Price, subject only to no competing proposal for Generation being publicly announced.

The Directors of APNFM have carefully considered the Offer and believe that it represents full and fair value for Generation Unitholders. In forming this view, Directors of APNFM have considered the Independent Expert's Report and the fact that the Directors have not received a Superior Proposal as at the date of this Target's Statement.

A copy of the Independent Expert's Report is contained in Attachment B of this Target's Statement. The Independent Expert has concluded that, in the opinion of EY Transaction Advisory Services, in the absence of a superior offer, the Offer by NorthWest Australia is fair and reasonable. You are encouraged to read the Independent Expert's Report in full.

The Directors of APNFM unanimously recommend that you **ACCEPT** the Offer, in the absence of a Superior Proposal. The reasons for this recommendation are summarised below and outlined in more detail in section 1 of this Target's Statement:

- you will receive an attractive price for your Generation Units with certainty of consideration;
- no Competing Proposal has emerged as at the date of this Target's Statement;
- the Offer is unconditional;
- the Independent Expert has concluded that, in the opinion of EY Transaction Advisory Services, in the absence of a superior offer, the Offer by NorthWest Australia is fair and reasonable;
- there are a number of risks that would be associated with being a minority Generation Unitholder; and
- the Generation Unit price may fall if Generation Unitholders do not accept the Offer and no Superior Proposal emerges.

Unitholders received a distribution of approximately 4.48 cents per Generation Unit in February 2017 and in the ordinary course, as previously announced, the next distribution will not be made until August 2017 (but it will have a record date of 30 June 2017). You should therefore note that the Offer Price of $2.30 cash for each Generation Unit will be reduced by the amount or value of any distributions or any other rights attaching to your Units which arise or are paid on or after the Announcement Date which NorthWest does not receive.

APNFM and NorthWest Australia have entered into the Bid Implementation Deed, which contains provisions customary for a recommended transaction of this nature including no shop, no talk, no due diligence, notification and matching right provisions, certain of which are subject to certain fiduciary duty exceptions, as well as the payment of a $5 million break fee in certain circumstances. The parties have also agreed bid protocols to govern the relationship between APNFM, APNFM's related bodies corporate, NorthWest and Generation Healthcare Management Pty Limited (the **Manager**) to manage any conflicts of interest for the Manager (which is ultimately wholly owned by NorthWest) and to ensure that APNFM is in a position to discharge its obligations as the Responsible Entity.

The Offer is due to close at 7.00pm (Sydney time) on 8 June 2017, unless extended or withdrawn. If you wish to accept the Offer, you should follow the instructions in the Replacement Bidder's Statement and on the Acceptance Form.

The Directors of APNFM will keep you fully informed should any Competing Proposals emerge, or if there are any material developments in respect of the Offer.

Yours sincerely

Geoff Brunsdon
Independent Non-Executive Chairman
APN Funds Management Limited (as responsible entity of Generation)

1. Less the amount or value of any rights attaching to the Generation Units (including any distributions) which arise or are paid on or after the Announcement Date which NorthWest Australia does not receive.
2. Less the amount or value of any rights attaching to the Generation Units (including any distributions) which arise or are paid on or after the Announcement Date which NorthWest Australia does not receive.

1

Reasons why you should ACCEPT the Offer

After having carefully considered the Offer, the APNFM Directors unanimously recommend that you ACCEPT the Offer, in the absence of a Superior Proposal, for the following key reasons.

1.1 You will receive an attractive price for your Generation Units with certainty of consideration

Generation Unitholders are being offered unconditional, all-cash consideration of $2.30 per Generation Unit under the Offer.[3]

The Offer provides Generation Unitholders with the opportunity to access meaningful liquidity. By accepting the Offer, Generation Unitholders will eliminate their exposure to the risks associated with an investment in Generation. These risks include, but are not limited to, unit price volatility caused by general market conditions and Generation's operational performance. Some of the key risks of investing in Generation are set out in section 8.2 of this Target's Statement.

The Directors of APNFM consider the Offer Price to be attractive to Generation Unitholders, as it represents a significant premium to recent trading prices and net tangible assets (**NTA**) of Generation.

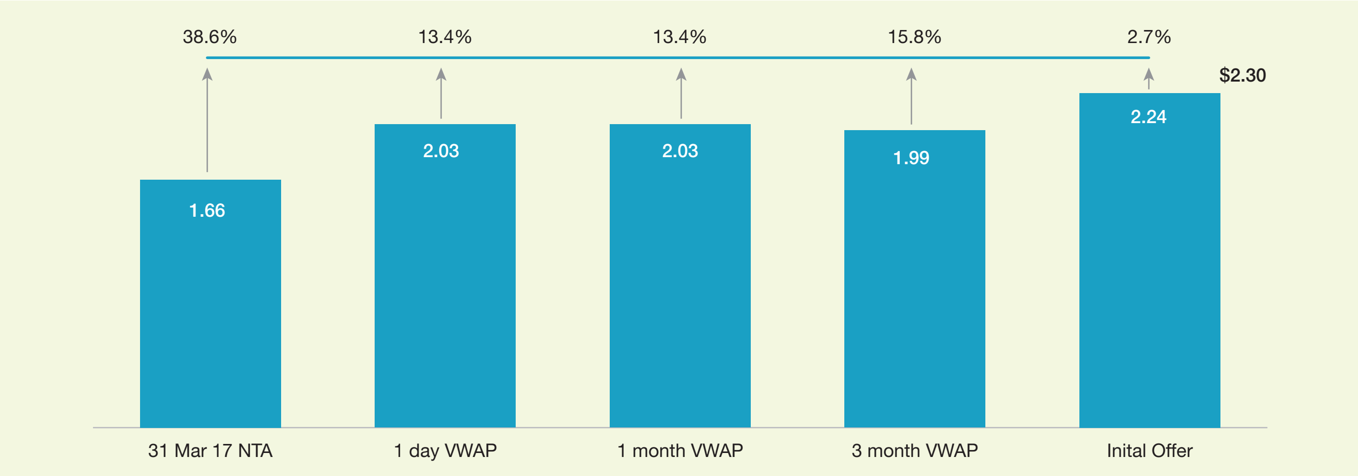
The Offer Price of $2.30 per Generation Unit, in cash, represents a premium of:

- 38.6% to Generation's 31 March 2017 unaudited NTA of $1.66 per Generation Unit, as reported on 10 May 2017;
- 13.4% to Generation's one day VWAP on 21 April 2017, being the Last Trading Date before the announcement of the Initial Offer;
- 13.4% to Generation's one month VWAP (calculated from 22 March 2017);
- 15.8% to Generation's three month VWAP (calculated from 22 January 2017); and
- 2.7% to the $2.24 Initial Offer price.

3. Less the amount or value of any rights attaching to the Generation Units (including any distributions) which arise or are paid on or after the Announcement Date which NorthWest Australia does not receive).

Reasons why you should ACCEPT the Offer

Offer premium benchmarking[4]



1.2 No Competing Proposal has emerged as at the date of this Target's Statement

Since the Announcement Date, the APNFM Board has not received any inbound interest from other parties in relation to a Competing Proposal as at the date of this Target's Statement. The likelihood of a Competing Proposal emerging may be negatively impacted by NorthWest Australia's current 40.40% relevant interest in Generation and NorthWest's 100% ownership of Generation Healthcare Management Pty Limited, the manager of Generation.

1.3 The Offer is unconditional

The Offer is unconditional and will provide Generation Unitholders with timely receipt of consideration within five business days of NorthWest Australia receiving a validly completed Acceptance Form and any additional documents required to enable NorthWest Australia to become the holder of the relevant Generation Units. Details on how to accept the Offer for all of your Generation Units are set out in section 4.1 of this Target's Statement and section 11 of the Replacement Bidder's Statement. Generation Unitholders can also sell their Generation Units on market at any time if they have not already accepted the Offer, as set out in section 4.2 of this Target's Statement.

1.4 The Independent Expert has concluded that, in the opinion of EY Transaction Advisory Services, in the absence of a superior offer, the Offer by NorthWest Australia is fair and reasonable

The APNFM Directors have appointed EY Transaction Advisory Services Limited (**Independent Expert**) to prepare an Independent Expert's Report on the Offer. The Independent Expert has concluded that, in the opinion of EY Transaction Advisory Services, in the absence of a superior offer, the Offer by NorthWest Australia is FAIR and REASONABLE. Generation Unitholders are encouraged to read the Independent Expert's Report in full, a copy of which is included as Attachment B of this Target's Statement.

4. Source: IRESS, Generation March 2017 Quarter Update.

1.5 There are a number of risks that would be associated with being a minority Generation Unitholder

Generation Unitholders who do not accept the Offer may be exposed to the risk of being a minority unitholder in Generation.

NorthWest Australia currently has a relevant interest in 40.40% of the Generation Units on issue. As the Offer is unconditional, NorthWest Australia has been conducting on-market purchases of Generation Units at the Offer Price. This may result in a reduction in liquidity of Generation Units, which may make it difficult for you to sell your Generation Units outside the Offer at current price levels.

If NorthWest Australia acquires a relevant interest in at least 90% of Generation Units during or by the end of the Offer Period, NorthWest will be entitled to acquire your Generation Units through the implementation of compulsory acquisition procedures in accordance with Part 6A.1 of the Corporations Act. If this occurs, you will be compelled to sell your Generation Units to NorthWest Australia at the Offer Price and will experience a delay in receipt of your consideration compared to Generation Unitholders who accept the Offer.

If you do not accept the Offer and NorthWest Australia acquires more than 50% but less than 90% of the Generation Units, you will become a minority unitholder in Generation with limited influence in the strategic direction of the business. Decisions made in respect of Generation under the control of NorthWest Australia may have an impact on those Generation Unitholders who do not accept the Offer. See section 5.5 of this Target's Statement for further information. Non-resident Generation Unitholders may no longer benefit from the withholding tax concession on certain distributions if Generation ceases to qualify as a Managed Investment Trust (**MIT**).

If NorthWest Australia acquires a relevant interest in at least 50% of Generation Units, NorthWest Australia has indicated in the Replacement Bidder's Statement that it may seek to have Generation removed from the official list of the ASX. If this occurs, the liquidity of the Generation Units will be eroded as you will not be able to sell your Generation Units on the ASX. This may have an impact on Generation's Unit price.

Having regard to the above, the Directors of APNFM believe that the Offer enables all Generation Unitholders to exit their unitholding in Generation in an orderly manner at the Offer Price.

1.6 The Generation Unit price may fall if Generation Unitholders do not accept the Offer and no Superior Proposal emerges

Generation closed at $2.05 on the Last Trading Date prior to the Announcement Date, being 21 April 2017. Given the premium NorthWest is currently offering, it is possible that Generation Units may trade below current levels once the Offer has lapsed and no Superior Proposal emerges.

2

Possible reasons why you may choose to not accept the Offer

This section sets out some reasons why you may not choose to follow the unanimous recommendation of the APNFM Directors that you ACCEPT the Offer (in the absence of a Superior Proposal) and instead choose to reject the Offer.

2.1 You may not agree with the APNFM Directors' recommendation or the Independent Expert's conclusion

You may not agree with the APNFM Directors' unanimous recommendation (or the reasons underlying their recommendation). You may also not agree with the Independent Expert's conclusion that in the opinion of EY Transaction Advisory Services, in the absence of a superior offer, the Offer by NorthWest Australia is fair and reasonable.

2.2 You may wish to continue being a Generation Unitholder with exposure to any potential upside to the Generation Unit price

If you accept the Offer, you will lose your right to sell your Generation Units on market, accept a Competing Proposal or otherwise deal with your Generation Units. You will no longer have any exposure to any potential upside in the performance of Generation and the price of Generation Units.

2.3 You may consider that there is the potential for a Competing Proposal to emerge in the near future

You may consider that there is a possibility that a Competing Proposal could emerge in the foreseeable future. As at the date of this Target's Statement, the APNFM Board is not aware of any Competing Proposal emerging for their consideration.

3

Frequently asked questions

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Generation Unitholders. This section should be read together with all other parts of this Target's Statement.

Question	Answers	Reference
What is this Target's Statement and why have I received this?	You have received this Target's Statement because you are a Generation Unitholder. This Target's Statement is Generation's formal response to the Offer and the Replacement Bidder's Statement which was sent to you shortly before this Target's Statement. This Target's Statement includes the recommendation of the APNFM Directors to ACCEPT the Offer, in the absence of a Superior Proposal.	N/A
What is the Replacement Bidder's Statement?	The Replacement Bidder's Statement is the document prepared by NorthWest Australia setting out the terms of the Offer, a copy of which was originally dated and lodged with ASIC and released to ASX on 24 April 2017, and was replaced by a replacement bidder's statement dated and lodged with ASIC and released to ASX on 8 May 2017.	N/A
Who is making the Offer?	NWH Australia AssetCo Pty Ltd as trustee for NWH Australia Asset Trust (**NorthWest Australia**), a controlled entity of NorthWest Healthcare Properties Real Estate Investment Trust (**NorthWest**). Further details about NorthWest Australia and NorthWest are set out in section 7 of this Target's Statement and section 4 of the Replacement Bidder's Statement.	Section 7
Does NorthWest Australia or NorthWest already have an interest in Generation Units?	As at 18 May 2017, NorthWest Australia has a relevant interest in 89,182,268 Generation Units (equivalent to approximately 40.40%). Further details about NorthWest Australia's relevant interest in Generation are set out in section 7.3 of this Target's Statement, section 5.2 of the Replacement Bidder's Statement and in substantial holding notices that are lodged by NorthWest Australia with ASX periodically.	Section 7.3

Frequently asked questions

Question	Answers	Reference
What is the Offer?	The Offer is an all-cash, unconditional off-market offer made by NorthWest Australia to acquire all of the Generation Units on the terms set out in section 11 of the Replacement Bidder's Statement.	**Section 5.1**
What is the Offer Price?	The Offer Price is $2.30 per Generation Unit, less the amount or value of any rights attaching to the Generation Units (including any distributions) which arise or are paid on or after the Announcement Date which NorthWest Australia does not receive.	**Section 5.1**
When does the Offer close?	The Offer will close at 7.00pm (Sydney time) on 8 June 2017 unless extended or the Offers are withdrawn.	**Section 5.1**
Can the Offer Period be extended?	NorthWest Australia may extend the Offer Period at any time before the end of the Offer Period. If, within the last 7 days of the Offer Period: • NorthWest Australia improves the Offer Price;[5] or • NorthWest Australia's voting power in Generation increases to more than 50%, the Offer Period is automatically extended so that it ends 14 days after the occurrence of the relevant event.	**Section 5.1** **Section 11.3 of the Replacement Bidder's Statement**
Can the Offer be withdrawn?	NorthWest Australia may only withdraw unaccepted Offers with the written consent of ASIC, which may be given subject to conditions.	**Section 5.1**
Can the Offer be varied?	NorthWest Australia has declared the Offer final as to price and will not increase the Offer Price, subject only to no competing proposal for Generation being publicly announced. If NorthWest Australia varies the Offer in any way, it must give written notice to Generation and ASIC and send Generation Unitholders a copy of that notice. If the Offer Price is increased to a higher all-cash sum as a result of a competing proposal being publicly announced at a time after you have accepted the Offer, you will be entitled to receive the improved consideration.	**Section 5.1**
What choices do I have as a Generation Unitholder?	As a Generation Unitholder you have the following choices: • accept the Offer; • sell your Generation Units on market; or • reject the Offer by doing nothing. Further details about these choices are set out in section 4 of this Target's Statement.	**Section 4**
What are the Directors of APNFM recommending?	The Directors of APNFM unanimously recommend that you ACCEPT the Offer, in the absence of a Superior Proposal. The reasons for the Directors' recommendation are set out in section 1 of this Target's Statement.	**Section 1**
What is the opinion of the Independent Expert?	The Independent Expert has concluded that, in the opinion of EY Transaction Advisory Services, in the absence of a superior offer, the Offer by NorthWest Australia is fair and reasonable. You are encouraged to read the Independent Expert's Report in full. A copy of the report is contained in Attachment B of this Target's Statement	**Attachment B**
Is the Offer conditional?	No. The Offer is an all-cash, unconditional off-market offer.	**Section 5.1**
How do I accept the Offer?	To accept the Offer, you need to follow the instructions set out in section 11.7 of the Replacement Bidder's Statement and on the Acceptance Form.	**Section 11.7 of the Replacement Bidder's Statement**

5. NorthWest Australia has declared the Offer final as to price and will not increase the Offer Price, subject only to no competing proposal for Generation being publicly announced.

Question	Answers	Reference
Can I withdraw my acceptance?	The Offer is unconditional. **Your acceptance of the Offer is irrevocable and you are not entitled to withdraw your acceptance.**	Section 5.2
When will I be sent the consideration for my Generation Units if I accept the Offer?	NorthWest Australia will pay the Offer Price for the relevant Units to Generation Unitholders within five business days of NorthWest Australia receiving a validly completed Acceptance Form and any additional documents required to enable NorthWest Australia to become the holder of the relevant Generation Units. Further details are set out in section 5.3 of this Target's Statement and section 11.7 of the Replacement Bidder's Statement.	Section 5.3 Section 11.7 of the Replacement Bidder's Statement.
What are the consequences of not accepting the Offer?	If you do not wish to accept the Offer and want to retain your Generation Units, you should simply do nothing. However: • if NorthWest Australia holds a relevant interest in at least 90% of all Generation Units on issue during or at the end of the Offer Period, NorthWest Australia will be entitled under Part 6A.1 of the Corporations Act to compulsorily acquire the Generation Units that it does not already own at the Offer Price (as it has disclosed it intends to do, see section 6.2 of the Replacement Bidder's Statement); and • if NorthWest Australia acquires less than 90% but more than 50% of Generation Units, you will be exposed to the risks of being a minority unitholder in Generation. NorthWest Australia has disclosed that it intends to take steps where possible to replace APNFM as the Responsible Entity of Generation and may procure the Responsible Entity to seek to de-list Generation from the official list of ASX. There are also other potentially adverse implications for Generation arising from the change of control under the Offer or a change in the Responsible Entity, which could arise in connection with material contracts of Generation. Further details are set out in sections 5.4 to 5.6 and 10.9 of this Target's Statement.	Sections 5.4 to 5.6 and 10.9
What are the risks associated with remaining a Generation Unitholder?	If you do not accept the Offer and remain a Generation Unitholder, you will continue to be exposed to a range of risks, as well as some additional risks if NorthWest Australia acquires control of Generation. Section 8 of this Target's Statement sets out a non-exhaustive list of the transactional, general and industry risks if you remain a Generation Unitholder.	Sections 1.5, 5.5 and 8
What are the tax implications of disposing of my Generation Units under the Offer?	A general outline of the tax implications of disposing of Generation Units under the Offer is set out in section 9 of this Target's Statement. Generation Unitholders are encouraged to seek professional advice in relation to the tax implications applicable to their personal circumstances.	Section 9

4

Your choices as a Generation Unitholder

The Directors of APNFM unanimously recommend that you ACCEPT the Offer, in the absence of a Superior Proposal, for the reasons set out in section 1.

The APNFM Board encourages you to consider your personal risk profile, investment objectives and tax and financial circumstances before making any decision in relation to your Generation Units. As a Generation Unitholder, you have the following three choices available to you in relation to the Offer:

4.1 Option 1 – Accept the Offer

If you accept the Offer, you must accept the Offer in relation to all of your Generation Units.

The Offer is unconditional. If you accept the Offer, you:

- will lose your exposure to any future growth potential in Generation's portfolio, although there can be no certainty this growth will occur and there are risks associated with an investment in Generation (refer to the risk factors in section 8 of this Target's Statement for more information);
- will not be able to accept a higher price from a competing bidder if such a transaction eventuates; and
- may be liable to pay capital gains tax or income tax on the disposal of your Generation Units which may have financial consequences for some Generation Unitholders (refer to section 9 of this Target's Statement and section 9 of the Replacement Bidder's Statement for further details of the tax consequences of the Offer).

This course of action is unanimously recommended by the Directors of APNFM in the absence of a Superior Proposal. Generation Unitholders who wish to accept the Offer should refer to sections 3.2 and 11 of the Replacement Bidder's Statement for instructions on how to do so.

4.2
Option 2 – Sell your Generation Units on market

You can sell your Generation Units on market at any time if you have not already accepted the Offer. In section 6.5 of the Replacement Bidder's Statement, NorthWest Australia indicated that from the Announcement Date until the end of the Offer Period, it intends to conduct on-market purchases of Units in accordance with item 2 of section 611 of the Corporations Act.

If you sell your Generation Units on market, you:

- will lose the ability to accept the Offer;
- will not receive the benefits of:
  - any future growth potential in Generation's portfolio; or
  - any potential higher competing offer for your Generation Units,

  (though no forecast is made as to whether such events will occur);
- may receive more or less for your Generation Units than the Offer Price;
- may incur a brokerage charge; and
- may be liable for capital gains tax or income tax on the sale.

Generation Unitholders who wish to sell their Generation Units on market should contact their broker for information on how to effect a sale. You should also seek your own specific professional advice regarding the taxation consequences of selling your Generation Units on market.

4.3
Option 3 – Reject the Offer by doing nothing

If you do not wish to accept the Offer and want to retain your Generation Units, simply do nothing and take no action in relation to documents sent to you from NorthWest Australia.

5

Important information about the Offer

5.1
Summary of the Offer

NorthWest Australia is offering $2.30[6] cash per Generation Unit. The Offer is made for all Generation Units on the terms set out in section 11 of the Replacement Bidder's Statement and is unconditional. NorthWest Australia has declared the Offer final as to price and will not increase the Offer Price, subject only to no competing proposal for Generation being publicly announced.

The Offer is open for acceptance from 8 May 2017 until 7.00 pm (Sydney time) on 8 June 2017. NorthWest Australia may extend the Offer Period at any time before the end of the Offer Period.

If, within the last 7 days of the Offer Period:

- NorthWest Australia improves the Offer Price;[7] or
- NorthWest Australia's voting power in Generation increases to more than 50%,

then the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

Before you accept the Offer, NorthWest Australia may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

You may accept the Offer only in respect of all (and not just a proportion of) your Generation Units.

6. Less the amount or value of any rights attaching to the Generation Units (including any distributions) which arise or are paid on or after the date of the Announcement Date which NorthWest Australia does not receive).
7. NorthWest Australia has declared the Offer final as to price and will not increase the Offer Price, subject only to no competing proposal for Generation being publicly announced.

5.2
Effect of acceptance – acceptance of the Offer is irrevocable and cannot be withdrawn

The effect of accepting the Offer is described in section 5.3 of this Target's Statement. In summary, as the Offer is unconditional, **your acceptance of the Offer is irrevocable and you are not entitled to withdraw your acceptance**.

If you accept the Offer, you will lose your ability to accept a Superior Proposal, if one emerges, even if you consider the Superior Proposal to be more attractive. However, if NorthWest Australia were to increase its Offer Price to a higher all-cash sum as a result of a competing proposal being publicly announced at a time after you have accepted the Offer, you will be entitled to receive the improved consideration.

NorthWest Australia will also be entitled to the amount or value of all rights attaching to the Generation Units (including distributions) which arise or are paid on or after the Announcement Date in respect of Generation Units that NorthWest Australia does not receive.

5.3
When you will receive the Offer Price

You will be paid the Offer Price within five business days of NorthWest Australia receiving your validly completed Acceptance Form and all other relevant documents.

If NorthWest Australia requires additional documents to enable NorthWest Australia to become the holder of your Generation Units (such as a power of attorney) then, subject to sections 11.7(c) to 11.7(f) of the Replacement Bidder's Statement and the Corporations Act:

- if you provide the additional documents to NorthWest Australia along with your acceptance, NorthWest Australia will pay you the Offer Price within five business days of receiving your validly completed Acceptance Form; and
- if you provide the additional documents to NorthWest Australia after the end of the Offer Period, NorthWest Australia will pay you the Offer Price within five business days of receiving your validly completed Acceptance Form.

Refer to section 11.7 of the Replacement Bidder's Statement for further details on when you will be sent your payment from NorthWest Australia.

5.4
Consequences of NorthWest Australia acquiring 90% or more of Generation Units

If NorthWest Australia obtains a relevant interest in 90% or more of the Generation Units (by number), NorthWest Australia will be entitled to proceed to compulsory acquisition of all outstanding Generation Units at the Offer Price. NorthWest Australia's intentions with respect to compulsory acquisition are set out in section 6.2 of the Replacement Bidder's Statement. In summary, NorthWest Australia has stated that if it becomes entitled to do so under the Corporations Act, NorthWest Australia will:

- proceed with compulsory acquisition of the outstanding Generation Units in accordance with Part 6A.1 of the Corporations Act;
- proceed to seek to remove Generation from the official list of the ASX; and
- remove APNFM and appoint a NorthWest entity as responsible entity of Generation.

NorthWest Australia does not intend to replace the Manager of Generation. The Manager is wholly owned by NorthWest.

a. Compulsory Acquisition following a takeover bid

Under Part 6A.1 of the Corporations Act, NorthWest Australia will be entitled to compulsorily acquire any outstanding Generation Units for which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, NorthWest Australia (together with its associates):

- has relevant interest in at least 90% (by number) of the Generation Units; and
- has acquired at least 75% (by number) of the Generation Units that NorthWest Australia offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise).

If these thresholds are met, NorthWest Australia will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to Generation Unitholders who have not accepted the Offer. Generation Unitholders have statutory rights to challenge the compulsory acquisition, subject to the Corporations Act, but a successful challenge will require the relevant Generation Unitholder to establish to the satisfaction of a court that the consideration offered under the Offer does not represent 'fair value' for the Generation Units.

b. General Compulsory Acquisition

NorthWest Australia intends to proceed with compulsory acquisition of Generation if its voting power in Generation becomes at least 90% and NorthWest Australia (either in its own right or with its related bodies corporate) acquires full beneficial interests in at least 90% (by value) of the aggregate of all Generation Units.

This will require that NorthWest Australia:

- lodges a compulsory acquisition notice with ASIC within 6 months of achieving that 90% holding;
- proposes a cash sum for the compulsory acquisition of the outstanding Generation Units; and
- obtains the report of an expert (to be nominated by ASIC) stating whether, in the expert's opinion, the terms proposed in the notice represent fair value for the Generation Units.

If Generation Unitholders with at least 10% of the Generation Units which are the subject of the compulsory acquisition notice object to the compulsory acquisition before the end of the one month objection period, NorthWest Australia may apply to a court for approval of the acquisition of the Generation Units the subject of the compulsory acquisition notice.

5.5
Consequences of NorthWest Australia acquiring less than 90% but more than 50% of Generation Units

If NorthWest Australia acquires less than 90% of Generation Units but more than 50%, NorthWest Australia may, at some later time, acquire additional Generation Units in accordance with the Corporations Act.

a. Replacing APNFM as responsible entity of Generation

NorthWest Australia has disclosed its intention to, once it has a relevant interest in 50% or more of the Generation Units, replace APNFM as responsible entity of Generation as soon as practicable.

Furthermore, under the terms of the Bid Implementation Deed, if NorthWest Australia acquires more than 50% of the voting power in Generation (subject always to the Corporations Act):

- NorthWest Australia may give APNFM written notice to call a Generation Unitholder meeting (**Unitholder Meeting**) as soon as reasonably practicable for the purpose of appointing NorthWest Healthcare Australia RE Limited (or another NorthWest Australia nominee) as the Responsible Entity of Generation from the date specified in NorthWest's notice; or
- APNFM may give NorthWest Australia written notice that it wishes to resign and/or be replaced as the Responsible Entity of Generation by a date that is two months after the later of (i) the date on which the end of the Offer Period; and (ii) the date any compulsory acquisition or buy-out procedure that NorthWest Australia undertakes (in accordance with Part 6A.1 of the Corporations Act) has been completed.

NorthWest Australia will be entitled to vote at any such Unitholder Meeting.

b. Potential de-listing of Generation from ASX

NorthWest intends to review the ongoing suitability of Generation remaining on the official list of ASX and may seek to procure the Responsible Entity to apply to the ASX to de-list Generation.

i. De-listing following a takeover bid

   ASX will not usually require a Unitholder Meeting for Generation to be held to approve the removal of Generation from the official list of the ASX following the close of the Offer if the following criteria are met:

   - NorthWest Australia acquires a relevant interest in 75% or more of the Generation Units;
   - there are fewer than 150 Generation Unitholders (excluding NorthWest Australia and its associates) which hold Generation Units with a value of at least $500;
   - NorthWest Australia has stated that it may seek to arrange for the Responsible Entity to apply to remove Generation as an ASX-listed entity (which NorthWest Australia has so stated in section 6.3 of the Replacement Bidder's Statement);
   - the Offer remains open for at least two weeks after NorthWest Australia (or its related bodies corporate) have attained ownership or control of at least 75% of the Generation Units; and
   - the Responsible Entity applies to remove Generation from the official list of ASX within one month of the end of the Offer Period.

ii. General de-listing of an ASX entity

If NorthWest Australia's relevant interest in Generation is less than 75% (but is more than 50%), NorthWest Australia may have sufficient control of Generation to take steps to remove Generation from the official list of ASX. In these circumstances, including where the criteria in section 5.5(b)(i) above are not satisfied, a de-listing of Generation will require an ordinary resolution of the Generation Unitholders at a Unitholder Meeting. In such a scenario, it is possible that ASX may seek to impose a voting exclusion on NorthWest Australia and its associates so that they may not vote on such a resolution until 12 months has passed after the end of the Offer Period.

c. Review of Generation's existing arrangements

NorthWest Australia intends, to the extent possible depending on its relevant interest in Generation at the end of the Offer Period, to:

- reassess Generation's existing borrowing and refinancing arrangements (as it expects the Offer will give rise to change of control or review events within Generation's existing financing arrangements);
- review Generation's distribution and capital management policies (which the Replacement Bidder's Statement says may result in a change or cancellation of Generation's existing distribution policy); and
- undertake a general operational and strategic review of Generation's assets and options.

If NorthWest obtains control of Generation (i.e. by holding a relevant interest in Generation of 50% or more) and/or there is a change in the Responsible Entity of Generation, the changes will trigger change of control or event of default/review events in respect of Generation's existing financing and strategic contractual arrangements (i.e. with key tenants and joint venture partners). Some of the strategic contractual arrangements permit the other parties to the arrangement to purchase Generation's interest in the relevant property if that party objects to the Offer and/or NorthWest Australia. A summary of the change of control and event of default/review events that may be triggered as a result of the Offer is set out in section 10.9 of this Target's Statement.

5.6 Consequences of NorthWest Australia acquiring less than 50% of Generation Units

NorthWest Australia intends to assess its position in Generation if it acquires less than 50% of Generation Units. If NorthWest Australia wishes to seek to implement some or all of its intentions set out in sections 6.2 and 6.3 of the Replacement Bidder's Statement, it will need the co-operation of other Generation Unitholders in light of the relevant thresholds set out in sections 5.4 and 5.5 of this Target's Statement and section 6.3 of the Replacement Bidder's Statement.

6

Information relating to Generation

6.1 Overview of Generation

Generation is the only ASX-listed REIT that invests exclusively in Australian healthcare real estate. Generation owns interests in a portfolio of 16 properties across Victoria, Queensland and New South Wales including hospitals, medical centres, laboratories, residential aged care facilities and other purpose built healthcare facilities.

As at 31 March 2017, Generation's gross assets (before non-controlling interests) total approximately $657 million, including projects currently under development (valued 'at cost' or 'as-if complete, based on percentage completed' as appropriate) and debt interests in Waratah Private Hospital (**Waratah**) and Epping Medical Centre (**Epping**) carried at approximately $37 million. Generation has a market capitalisation of $509.9 million as at the close of trading on the ASX on 17 May 2017.

Generation, formerly ING Real Estate Healthcare Fund (**IHF**), listed on the ASX in May 2006. IHF changed its name to Generation and its ASX ticker to "GHC" in September 2011 following unitholder approval of the appointment of APNFM as Responsible Entity of IHF.

a. Overview of the Responsible Entity (APNFM)

The current Responsible Entity of Generation is APNFM. APNFM is responsible for the corporate governance of Generation and this includes, but is not limited to, providing input and approving the strategy and performance objectives set out by the Manager (including approving and monitoring progress of major capital expenditure and financial and reporting obligations).

The APNFM Board consists of four directors, three of whom are independent directors (including the independent non-executive chairman). The profiles of the Directors of APNFM are outlined in section 6.8.

b. Management of Generation

Generation is externally managed by Generation Healthcare Management Pty Limited, which is wholly owned by NorthWest. NorthWest acquired 100% of the shares in the Manager from APN Property Group Limited (**APN**) and Miles Wentworth (CEO of Generation) and Chris Adams (a director of the Manager) and their associated entities on 27 June 2016.

The Manager's primary responsibilities include the day to day administration of Generation, portfolio management, and sourcing new opportunities and potential acquisitions. The Manager also provides specialist property, project and development management and leasing services if required by the Responsible Entity of Generation.

Miles Wentworth and Chris Adams are the senior management team employed by the Manager to manage Generation.

6.2
Generation's investment strategy

Generation owns a portfolio of quality healthcare real estate that generates sustainable income with an investment strategy that focuses on:

- owning quality healthcare-related real estate over the long term that will add value and provide attractive risk adjusted returns for Generation Unitholders;
- partnering with high quality healthcare tenants who can provide secure, long term cashflows to Generation; and
- delivering a value-adding philosophy, consistently seeking ways of improving Generation's existing assets and sourcing other high quality opportunities for Generation.

Generation is focused on active portfolio management to maximise rental growth and occupancy and seeks value enhancing opportunities in the healthcare real estate sector. Generation does not own property outside Australia or in any other property sub-sectors and considers that the demand for non-discretionary health services will continue to grow, underpinned by strong demographic trends (i.e. a growing and ageing population), advances in technology and rising consumer expectations.

6.3
Portfolio summary

Generation owns interests in a quality portfolio of healthcare real estate in Australia carried at $588.5 million as at 31 March 2017. The value of Generation's portfolio is underpinned by long term leases to quality tenants. The portfolio has a stable tenant base, a long weighted average lease expiry (**WALE**) profile of 12.0 years and an occupancy rate by income of 98.6% as at 31 March 2017. Generation also has debt interests in Waratah and Epping carried at $37.1 million as at 31 December 2016.

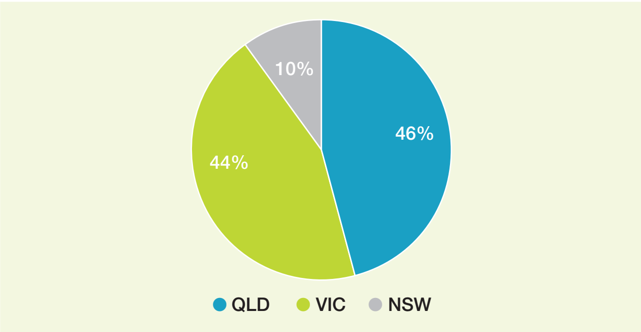
Generation's tenant base includes experienced healthcare operators such as Healthscope Limited (**Healthscope**), Epworth Foundation (**Epworth**), St John of God Health Care (**St John of God**), the Australian Red Cross and Blood Service (**Red Cross**) and RSL Care RDNS Limited (**RSL Care RDNS**). Generation also undertakes greenfield developments and redevelopment of its existing assets. A summary of the current development projects is set out in section 6.6 of this Target's Statement. In addition to the existing development projects, a number of Generation's assets have approved master plans, which provides future opportunities for further development.

The Generation property portfolio as at 31 March 2017 is outlined below:

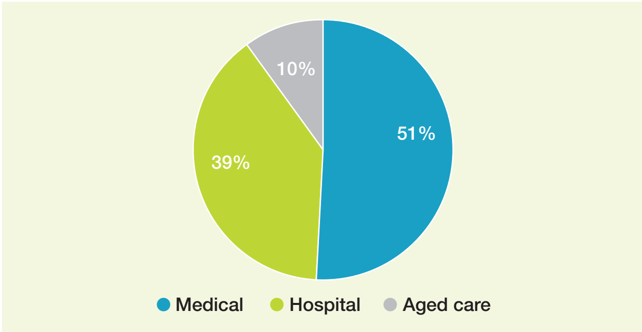
a. Key metrics of Generation's portfolio

	31-Dec-16	31-Mar-17
Portfolio value (GHC share, $m)	$515.5 million	$588.5 million
Weighted average capitalisation rate (%)	6.67%	N/A
Occupancy (by income)	98.7%	98.6%
Weighted average lease expiry (WALE)	12.1 years	12.0 years
Number of properties[8]	16	16
Number of tenancies	115	N/A
Generation share of development pipeline ($m)	110.3	N/A

Geographic diversification (by value) as at Dec-16



Asset type (by value) as at Dec-16



8. Includes two development sites.

b. Portfolio details (Generation's interest as at December 2016)

Property	State	Latest External Valuation	Dec 2016 Capitalisation rate	Dec 2016 Book value ($m)
Epworth Freemasons Victoria Parade	VIC	31 Dec 2016	6.25%	77.8
Epworth Freemasons Clarendon Street	VIC	31 Dec 2016	5.50%	48.7
Frankston Private	VIC	31 Dec 2016	6.00%	26.3
Frankston Specialist Centre	VIC	30 Jun 2016	5.75%	1.6
Westmead Rehabilitation[9]	NSW	31 Dec 2015	7.00%	27.0
Harvester Centre	VIC	31 Dec 2016	7.00%	19.0
ARCBS, Kelvin Grove	QLD	30 Jun 2016	7.05%	81.5
Spring Hill	QLD	31 Dec 2016	6.75%	64.0
Casey Specialist Centre	VIC	31 Dec 2016	6.00%	31.8
Waratah PH Ground Floor Suites	NSW	18 Aug 2016	6.75%	7.3
Pacific Private Clinic	QLD	31 Dec 2015	8.25%	32.9
RSL Care RDNS Tantula Rise	QLD	30 Jun 2016	7.25%	19.1
RSL Care RDNS Baycrest	QLD	30 Jun 2016	7.25%	15.3
RSL Care RDNS Darlington	NSW	30 Jun 2016	7.25%	14.3
Total/Weighted Average			**6.67%**	**466.5**
St John of God Berwick Hospital (formerly Casey Private Hospital)[9]	VIC	N/A	–	25.8
Frankston Private Expansion[9]	VIC	N/A	–	23.1
Total			**–**	**48.9**
Total/Weighted average			**6.67%**	**515.5**

6.4 Debt investments

Generation has debt investments via secured loans over Waratah and Epping, which are valued at $8.3 million and $28.8 million respectively as at 31 March 2017.

The reported value for Waratah reflects Generation's interest in the assets and cashflows of the property, which was acquired at a significant discount to its original face value. The reported value for Epping represents Generation's loan to Epping that settled on 2 November 2016. The loan comprises a $22.3 million senior loan (fully drawn) secured by way of a first mortgage and an $8.4 million secured and shareholder guaranteed subordinated loan (with $6.5 million drawn down).

6.5 Option to acquire 50% of Epping on agreed terms

Contemporaneous with providing the Epping secured senior and subordinated loans outlined above, Generation entered into a put and call agreement to acquire a 50% interest in the Epping property for $17.50 million and a 3-year call option to acquire an adjacent 10,000sqm site for $4.0 million. At the time when Generation entered into the option agreement, the Epping property was 52% let to high quality tenants. Subsequent to Generation's involvement in respect to this property, a heads of agreement has been entered into with a potential tenant that includes a period of exclusivity to conduct due diligence. No legally binding lease documentation has been executed as at the date of this Target's Statement and the decision to enter into such definitive documentation remains subject to further consideration of the parties.

9. Independently valued as at 31 March 2017 as follows: Westmead Rehabilitation Hospital ($31.7 million at a 6.25% capitalisation rate), Frankston Private/Frankston Private Expansion (100% interest: $116.7 million (being $118.5 million less $1.8 million forecast costs to complete) at a 5.75% capitalisation rate, noting Generation's interest in these properties as at 31 March 2017 is approximately 57%) and St John of God Berwick Hospital ($36.7 million ('as-if complete, based on percentage completion') at a 6.00% capitalisation rate. Both the Frankston Private Expansion and St John of God Berwick Hospital projects are 'return on agreed development cost' projects that are currently under construction, with forecast completion dates of June 17 (final minor reconfiguration and upgrade works) and late 2017 respectively.

6.6
Development, track record and pipeline

Generation invests in value accretive healthcare projects of scale and predominantly utilises a return on cost model for greenfield and brownfield development opportunities, underwritten by pre-committed tenancy agreements with high quality operators.

In March 2013 Generation acquired a development site directly opposite the Casey Public Hospital with the potential to become a material health campus over time. In early 2014 construction commenced on the Casey Specialist Centre (completed February 2015), where St John of God is now the major tenant. Since the first reporting period post completion (i.e. 30 June 2015), the capitalisation rate in respect of this property has tightened 125bps to 6.00% (as at 31 December 2016), resulting in an independent valuation of $31.8 million compared to its construction cost of $17.0 million.

In late 2015, and in conjunction with the above, Generation and St John of God entered into co-ownership commercial terms and legal documentation for a staged co-located health campus opportunity for the remaining Casey site. Construction of the St John of God Berwick Hospital (formerly Casey Private Hospital) commenced in December 2015, with completion due by the end of the 2017 calendar year.

Generation currently has three projects at various stages of the development process with a total estimated project cost of $231.5 million (Generation's share approximately $110.3 million). In addition, Generation has a pipeline of multi-stage development opportunities at four of its existing properties (i.e. Clarendon Street Stage 2, Casey Stage 3, Frankston Stage 3, and Westmead). Generation has also entered into strategic partnerships with RSL Care and Epping to investigate and develop other potential development sites.

A summary of Generation's three major development projects is set out below.

Under Construction/ Recently Completed	**Start date/Expected completion**	**Forecast Total Project Cost ($m)**	**Ownership Share $m (%)**	**Forecast income Return**[10]
 Frankston Private Expansion	Dec-15 / Jun-17	$44.4m	$28.9m (65%)	8.50%
 Casey Private Hospital (Stage 2)	Jan-16/Late CY17	$114.0m[11]	$44.5m[12] (50% base build) (90% car park)	8.00%
Total Under Construction/Recently Completed		**$158.4m**	**$73.4m**	
 Epworth Freemasons Clarendon Street (Grey Street Centre and Albert Street Car Park)[13]	Early FY18/ circa 22 months	Circa $72m	Circa $36m (50%)	Car park: 8.25% Grey St Centre: 8.50%
Total Under Construction or Construction Pending[14]		**Circa $230.4m**	**Circa $109.4m**	

10. The income return is the contracted rental yield to be applied to the total agreed project costs actually incurred.
11. Includes tenant funded hard fit-out.
12. Includes contingency of circa $2 million not currently forecast to be expended.
13. Dependent on successful construction and debt tenders and governance approvals.
14. The Grey Street Centre and Albert Street Car Park development is conditional on governance approval and financing.

Information relating to Generation

a. Frankston Private Hospital Expansion Project

Generation recently substantially completed the Frankston Private Hospital expansion project to provide additional inpatient beds, theatres and car parking. Healthscope, Australia's second largest private hospital operator, has a pre-commitment under a head lease over the expansion. The completed project, together with the existing Frankston Private facility, has been independently valued on an 'as-if complete' basis as at March 2017. Costs of $1.8 million are yet to be incurred to complete this project. Generation's interest in this property is circa 57%.

In conjunction with the planning for the Frankston Private Hospital expansion, Generation has prepared master plans for further development on the Frankston Specialist Centre site if there is future tenant demand.

b. Casey Stage 2

The Casey Stage 2 development (which comprises the St John of God Berwick Hospital and associated car parks) is co-owned by Generation and St John of God, with an estimated project cost of $114.0 million (Generation's share is approximately $44.5 million). The income return of this development is expected to be 8.0% of the actual agreed project costs incurred. St John of God will enter into a head lease over the hospital for an initial 20 year term, with five successive options to renew the lease for 15-year terms (i.e. up to 75 years).

The Casey Stage 2 development is expected to be completed by the end of the 2017 calendar year. Generation and St John of God have also agreed a master plan for this site, to provide for further potential hospital expansion including additional beds, theatres and medical consulting facilities if there is future tenant demand.

c. Epworth Freemasons Clarendon Street (Grey Street Centre and Albert Street Car Park)

The Epworth Freemasons Clarendon Street development includes a new specialist centre (to be known as the Grey Street Centre (**GSC**)) and a 309 bay underground carpark to be known as the Albert Street Car Park (**ASCP**).

The development is a 50/50 joint venture between Generation and Epworth and has an estimated total project cost of approximately $72 million (with Generation's share of the project cost at approximately $36 million). The blended income return of the project is expected to be approximately 8.3% of the estimated total project cost. Epworth has entered into an agreement to enter into a 20 year head lease for both the GSC and the ASCP, subject to the development being completed.

Construction of the development is forecast to commence early in the 2018 financial year, subject to the parties obtaining successful construction tender outcomes and completion of project finance documentation.

6.7 Quarterly update in financial performance of Generation

The most recent 3QFY17 trading update (unaudited) issued by Generation confirmed FY17 Underlying Net Operating Income guidance of 10.24 cents per unit and also highlighted solid progress in Generation's near term development pipeline.

The Frankston Private expansion project reached completion on 13 April 2017, ahead of expectations. Completion of the major stages resulted in the lease start with Healthscope Group on 14 April 2017, with minor reconfiguration/upgrade works within the existing Frankston Private building expected to be completed by 30 June 2017 for this $44.4 million (GHC share $28.9 million) project. Solid progress continues on the $114.0 million (GHC share $44.5 million) St John of God Berwick Hospital project (approximately 60% complete as at 31 March 2017) which is expected to be completed by the end of the 2017 calendar year. The proposed $72.0 million Albert and Grey Street project (in 50/50 joint venture with Epworth Foundation) is progressing well, with construction tender documentation and project finance nearing completion. The construction tender process is expected to be run in May/June 2017.

Updated independent property valuations were also obtained for Westmead Rehabilitation Hospital, the Frankston Private Expansion project/Frankston Private (fair value adjustment recognised on a 100% complete basis) and Casey Private Hospital, known as St John of God Berwick Hospital (fair value adjustment recognised on a percentage complete basis), contributing to a net fair value gain to Generation of $20.6 million recognised in the quarter. The aforementioned valuation gains contributed to an overall increase in NTA per security to $1.66 (from $1.54 as at Dec-16).

6.8
Directors of APNFM

The Directors of APNFM are responsible for the corporate governance of Generation. A biography of each Director is set out below.

a. Geoff Brunsdon (Independent Non-Executive Chairman)

Geoff has been the chairman of APNFM since April 2012 and a Director since 2009. He is a member of the Audit, Compliance and Risk Management Committee and the Nomination and Remuneration Committee.

Geoff has had a career in investment banking spanning more than 25 years. Until June 2009 he was Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited. He is Chairman of Sims Metal Management Limited (director since 2009), IPE Limited (director since 2004) and MetLife Insurance Limited (director since 2011).

b. Jennifer Horrigan (Independent Non-Executive Director)

Jennifer has been a Director of APNFM since 2012. She is chairman of the Nomination and Remuneration Committee and a member of the Audit, Compliance and Risk Management Committee.

Jennifer brings 25 years' experience across investment banking, financial communications and investor relations. She was most recently the chief operating officer in Australia of the independent investment bank Greenhill & Co. She has extensive experience in enterprise management, including the supervision and management of compliance, HR and financial management.

Jennifer is also a director of QV Equities (ASX: QVE), Redkite (national children's cancer charity) and the Breast Cancer Institute of Australia/Australia & New Zealand Breast Cancer Trials Group.

c. Michael Johnstone (Independent Non-Executive Director)

Michael has been a Director of APNFM since 2009. He is chairman of the Audit, Compliance and Risk Management Committee and a member of the Nomination and Remuneration Committee. He is also the member of the Investment Committee for APN's Development Fund No.2.

Michael has 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring.

Michael is a non-executive director of the responsible entity of the listed Folkestone Education Trust (since 2004). He is also a non-executive director of a number of companies in private environments, including the not-for-profit sector.

d. Howard Brenchley (Non-Executive Director)

Howard has been a Director of APNFM since 1998 and has a long history in the Australian property investment industry with over 30 years' experience analysing and investing in the sector.

Howard joined APN in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds.

Prior to joining APN, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property trust sector.

Howard is also a director of APN (since 1998), and National Storage Holdings Limited (since 2014) and National Storage Financial Services Limited (since 2015), both listed as National Storage REIT (ASX: NSR).

e. Michael Groth (APN Chief Financial Officer and Executive Alternate Director for Howard Brenchley)

Michael has been an alternate director for Howard Brenchley since 2014.

Michael's professional career includes over 7 years with KPMG Melbourne, where he worked closely with a number of major listed companies and stockbrokers before moving to the United Kingdom to work in the financial services industry and for a government regulatory body. Since joining APN in 2006, Michael has had broad exposure across all areas of the Group, and was appointed chief financial officer in June 2014. Michael is responsible for accounting, taxation and treasury across the business and a key contributor to setting the business's direction and strategy.

6.9
Senior executives of the Manager

a. Miles Wentworth (Chief Executive Officer of Generation)

Miles has over 20 years' experience in financial services and property funds management, 18 of which have been specifically in healthcare fund, property and development management.

Miles has overall responsibility for the day to day management and performance of Generation. His responsibilities include formulating and implementing the overall strategy of Generation, capital management, financial reporting and investor relations.

Miles holds a Bachelor of Commerce (Accounting) from Otago University, is a Chartered Accountant and member of the Australia and New Zealand Chartered Accountants.

b. Chris Adams (Director of the Manager)

Chris has experience in the property industry in Australia, New Zealand and the United Kingdom, including over 20 years' experience in health sector property acquisitions, transaction structuring, large scale hospital developments and portfolio management.

Chris' responsibilities include overseeing the property portfolio along with acquisitions and developments undertaken by Generation.

Chris holds a Bachelor of Property from Auckland University.

7

Information relating to NorthWest Australia and NorthWest

7.1 Disclaimer

The following information about NorthWest Australia and NorthWest (where relevant) is based on publicly available information, including information in the Replacement Bidder's Statement, and has not been independently verified by APNFM. APNFM does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on NorthWest Australia and NorthWest in this Target's Statement should not be considered comprehensive. Further information about NorthWest Australia and NorthWest is set out in the Replacement Bidder's Statement. Details of NorthWest, including financial information concerning NorthWest, can be found on NorthWest's website (www.nwhp.ca).

Information contained in or otherwise accessible from those websites does not form part of this Target's Statement. NorthWest Australia is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by NorthWest Australia may be obtained from, or inspected at, an ASIC office.

Section 4 of the Replacement Bidder's Statement provides further information relating to NorthWest Australia and NorthWest.

7.2 Overview

The Offer is being made by NorthWest Australia, a controlled entity of NorthWest.

Established in 2004, NorthWest is a Canada based healthcare REIT which is listed on the Toronto Stock Exchange (**TSX**) under the ticker "NWH.UN". NorthWest has a market capitalisation of C$935.3 million as at the close of the TSX on 16 May 2017 (Canada time).

NorthWest owns an international medical office, medical clinic and hospital portfolio comprising interests in 141 income-producing properties throughout major markets in Canada, Brazil, Germany, Australia and New Zealand. The portfolio is valued at C$3.6 billion[15] with gross leasable area of 9.5 million square feet, as reported in NorthWest's Q1 2017.

In Canada, NorthWest is the largest non-government owner and manager of medical office buildings and healthcare facilities. In its international markets, NorthWest seeks to partner with the regional healthcare operators.

15. On a 100% ownership basis.

NorthWest is also the manager of, and has an interest of approximately 24.5% in, Vital Healthcare Property Trust (**Vital**), which is listed on the New Zealand Stock Exchange (**NZX**). Vital has significant healthcare real estate investments in Australia and New Zealand.

NorthWest is led by founder Paul Dalla Lana (Chairman and Chief Executive Officer). As at 31 March 2017, Mr Dalla Lana (through entities controlled by him) holds approximately 30% of NorthWest.[16]

The directors of NorthWest are Paul Dalla Lana, Dr Martin Barkin, Robert Baron, Bernard Crotty, Colin Loudon, Dr C David Naylor and Brian Peterson. See section 4.2 of the Replacement Bidder's Statement for further information about NorthWest's directors.

7.3 NorthWest Australia's interest in Generation

Following completion of the June 2016 transaction summarised in section 6.1(b) of this Target's Statement, NorthWest (through its controlled entities) held a 19.9% relevant interest in Generation. Section 5.2 of the Replacement Bidder's Statement disclosed that NWI Healthcare Properties LP (a controlled entity of NorthWest) subsequently acquired additional Generation Units to reach a relevant interest of 22.73% in Generation.

Section 7.6 of the Replacement Bidder's Statement disclosed that NWI Healthcare Properties LP transferred all of its relevant interest in Generation (being 22.73% of the Generation Units) to NorthWest Australia on 24 April 2017 by way of an off-market transfer at a price of $2.05 per Generation Unit.

As at 18 May 2017, NorthWest Australia currently has a relevant interest in 89,182,268 of the Generation Units.

7.4 NorthWest Australia's intentions

NorthWest Australia's intentions in relation to the continued operation of Generation, any major changes to be made to the operation of Generation, including any redeployment of Generation property and any plans to remove APNFM and appoint a new Responsible Entity for Generation are set out in section 6 of the Replacement Bidder's Statement.

16. See NorthWest's SEDAR filing entitled 'Annual Information Form – English' dated 31 March 2017.

8
Risk factors

8.1
Risks associated with accepting the Offer

a. Possibility of a superior proposal emerging

A third party may emerge with a Superior Proposal (although the APNFM Board can give no assurances that this will occur).

If you accept the Offer, you will not be able to accept your Generation Units into any Superior Proposal and you will not be able to obtain any potential benefit associated with that Superior Proposal (if any). Accepting the Offer will also preclude you from selling your Generation Units on-market on the ASX, where they may trade at a higher price than the Offer Price.

b. Possibility of future Generation Units price appreciation

You may be able to sell your Generation Units in the future for more valuable consideration than that offered under the Offer. The APNFM Board can give no assurances that this will occur.

c. Taxation consequences of a change in control in or a change in the responsible entity of Generation

The taxation consequences of disposing of your Generation Units pursuant to the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of certain Australian tax considerations of such a disposal is set out in section 9 of this Target's Statement.

You should carefully read and consider the taxation consequences of disposing of your Generation Units pursuant to the Offer. The outline provided in this Target's Statement is of a general nature only and you should seek your own specific professional tax advice as to the taxation implications applicable to your circumstances.

8.2
Risks associated with rejecting the Offer and continuing as a Generation Unitholder

There are various risks associated with continuing to hold Generation Units. Some of these risks are specific to Generation while others are risks of a more general nature that apply to any investment in a listed REIT.

The list of risks summarised below is not exhaustive and does not take into account the personal circumstances of Generation Unitholders. Generation Unitholders should seek professional advice if they are in any doubt about the risks associated with accepting or rejecting the Offer, having regard to their individual investment objectives and financial circumstances.

Risk factors

a. **Risk associated with NorthWest's takeover offer**

   i. Change in control of Generation or change in Responsible Entity

   A change in control or a change in Responsible Entity (from APNFM) will have the consequences that are summarised in section 10.9 of this Target's Statement. This includes a risk that a number of Generation's financing arrangements may become due and payable or otherwise require refinancing. NorthWest Australia considers that these facilities could be refinanced by Generation in the ordinary course, however there is a risk that it may not be able to do so, or may only be able to do so at a higher debt financing cost or on more onerous terms to Generation, which may adversely impact Generation's financial position and/or performance. In addition, there are a number of other material contracts in respect of which a change of control or change in Responsible Entity could, in the absence of the counterparty's consent, give rise to a termination right or a right for the cou nterparty to purchase Generation's interest at fair market value. See section 10.9 of this Target's Statement for further information.

   ii. Performance and management fees

   As a result of this Offer, a change in the Responsible Entity or a change in control of Generation may occur, which will trigger the obligations on Generation to pay certain performance and termination fees summarised in section 10.10 of this Target's Statement.

   iii. Liquidity risk

   If NorthWest Australia acquires additional but not all of the Generation Units under the Offer, the number of Generation Units freely tradeable could be significantly reduced. In addition, under item 9 of section 611 of the Corporations Act, NorthWest Australia is entitled to acquire up to an additional 3% interest in Generation every six months without needing to make a further takeover offer. In light of these factors, there is a risk of Generation Unitholders who do not accept the Offer becoming minority unitholders in Generation with reduced unit trading liquidity.

   This may result in downward pressure on the trading prices of Generation Units and make it more difficult for Generation Unitholders to sell their units.

   iv. Control by NorthWest Australia

   If NorthWest Australia acquires some but not all of the Generation Units under the Offer (or acquires more Generation Units pursuant to item 9 of section 611 of the Corporations Act) so that its voting power in Generation exceeds 50%, NorthWest Australia will effectively control Generation and have the ability to seek to effect the removal and replacement of APNFM as responsible entity. NorthWest Australia will also have significant influence over Generation's investment strategy and the outcome of Generation Unitholder resolutions.

   There are some restrictions on NorthWest Australia voting its Generation Units where it has an interest in the resolutions other than as a Generation Unitholder. However, changes to the business of Generation which are initiated or influenced by NorthWest Australia may result in Generation Unitholders subsequently disposing of Generation Units at a time when the position of Generation is less favourable than that prevailing at the date of this Target's Statement.

   v. Change in capital structure and distribution policies

   If NorthWest Australia obtains control of Generation, it has stated its intention to conduct a review regarding what is the most effective and efficient capital structure for Generation (including whether to increase existing debt leverage levels) and Generation's distribution and capital management policies. While no determination has been made yet by NorthWest Australia, there is a risk that the outcome of such a review may result in a change to, or cancellation of, Generation's existing distribution policy (subject always to such a decision by the Responsible Entity at the time being consistent with its duties to act in the best interests of all Generation Unitholders).

   vi. De-listing of Generation from ASX

   NorthWest Australia has stated in sections 6.2 to 6.4 of the Replacement Bidder's Statement that it will review the ongoing suitability of Generation for remaining listed on the ASX to the fullest extent possible after the close of the Offer and may procure the Responsible Entity to apply to the ASX to de-list Generation.

   If the number of Generation Unitholders is less than that required by the ASX Listing Rules to maintain an ASX listing, ASX may seek to have Generation removed from the official list of ASX.

   If Generation is removed from the official list of ASX, Generation Units will not be able to be bought or sold on the ASX, which will erode the liquidity of the Generation Units. This may impact on Generation's unit price.

b. **Risk associated with continuing to remain invested in Generation**

   i. Lease default, non-renewal and vacancy

   Generation relies on key tenants to generate the majority of its revenue. The risk of key tenants defaulting on rental or other obligations under leases with Generation, and of Generation not being able to negotiate lease extensions with existing tenants at the end of the lease terms or securing replacement leases at equivalent rates, may have material adverse impacts on Generation's operational and financial results or the value of the relevant underlying assets.

ii. Geographical concentration risk

Generation's portfolio is 100% located in Australia. As at 31 December 2016, Generation has (by value) approximately 44% exposure to Victoria, 46% exposure to Queensland and 10% exposure to New South Wales. There is potential for new competition to enter the healthcare real estate sector or changes in the composition of existing competition at any time. A change in the competitive environment may result in loss of tenants to competitors and an inability to secure new tenants resulting in an oversupply of space. This can result in a reduction in rents and adversely impact the performance of Generation's portfolio.

iii. Joint venture risk

Generation holds a number of its investments jointly with joint venture partners. As a result, Generation may not be able to unilaterally control the decision-making processes of the joint venture. The joint venture partners (some of whom also lease the investments as tenants) may have economic or business interests or objectives that are different to those of Generation. The joint venture partners may be unable or unwilling to fulfil their obligations under the relevant joint venture arrangements or they may experience financial or other difficulties. The occurrence of any of these risks could disrupt the operations of the joint venture and negatively impact Generation's investment in, and the returns from, the joint venture. In addition, there is a risk that a change of control or change in Responsible Entity of Generation could, in the absence of the counterparty's consent, give rise to a termination right or a right for the counterparty to purchase Generation's JV interest at fair market value. See section 10.9 of this Target's Statement for further information.

iv. Investment risk

The returns from an investment in property largely depend on the rental income generated, expenses incurred, and changes in market value of the underlying property. The market value of properties and property related investments is in part correlated to rental income, and rental income may be adversely impacted by a number of factors (including quality of tenants, quality of assets and general market conditions). Any change in the market valuation of Generation's assets may adversely affect Generation's financial position and performance.

v. Funding risk

Generation is a geared investment product and relies on debt funding as an integral part of its capital structure. The risk of not obtaining the necessary funding or refinancing of an existing arrangement, or a material increase in the cost of such funding, may have a material adverse impact on Generation's performance and financial position. Changes in interest rates and the availability and cost of finance will also affect the operational and financial results of Generation. See also section 10.9(a) regarding the risk that a change in control in Generation and/or change in Responsible Entity will constitute an event of default and/or a review event, pursuant to which the lenders may either cancel the facility, declare the outstanding amount immediately due and payable, or enforce or exercise any rights it may have with respect to security granted in its favour.

vi. Banking covenants

Generation has various covenants in relation to its banking facilities, including interest cover, loan to value ratios and weighted average lease expiry requirements. Unforeseen factors such as falls in asset values or the inability of Generation to extend current leases could lead to a breach in debt covenants. In such an event, Generation's lenders may require their loans to be repaid immediately or for assets to be sold at a time or in circumstances that may not be optimal in releasing an asset's market value. Furthermore, there is a risk that unforeseen capital expenditure may impact upon the cash available to service debt.

vii. Development risk

Generation currently owns interests in property assets either under development or committed for development (i.e. St John of God Berwick, Epworth Freemasons Clarendon Street (Grey Street Centre and Albert Street Car Park) and Frankston Private Expansion). A number of factors affect the forecasted project costs, earnings, cashflows and valuations of commercial property developments, including construction costs, scheduled completion dates, ability to procure funding on appropriate terms and estimated rental income. There is also a risk that the potential or proposed property developments may not ultimately proceed or complete, or may do so in a manner that is unexpected or unforeseen, which may adversely affect financial performance.

viii. Retention of Manager

The ability of Generation to successfully deliver on its business strategy and objectives is in part dependent on the Manager retaining and attracting quality senior management and other employees. The loss of the services of any senior management or key personnel, or the inability to attract new skilled personnel could materially affect Generation's business, operational performance or financial results.

ix. Capital expenditure

Generation may incur capital expenditure for unforeseen structural problems arising from a defect in its assets (to the extent not covered by insurance) or alterations required as a result of changes to statutory requirements. This may impact the cash available to Generation and may impact on the income received from tenants affected by the conditions.

Risk factors

x. Insurance

Generation enters into, or procures its tenants enter into, material damage, business interruption and liability insurance on its assets with policy specifications and insured limits that it believes to be customary in the industry. However, potential losses of a catastrophic nature such as those arising from earthquakes, terrorism or severe flooding may be uninsurable, or not insurable on reasonable financial terms, may not be insured at full replacement costs or may be subject to large excesses.

xi. Future acquisitions

A key element of Generation's future strategy involves the acquisition of properties to add to its property portfolio. Whilst it is Generation's policy to conduct a thorough due diligence process in relation to any such acquisitions, it is possible that the due diligence does not reveal issues that may later have an adverse impact on the benefits of the acquisition forecast to Generation.

c. General industry risk

i. Property liquidity

Property assets are by their nature illiquid investments. This may make it difficult to alter the balance of income sources for Generation in the short term in response to changes in economic or other conditions. Exposure to suboptimal sale prices when certain property assets may be required to be disposed in light of adverse business conditions.

ii. Litigation and disputes

Material or costly disputes or litigation could adversely affect Generation's financial performance and security value.

iii. Interest rate risk

Adverse fluctuations in interest rates, to the extent that they are not hedged, may impact Generation's funding costs adversely, resulting in a decrease in distributable income. Where interest rates are hedged by way of financial instruments, the value of those instruments can vary substantially which can impact on both earnings and net assets.

iv. Regulatory risk and changes in law

The risk that changes in relevant taxation laws, accounting standards, other legal, legislative or other administrative regimes, and government policies (including government fiscal, monetary and regulatory policies), may have an adverse effect on assets, operations and, ultimately, financial performance.

v. General market conditions.

A number of factors affect the performance of the stock market, which could affect the price at which Generation Units trade on ASX. Among other things, movements on international and domestic stock markets, interest rates, exchange rates, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally as well as government taxation and other policy changes may affect the demand for, and price of, Generation Units. Additionally, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of Generation.

9
Taxation considerations

9.1 Introduction

This section is a brief guide on only certain Australian tax considerations of transferring Generation Units to NorthWest Australia under the Offer based on the law and the administrative practices of Australian revenue authorities as at 10 May 2017. It is not advice to any particular Generation Unitholder and does not set out all tax considerations that may be applicable. Generation Unitholders should seek their own tax advice that takes into account their personal circumstances.

This guide only sets out possible Australian tax considerations for Generation Unitholders who hold their units on capital account for Australian income tax purposes. It does not consider the consequences for unitholders who: are in the business of trading or dealing in units or otherwise hold their Generation Units on revenue account are subject to the taxation of financial arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth); are a bank, insurance company or tax exempt organisation; are non-residents who currently hold, or have held, Generation Units at any time through a permanent establishment in Australia; or are temporary residents.

9.2 Taxation on the disposal of Generation Units

A Generation Unitholder who transfers their Generation Units to NorthWest Australia under the Offer will dispose of those Generation Units for Australian capital gains tax (**CGT**) purposes on the date that the Generation Unitholder accepts the Offer. If a Generation Unitholder does not accept the Offer but a compulsory acquisition occurs, the disposal should take place on the date the ownership of the Generation Units changes to NorthWest Australia.

The Australian tax consequences will differ depending on the residence of the Generation Unitholder.

9.3 Australian resident Generation Unitholders

An Australian resident Generation Unitholder should realise a capital gain equal to the amount by which the Offer consideration exceeds the cost base of that Generation Unit. A Generation Unitholder will alternatively realise a capital loss equal to the amount by which the reduced cost base of the Generation Unit exceeds the Offer consideration.

The cost base and reduced cost base of a Generation Unit should generally include the amount paid (or deemed to be paid) to acquire the Generation Unit, which includes certain incidental costs (such as brokerage fees) of the acquisition.

A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests. Capital losses cannot reduce or offset other income or gains.

An Australian resident Generation Unitholder who is an individual, a trust or a complying superannuation fund may be entitled to reduce their capital gain (after first reducing the capital gain by any available capital losses) by the CGT discount, provided that the Generation Units were acquired (for CGT purposes) at least 12 months before their disposal to NorthWest Australia (excluding the date of acquisition and the date of disposal) and the Generation Unitholder did not choose to index the cost base of their Generation Units (where applicable).

The applicable CGT discount is generally as follows:

a. 50% for individuals and trustees (except a trust that is a complying superannuation entity); and
b. 33⅓% for a complying superannuation entity.

The CGT discount is not available to any Generation Unitholder that is a company.

9.4 Non-resident Generation Unitholders

Any Generation Unitholder that is not a resident for Australian income tax purposes should generally not have to pay Australian income tax on any capital gain arising on the disposal of their Generation Units, unless both of the following requirements are satisfied:

a. the Generation Unitholder, together with its associates, held a combined interest of at least 10% in Generation either at the time the Generation Units were disposed of (for CGT purposes) or for at least 12 months during the 24 months before the Generation Units were disposed of (for CGT purposes); and
b. 50% or more of the market value of the assets of Generation is represented by real property in Australia (**Principal Asset Test**).

Non-resident Generation Unitholders may be liable to Australian income tax and be required to lodge an Australian income tax return in connection with the disposal of Generation Units even if NorthWest Australia does not withhold any tax as described below.

A non-resident Generation Unitholder who is subject to a capital gain on disposal of their Generation Units may be eligible to apply a CGT discount to part of their gain, depending on when the Generation Units were acquired and other circumstances.

Non-resident CGT withholding tax

NorthWest Australia may be required to withhold 10%, or 12.5% from 1 July 2017 in accordance with the 2017-18 Federal Budget announcement, of the amount paid to acquire the Generation Units and instead pay that amount to the Australian Taxation Office if at least one of the Generation Unitholders is a non-resident, and the Principal Asset Test (defined above) is satisfied.

9.5 Tax implications in relation to Generation's MIT status

Non-resident Generation Unitholders may no longer benefit from the withholding tax concessions on certain distributions if Generation ceases to qualify as a MIT under Division 275 of the Income Tax Assessment Act 1997 (Cth), and may be subject to higher withholding tax rates on their Generation distributions. Non-resident Generation Unitholders should seek their own tax advice on the implications of Generation losing its MIT status which takes into account their personal circumstances.

9.6 Stamp duty

A Generation Unitholder who disposes of its Generation Units to NorthWest Australia should not be liable for stamp duty on the transfer.

9.7 GST

A Generation Unitholder who disposes of its Generation Units to NorthWest Australia should not be subject to the goods and services tax on the transfer. However, it may be denied credits in respect of any GST it incurs in relation to costs associated with the transfer (such as any adviser fees).

10

Additional information

10.1 Bid Implementation Deed

The Bid Implementation Deed dated 5 May 2017 was entered into by APNFM and NorthWest Australia to govern the terms and implementation of the Offer.

A copy of the Bid Implementation Deed was lodged with ASX on 5 May 2017 and is also available on the Generation website (www.generationreit.com.au).

Terms of the Bid Implementation Deed include those summarised below:

a. **Exclusivity**

   i. *No shop* – APNFM must not, and must ensure that Generation and each of their representatives do not, directly or indirectly solicit, invite, encourage, facilitate or initiate any enquiries, negotiations or discussions which could reasonably be expected to lead to a Competing Proposal.

   ii. *No talk* – subject to a fiduciary duty exception (which is outlined below), during the Exclusivity Period APNFM must not, and must ensure that Generation and each of their representatives do not, directly or indirectly:

      A. enter into, continue or participate in negotiations or discussions which could reasonably be expected to lead to a Competing Proposal; or

      B. enter into any agreement, arrangement or understanding of any kind regarding a Competing Proposal; or

      C. communicate to any person any intention to do any of the things referred to in (A) and (B).

   iii. *No due diligence* – subject to a fiduciary duty exception, during the Exclusivity Period APNFM must not, and must ensure that Generation and each of their representatives do not, make available any non-public information relating to the Target or any of its businesses, assets or operations to any person in connection with a possible Competing Proposal, provided this does not prevent APNFM from providing information to the ASX where required by law or to APNFM's auditors and advisers in those capacities in the ordinary course of business.

   iv. *Notification of approaches* – during the Exclusivity Period, APNFM must notify NorthWest Australia in writing as soon as reasonably practicable and in any event within two business days if APNFM, Generation or any of their representatives is asked to do, proposes to take, or is approached by any person or indirectly or directly receives any approach, inquiry or proposal that could reasonably be expected to lead to a Competing Proposal, and such notice must set out all material details of the approach (including, if specified, the consideration, terms and conditions and identity of the party making the Competing Proposal).

- v. *Matching rights* – during the Exclusivity Period, APNFM must not, and must ensure that Generation and each of their representatives do not, enter into any legally binding agreement, arrangement or understanding to undertake or give effect to a Competing Proposal, and must use best endeavours to procure that none of the Directors of APNFM publicly recommend a Competing Proposal unless:
  - A. the Directors of APNFM, acting in good faith to satisfy their fiduciary and statutory duties and after receiving written advice from APNFM's legal and financial advisers, determine the Competing Proposal is a Superior Proposal;
  - B. APNFM has given NorthWest Australia written notification of the material terms and conditions of the Competing Proposal (including price and details of the third party making the Competing Proposal, if specified);
  - C. NorthWest Australia does not, within five business days after receiving such notice, give APNFM an irrevocable offer of a matching or superior proposal which APNFM considers in good faith to be no less favourable for Generation Unitholders (as a whole) than the relevant Competing Proposal; and
  - D. APNFM has not announced such a Competing Proposal prior to the end of the five business day period mentioned immediately above.

  If NorthWest Australia does make such a matching offer, each of NorthWest Australia, APNFM and Generation and their representatives must use best endeavours to agree and enter into such documents as is reasonably necessary to give effect to and implement NorthWest Australia's matching offer.
- vi. *Fiduciary duty exception* – APNFM is not required to comply with the no talk or no due diligence prohibitions to the extent they restrict APNFM, Generation or any APNFM Director from taking or refusing to take any action with respect to a bona fide Competing Proposal where the APNFM Board:
  - A. considers the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal; and
  - B. determines, in good faith and having considered written legal advice, that taking or refusing to take any such action would likely constitute a breach of the fiduciary or statutory duties owed by any APNFM Director.

b. Break fee

APNFM must pay NorthWest Australia a $5 million break fee (excluding GST) if:

- i. during the Exclusivity Period, any APNFM Director withdraws, revises, revokes or qualifies their recommendation to accept the Offer, other than:
  - A. where the Independent Expert concludes in a varied or updated Independent Expert's Report that the Offer is not fair and not reasonable, other than where the reason for that conclusion is a Competing Proposal; or
  - B. where APNFM is entitled to terminate the Bid Implementation Deed due to a material unremedied breach committed by NorthWest Australia or a court or government agency issues an order, decree or ruling, or taken other action that permanently restrains or prohibits the Offer (and the action is final and cannot be appealed or reviewed);
- ii. during the Exclusivity Period, any APNFM Director publicly endorses or otherwise publicly supports a Competing Proposal, other than where the Independent Expert concludes in a varied or updated Independent Expert's Report that the Offer is not fair and not reasonable, other than where the reason for that conclusion is due to the existence of a Competing Proposal;
- iii. a Competing Proposal is announced by a third party during the Exclusivity Period and within 12 months of the date of the announcement, the third party acquires a legal, beneficial or economic interest in, or control of, 50% or more of the Generation Units, acquires control of Generation (within the meaning of the Corporations Act), acquires all or a substantial or material part of Generation's business or assets or seeks to remove or replace the Responsible Entity of Generation; or
- iv. NorthWest Australia validly terminates the Bid Implementation Deed due to a material unremedied breach committed by either APNFM or Generation (other than where the breach is directly or indirectly caused or contributed by NorthWest Australia and its associates or the Manager except where the Manager is acting pursuant to an express direction by the Responsible Entity).

Where the break fee becomes payable under the Bid Implementation Deed, the break fee will be the exclusive remedy for NorthWest Australia in relation to any event referred to in (i) to (iv) above or a material breach of the Bid Implementation Deed (other than where the event is as a result of fraud, wilful misconduct or a wilful or intentional breach by APNFM).

c. Conduct of business

APNFM must ensure that the business of Generation is conducted in accordance with the terms of the Bid Implementation Deed, subject to certain customary exclusions. APNFM must ensure that the business and operations of Generation is conducted in the ordinary course and in accordance with the current business plans and budgets. APNFM must not take any action that could reasonably result in a Prescribed Occurrence (as defined in the Bid Implementation Deed) occurring. APNFM is restricted from certain disposals, acquisitions and joint venture/strategic partnership investments if the value exceeds a prescribed amount. APNFM is restricted from causing Generation to enter, terminate or materially alter any of its material contracts and settle any legal proceedings, in each case where the value of the material contract or proceeding exceeds a prescribed amount. APNFM is also restricted from doing anything that may have a material adverse effect on the Offer being implemented.

These restrictions do not apply if APNFM has received NorthWest Australia's prior written consent (which NorthWest Australia may withhold in its absolute discretion) or there is a change in the responsible entity of Generation in accordance with the terms of the Bid Implementation Deed. Other exceptions to the restrictions include allowing APNFM to issue Generation Units in accordance with Generation's distribution reinvestment plan, and lodging and filing announcements and documents with ASX and ASIC.

d. Replacement of the Responsible Entity

Either APNFM or NorthWest Australia may give written notice to the other party to replace APNFM as the Responsible Entity of Generation (e.g. with an entity nominated by NorthWest Australia) if NorthWest Australia acquires more than 50% voting power in Generation.

e. Termination

The Bid Implementation Deed will automatically terminate when the Offer Period ends and may be terminated sooner:

- by either APNFM or NorthWest Australia if a court or government agency issues an order, decree or ruling, or taken other action that permanently restrains or prohibits the Offer (and the action is final and cannot be appealed or reviewed);
- by APNFM if:
  - NorthWest Australia commits a material unremedied breach of the Bid Implementation Deed;
  - a majority of Directors of APNFM withdraw or change their recommendation to Generation Unitholders to accept the Offer or publicly recommends a Competing Proposal where:
    - a Competing Proposal emerges and the Directors (acting in good faith to satisfy their fiduciary and statutory duties and after receiving written advice from APNFM's legal and financial advisers) determine the Competing Proposal is a Superior Proposal and NorthWest Australia has not made a matching offer; or
    - the Independent Expert concludes in an updated or varied Independent Expert's Report that the Offer is not fair and not reasonable,

  and APNFM has complied with all of its obligations under clause 6 of the Bid Implementation Deed; or
- by NorthWest Australia if:
  - APNFM commits a material unremedied breach of the Bid Implementation Deed that is not directly or indirectly caused, or contributed to, by NorthWest Australia or any of its associates, including the Manager (except where the Manager is acting pursuant to an express direction by APNFM);
  - a Prescribed Occurrence (as defined in the Bid Implementation Deed) occurs;
  - a Competing Proposal is announced by a person other than NorthWest Australia or its associates, and one or more Directors of APNFM recommends that proposal;
  - one or more Directors of APNFM fails to make or withdraws, changes, revises, revokes or adversely qualifies his or her recommendation to Generation Unitholders to accept the Offer in the absence of a Superior Proposal, or publicly states that he or she no longer recommends the Offer;
  - APNFM or Generation enters into a definitive agreement to implement a Competing Proposal; or
  - one or more Directors of APNFM recommends, endorses or otherwise supports a Competing Proposal.

f. Exclusivity Period

The Exclusivity Period commenced on 5 May 2017 and ends on the first to occur of, the time at which the Offer Period ends, or the date of termination of the Bid Implementation Deed.

10.2 Governance protocols

As noted in section 10.2 of the Replacement Bidder's Statement, APNFM has entered into appropriate bid protocols that govern the relationship between APNFM and its related bodies corporate, NorthWest and the Manager. This is to ensure that APNFM is in a position to discharge its obligations as the Responsible Entity having regard to the fact the Manager is a wholly owned subsidiary of NorthWest.

10.3
Capital structure

As at 18 May 2017, the following securities on Generation on issue are:

Class	Number
Generation Units	220,742,347 fully paid ordinary units

10.4
Substantial holders

As at 18 May 2017, based on information available to APNFM, the substantial holders of Generation are:

Name of holder	Number of Generation Units	Relevant interest/ voting power
Northwest and its subsidiaries, including NorthWest Australia[17]	89,182,268	40.40%
Australian Unity Funds Management as responsible entity for registered managed investment schemes	24,452,367	11.08%

10.5
Directors of APNFM (as responsible entity of Generation)

As at the date of the Target's Statement, the Directors of APNFM are:

- Geoff Brunsdon – Independent Non-Executive Chairman
- Jennifer Horrigan – Independent Non-Executive Director
- Michael Johnstone – Independent Non-Executive Director
- Howard Brenchley – Non-Executive Director
- Michael Groth – APN Chief Financial Officer and Executive Alternate Director for Howard Brenchley

10.6
Interests and dealings of Directors in Generation Units

As at the date of this Target's Statement, no APNFM Director has a relevant interest in any Generation Units. In the four months ending on the date of this Target's Statement, no APNFM Director has acquired or disposed of any relevant interests in any Generation Units.

10.7
Interests and dealings in NorthWest Australia

Neither APNFM or any APNFM Director has an interest in NorthWest Australia.

17. As at the date of this Target's Statement, NorthWest Australia holds 89,182,268 Generation Units (equivalent to approximately 40.40%).

10.8
Benefits and agreements

No APNFM Director has been, or will be given, any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person or someone else from the APNFM Board.

Other than as disclosed in this Target's Statement, no APNFM Director has agreed to receive, or is entitled to receive, any benefit from NorthWest Australia or NorthWest which is conditional on, or is related to, the Offer.

No agreement has been made between an APNFM Director and any other person in connection with, or conditional upon, the outcome of the Offer. No APNFM Director has any interest in any contract entered into by NorthWest Australia.

10.9
Change of control or change of responsible entity events

a. Material financing arrangements

Under the terms of certain bank facility agreements in place for the benefit of Generation, a change in control in Generation and/or change in responsible entity[18] will constitute an event of default and/or a review event, in respect of which the lenders will be able to serve a notice to the relevant borrower to either cancel the facility, declare the outstanding amount immediately due and payable, or to enforce or exercise any rights it may have with respect to security granted in its favour.

This affects the following bank facility agreements:

i. a revolving cash advance facility from National Australia Bank with a total limit of $118,400,000;
ii. a several revolving cash advance facility from National Australia Bank with a Generation term facility limit of $10,113,750 and a Generation construction facility limit of $15,665,000;
iii. a revolving cash advance facility from Bank of Melbourne with a limit of $41,200,000;
iv. a joint and several facility[19] from Australia and New Zealand Banking Group with St John of God HealthCare for the construction costs of St John of God Berwick Hospital with a limit of the lesser of $60,000,000 and 65% of the construction costs and GST facility with a limit of $1,050,000; and
v. a revolving cash advance facility from Australia and New Zealand Banking Group with a limit of $25,000,000.

The aggregate limit of these bank facility agreements is $271.4 million. As at 31 December 2016, the amounts outstanding under such facilities, on a joint and several basis, was $203.6 million (in aggregate). If certain of these facilities are repaid, this may trigger corresponding rights to a 'right to break' or 'optional early termination' of certain interest rate swap contracts, which may lead to an acceleration of repayment obligations of the liabilities under those swap contracts.

Section 6.2(b) of the Replacement Bidder's Statement provides that NorthWest Australia considers that, to the extent certain facilities may become repayable as a result of change of control in Generation, NorthWest Australia expects that these facilities could be refinanced by Generation in the ordinary course. NorthWest Australia considers it has a reasonable basis for its expectation based on discussions with a major Australian bank, however the bank has not yet committed to providing a replacement financing facility.

b. Additional material contracts

Generation's business is dependent on numerous material contracts including leases in respect of which it is the lessor, various joint venture arrangements and services and management agreements. A majority of these contracts contain provisions that may be breached upon a change of control of Generation and/or change in responsible entity, or otherwise cannot be assigned (which may be deemed to have occurred upon any change in the responsible entity), in each case, unless the counterparty provides its consent (and in some cases, such consent may be withheld by a counterparty in its absolute discretion).[20]

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18. One facility agreement provides that a change in the Manager of Generation will constitute an event of default, which will have the same consequences as set out in section 10.9(a).
19. Under the terms of this facility, the removal of the Manager would also constitute an event of default, leading to the same consequences as for a change in control of Generation and/or change in responsible entity. However, as NorthWest Australia intends not to remove the Manager in the event it acquires control of Generation (as disclosed in its Replacement Bidder's Statement), this would not be triggered in connection with this Offer.
20. There is also a lease agreement for Casey Private to which a subsidiary of the Manager is a party that contains a restriction on assignment without the consent of the counterparty (not to be unreasonably withheld). However, as NorthWest Australia intends not to remove the Manager in the event it acquires control of Generation (as disclosed in its Replacement Bidder's Statement), this agreement should not require any assignment on the basis that the subsidiary of the Manager would likely also not be removed.

If the consent is not given in response to such clauses, it could give rise to a termination right (for example, in connection with services arrangements relating to Epworth Freemasons Victoria Parade and Epworth Freemasons Clarendon Street, the ARCBS (Kelvin Grove) lease and the Epping Medical Centre option) or, in some cases, a right to purchase Generation's interest at fair market value (for example, at Epworth Freemasons Victoria Parade and ARCBS (Kelvin Grove)). In other instances, the implications are not specified save for the fact that APNFM or the relevant Generation-related entity would be in breach of the contract. If the required consents are withheld by one or more counterparties, it could have a material adverse impact on Generation's financial performance.

10.10 Performance and/or termination fees

APNFM in its capacity as responsible entity of Generation may be obliged to pay out of the assets of Generation certain management, performance and/or termination fees to APNFM (in its personal capacity) or the Manager if there is a change in the responsible entity or as a result of the Offer there is a change in control of Generation.

In the June 2016 transaction (under which NorthWest acquired the Manager from APN, Miles Wentworth and Chris Adams), it was agreed that certain fees that are payable by Generation to APNFM would be passed through to the Manager in certain circumstances.

The table below sets out the fees that are payable upon a change of control of Generation or a change in the responsible entity of Generation.

Fig 1. Description of fees that are payable upon change of control or change in responsible entity

Description of fee	Payer	Payee	Change of control of Generation	Change in Responsible Entity
Change in ongoing management fees: upon a change of control of Generation or a change of the responsible entity, the Responsible Entity and the Manager must negotiate in good faith such amendments to the Investment Management Agreement between the parties to ensure that the Manager is not disadvantaged by the change of control other than as a result of bona fide asset disposals to persons not associated with the new responsibile entity. Where such an agreement is not reached, the Manager may elect to receive: a. an annual base fee of 0.6% p.a. of the greater of: (a) the current value of the Generation's assets as at the date of the change of control of Generation or change of the responsible entity; and (b) the current value of the Generation's assets (this annual base fee is substantively the same as the existing annual base fee to be paid); and b. an annual performance fee equal to the average annual performance fee received prior to the change of control of Generation or a change of the responsible entity (this annual performance fee differs from the existing annual performance fee to be paid, as it will be determined by reference to a fixed 'average annual performance fee' whereas the existing annual performance fee is calculated by reference to the performance of Generation against a stated benchmark).	APNFM as responsible entity of Generation	Manager	Payment triggered if the Manager is disadvantaged by the change of control and no other amendments to the Investment Management Agreement are agreed	Payment triggered if the Manager is disadvantaged by the change of responsible entity and no other amendments to the Investment Management Agreement are agreed

Description of fee	Payer	Payee	Change of control of Generation	Change in Responsible Entity
Acceleration of performance fee: upon a removal of APNFM as responsible entity of Generation, the Manager will be entitled to receive in cash any performance fee that is payable with respect to the relevant half year in which the removal occurs. The performance fee payable is equal to the dollar amount by which the actual performance of Generation exceeds the S&P/ASX 300 Property Accumulation Index (see page 47 of Generation's product disclosure statement issued on 21 March 2006 by ING Real Estate Healthcare Fund (as it then was)) and is immediately payable upon removal of the responsible entity. This performance fee is payable to the Manager by the Responsible Entity pursuant to the terms of the Investment Management Agreement.	APNFM as as responsible entity of Generation	Manager	Not triggered	Payment triggered (this brings forward any applicable payment) unless the payment would exceed 7.5% of the value of Generation's property
Outstanding excess performance fees: upon the financial close of a takeover or a change in responsible entity of Generation, the Manager will be entitled to an immediate payout in cash of the outstanding performance fee. This fee is calculated as being the fees in excess of a fee cap of 1.5% per annum of monthly average gross assets. There remains outstanding excess management fees that have accumulated since this fee cap came into effect on 1 July 2014. As at 18 May 2017, APNFM estimates the cash payout amount to be $8.8 million, calculated on the basis of a Generation Unit price being $2.30. See also section 10.4 of the Replacement Bidder's Statement.	APNFM as as responsible entity of Generation	Manager[21]	Payment triggered[22]	Payment triggered[23]

21. If this fee is payable to the Manager, then it will trigger the payment by NorthWest Healthcare Australia Investments Pty Limited (a controlled entity of NorthWest) to APN. See section 10.11(a) of this Target's Statement.
22. Please note, this payment is triggered upon financial close of any takeover or merger involving Generation.
23. This would also be triggered if the Manager were removed.

10.11
Other interests of the Responsible Entity and its related bodies corporate

a. Deferred consideration arrangements

In connection with the June 2016 sale of the Manager to NorthWest, NorthWest and the Responsible Entity agreed that APNFM would hold, on trust for the Manager, such number of Generation Units to be issued to the Manager in payment of the outstanding performance fee owing to the Manager under the Investment Management Agreement between the Manager and APNFM (as responsible entity of Generation) with respect to the period ended 31 December 2015 (**Performance Fee Units**).

At the same time, NorthWest Healthcare Australia Investments Pty Limited (a controlled entity of NorthWest), agreed to make a payment to APN upon the later of:

- the transfer of the Performance Fee Units by the Responsible Entity to the Manager (or the payment to the Manager of a cash amount in lieu of that); and
- a "trigger event" (which includes a change in the responsible entity to NorthWest Healthcare Australia Investments Pty Limited or to an affiliate of that entity as well as an acquisition by NorthWest Healthcare Australia Investments Pty Limited or to an affiliate of that entity of more than 50% of the Units in Generation).

As described in the table in Fig 1 above, the Manager is entitled to excess performance fees payable in cash upon a change of responsible entity or completion of a takeover of Generation. Upon that occurring, NorthWest Healthcare Australia Investments Pty Limited would be obliged to pay an amount to APN. The fee payable to APN upon any change in the responsible entity to an affiliate of NorthWest[24] is $6.0 million under the terms of the agreement. APN will also be obliged to pay $3.5 million of this amount to the other vendors of the Manager (being Miles Wentworth and Chris Adams and their associated entities).

10.12
Continuous disclosure

Generation is a disclosing entity (as that term is defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Copies of documents filed with ASX by Generation may be obtained from the ASX website at www.asx.com.au or from the Generation website at www.generationreit.com.au. Copies of documents lodged with ASIC in relation to Generation may also be obtained from, or inspected at, an ASIC office. All announcements made by Generation to ASX from the Last Trading Date until 18 May 2017 are listed in Attachment A.

10.13
Consents

The following parties have given, and have not withdrawn before the date of this Target's Statement, their consent to be named in this Target's Statement in the form and context in which they are so named:

a. Merrill Lynch Markets (Australia) Pty Limited;

b. Gilbert + Tobin; and

c. the Independent Expert, including consenting to the inclusion of the Independent Expert's Report in this Target's Statement as Attachment B and statements based on the Independent Expert's Report in the form and context in which the statements are included and to the inclusion of all references in the Target's Statement to those statements in the form and context in which they are included,

and each of those parties:

d. has not authorised or caused the issue of this Target's Statement;

e. does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than a statement included in this Target's Statement with the consent of that party; and

24. APNFM considers that the payment would be triggered if NorthWest Australia acquires 50% or more of Generation Units. This has regard to NorthWest Australia's intention (as disclosed in section 6.3(a) of the Replacement Bidder's Statement) that it will seek to replace APNFM with a NorthWest responsible entity, with a board nominated by NorthWest, as soon as is practicable.

f. to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Target's Statement, other than a reference to its name and the statements (if any) included in this Target's Statement with the consent of that party.

As permitted by ASIC Class Order 13/521, this Target's Statement may include or be accompanied by statements which are made in documents lodged with ASIC or ASX. Pursuant to the Class Order, provided this Target's Statement fairly represents such statements, the consent of the parties making those statements is not required for, and those parties have not consented to, the inclusion of such statements in this Target's Statement. Generation Unitholders may, during the Offer Period, obtain a copy of the documents (free of charge) in which the aforementioned statements appear (or in which statements based on those statements appear, as the case may be), or the relevant part(s) of any of those documents, by contacting the Generation Unitholder Information Line on 1300 340 644 (within Australia) or +61 1300 340 644 (outside Australia) at any time between 9.00am and 5.30pm (Sydney time) on Monday to Friday.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by statements fairly representing a statement by an official person, or statements from a public official document or a published book, journal or comparable publication.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains unit price data sourced from IRESS without its consent.

10.14 No other material information

This Target's Statement is required to include all information that Generation Unitholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisors to expect to find the information in this Target's Statement; and
- only if the information is known to any of the Directors of APNFM.

The Directors of APNFM are of the opinion that the information that Generation Unitholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is the information contained in:

- the Replacement Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- Generation's annual reports and releases to ASX before the date of this Target's Statement;
- documents lodged by Generation with ASIC before the date of this Target's Statement; and
- this Target's Statement.

The Directors of APNFM have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Replacement Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors of APNFM do not take any responsibility for the contents of the Replacement Bidder's Statement.

In deciding what information should be included in this Target's Statement, the Directors of APNFM have had regard to:

- the nature of the Generation Units (being fully paid ordinary units);
- the matters which Generation Unitholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisors of Generation Unitholders; and
- the time available to APNFM to prepare this Target's Statement.

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Approval of this Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors of APNFM.

Signed for and on behalf of APN Funds Management Limited.

Geoff Brunsdon
Chairman

22 May 2017

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Glossary and Interpretation

Glossary

The following defined terms in this Target's Statement have the meanings set out below.

Term	Meaning
1H17 Results Announcement	means Generation's ASX announcement of the 1H17 Results, as released to ASX on 20 February 2017.
1H17 Results	means Generation's Appendix 4D and 1H17 Financial Report disclosing the financial results in respect of 1H17, as released to ASX on 20 February 2017.
Acceptance Form	means the acceptance form enclosed with the Replacement Bidder's Statement.
Announcement Date	means 24 April 2017.
APN	means APN Property Group Limited (ACN 109 846 068).
APNFM	means APN Funds Management Limited (ABN 60 080 674 479), in its capacity as the responsible entity of Generation.
APNFM Board	means the board of directors of APNFM in its capacity as the responsible entity of Generation.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the "Australian Securities Exchange" operated by that entity.
ASX Settlement	means ASX Settlement Pty Limited (ABN 49 008 504 532).
ASX Settlement Operating Rules	means the operating rules of ASX Settlement.
Bid Implementation Deed	means the bid implementation deed between APNFM and NorthWest Australia dated 5 May 2017.
CGT	means capital gains tax.

Glossary and interpretation

Term	Meaning
Competing Proposal	has the meaning given to that term in the Bid Implementation Deed.
Corporations Act	means *Corporations Act 2001* (Cth).
Directors or **Directors of APNFM** or **APNFM Directors**	means the directors of APNFM in its capacity as the responsible entity of Generation.
Exclusivity Period	means the period commencing on 5 May 2017 and ending on the first to occur of the termination of the Bid Implementation Deed or the time at which the Offer Period ends.
Generation or **GHC**	means Generation Healthcare REIT (ARSN 118 712 584).
Generation Units or **Units**	means fully paid ordinary units in Generation.
Generation Unitholders	means the holders of Generation Units.
Generation Unitholder Information Line	means the information line established by APNFM to answer questions from Generation Unitholders about the Offer.
Independent Expert	means Ernst & Young Transaction Advisory Services Limited.
Independent Expert's Report	means the report issued by the Independent Expert for inclusion in this Target's Statement.
Last Trading Date	means 21 April 2017.
Listing Rules	means the official listing rules of ASX as amended or varied from time to time.
Manager	means Generation Healthcare Management Pty Limited (ABN 79 116 881 559), a wholly owned subsidiary of NorthWest.
MIT	means managed investment trust.
NorthWest	means NorthWest Healthcare Properties Real Estate Investment Trust, a Canadian healthcare REIT which is listed on the Toronto Stock Exchange (TSX: NWH).
NorthWest Australia	means NWH Australia AssetCo Pty Ltd (ACN 617 449 948) as trustee for NWH Australia Asset Trust, a controlled entity of NorthWest.
NTA	means net tangible assets.
Offer	means the off-market takeover offer by NorthWest Australia for Generation Units pursuant to the terms and conditions contained in section 11 of the Replacement Bidder's Statement.
Offer Period	means the period during which the Offer will remain open for acceptance in accordance with the terms and conditions of the Replacement Bidder's Statement.
Offer Price	means the price offered for Generation Units under the Offer, being $2.30 cash for each Generation Unit, less the amount or value of any rights attaching (including any distributions) which arise or are paid on or after the Announcement Date which NorthWest Australia does not receive.
Performance Fee Units	has the meaning given to that term in section 10.11(a).
Register Date	means 7.00pm (Sydney time) on 26 April 2017, being the date set by NorthWest Australia under section 633(2) of the Corporations Act.
REIT	means real estate investment trust.
Replacement Bidder's Statement	means the replacement bidder's statement issued by NorthWest Australia in relation to the Offer dated 8 May 2017, which replaced the bidder's statement issued by NorthWest Australia in relation to the Offer dated 24 April 2017.
Responsible Entity	has the meaning given to that term in the Corporations Act.
Superior Proposal	has the meaning given to that term in the Bid Implementation Deed.
Target's Statement	means this document and includes the attachments to it.

Term	Meaning
VWAP	means the volume weighted average price of Generation Units sold on the ASX over the relevant period.
WALE	means weighted average lease expiry.

Interpretation

a. Words and phrases to which a meaning is given by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules have that meaning in this Target's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.
b. Headings are for convenience only and do not affect the interpretation of this Target's Statement.
c. The singular includes the plural and vice versa and words importing any gender include the other gender, and references to persons include corporations, other bodies corporate, unincorporated bodies, partnership, joint ventures or associations.
d. References to sections are to sections of this Target's Statement, unless stated otherwise.
e. Where a term is defined, its other grammatical forms have a corresponding meaning.
f. References to time are references to the time in Sydney, Australia on the relevant date, unless stated otherwise.
g. A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
h. "$" or "A$" or "AUD" is a reference to the lawful currency of Australia.

Attachment A

Generation ASX Announcements between Last Trading Date and 18 May 2017

Date	Title
24/04/2017	Trading Halt announcement
24/04/2017	NorthWest unconditional takeover offer for Generation
24/04/2017	NorthWest Australia Bidder’s Statement
24/04/2017	Receipt of NorthWest Australia Bidder’s Statement
24/04/2017	Change in substantial holding notice – NorthWest Australia
05/05/2017	Recommendation for NorthWest Australia’s takeover offer
05/05/2017	Recommendation received for takeover offer for Generation
08/05/2017	NorthWest Australia First Supplementary Bidder’s Statement
08/05/2017	NorthWest Australia Replacement Bidder’s Statement
09/05/2017	Change in substantial holding notice – NorthWest Australia
10/05/2017	Change in substantial holding notice – NorthWest Australia
10/05/2017	March 2017 Quarter Update
12/05/2017	Change in substantial holding notice – NorthWest Australia
15/05/2017	Change in substantial holding notice – NorthWest Australia
16/05/2017	Change in substantial holding notice – NorthWest Australia
17/05/2017	Change in substantial holding notice – NorthWest Australia
17/05/2017	Ceasing to be a substantial holder – APN
18/05/2017	Change in substantial holding notice – NorthWest Australia

Attachment B

Independent Expert's Report

Independent Expert's Report and Financial Services Guide

In relation to the takeover offer by NWH Australia AssetCo Pty Ltd as trustee for NWH Australia Asset Trust for Generation Healthcare REIT

19 May 2017

EY
Building a better working world

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Part 1 – Independent Expert's Report

The Directors
APN Funds Management Limited, as responsible entity for
Generation Healthcare REIT
Level 30, 101 Collins Street
Melbourne, Victoria 3000 Australia

19 May 2017

Dear Directors

Takeover offer by NWH Australia AssetCo Pty Ltd as trustee for NWH Australia Asset Trust for Generation Healthcare REIT

Background

On 5 May 2017 ("Announcement Date"), APN Funds Management Limited ("APNFM" or the "RE"), the responsible entity of Generation Healthcare REIT ("Generation" or the "Company") announced that it had reached an agreement with NWH Australia AssetCo Pty Ltd, as trustee for NWH Australia Asset Trust ("NorthWest Australia") to increase its initial offer, announced on 24 April 2017 ("Initial Announcement Date"), under its all-cash, unconditional, off-market takeover offer ("Offer") for all outstanding units it does not already own in Generation from $2.24 to $2.30 per Generation Unit ("Offer Price"). As at the Initial Announcement Date, NorthWest Australia held a 22.73% interest in Generation. NorthWest Australia has declared its Offer Price final[1] and therefore, in the absence of a competing proposal being made public, will not be increased.

NorthWest Australia is a controlled entity of NorthWest Healthcare Properties Real Estate Investment Trust ("NorthWest"). As at 18 May 2017, NorthWest Australia holds a 40.40% interest in Generation.[2] The manager of Generation, Generation Healthcare Management Pty Limited ("GHM" or the "Manager"), is 100% owned by NorthWest while the responsible entity of Generation, APNFM, is 100% owned by APN Property Group Limited ("APN Group"), an Australian publicly listed company.

As noted above, under the Offer, unitholders of Generation other than NorthWest Australia ("Generation Unitholders") will receive cash consideration of $2.30 for every unit held in Generation ("Generation Unit" or "Unit"). This cash consideration will be reduced for any amount or value of any rights, principally distributions, ("Rights") attaching to the Generation Units which arise or are paid on or after the Initial Announcement Date which NorthWest Australia does not receive. If Generation Unitholders accept the Offer, the cash consideration will be paid within five business days after receipt of valid acceptance. Based on the current timetable for the Offer, no distributions are expected to be paid during this period.

The Board of APNFM has unanimously recommended that all Generation Unitholders accept the Offer, in the absence of a superior proposal. This is subject to the independent expert determining that the Offer is fair and reasonable, in the absence of a superior proposal.

NorthWest Australia and APNFM have entered into a bid implementation deed ("Bid Implementation Deed") which includes customary provisions for a transaction of this nature such as no shop, no talk, no due diligence, notification and matching right provisions. Furthermore, the Bid Implementation Deed includes a $5 million break fee payable to NorthWest Australia in certain circumstances. These are discussed further in section 1.1 and in Generation's target statement ("Target's Statement").

[1] The Offer Price was declared final as to price, subject only to no competing proposal for Generation being publicly announced
[2] Per ASX substantial holder announcement dated 18 May 2017

On 8 May 2017, NorthWest lodged its Replacement Bidder's Statement in relation to the Offer with the Australian Securities and Investments Commission ("ASIC") and the Australian Securities Exchange ("ASX"). The Offer is being undertaken in accordance with Chapter 6 of the *Corporations Act 2001* ("Corporations Act").

The Offer is scheduled to close on 8 June 2017 ("Offer Period") unless otherwise extended or withdrawn by NorthWest Australia as permitted by the Corporations Act. Up until this date, NorthWest Australia intends to conduct on-market purchases of Generation Units. If the Offer results in NorthWest Australia acquiring a relevant interest of 90% or more of total Generation Units on issue, NorthWest Australia will become entitled to and has stated that it intends to compulsorily acquire the remaining outstanding Generation Units. If this is the case, NorthWest Australia intends to de-list Generation from the ASX and replace the current responsible entity, APNFM, with a NorthWest controlled responsible entity with a board nominated by NorthWest. We recommend that Generation Unitholders read the Target's Statement to obtain a full understanding of the Offer.

Requirement for an independent expert's report

We understand that there is no regulatory requirement under either the Corporations Act or ASX Listing Rules for an independent expert's report ("IER" or this "Report") to be provided to Generation Unitholders in relation to the Offer as, at the date of this Report, there were no common directors and, at the time the Replacement Bidder's Statement was sent to Generation Unitholders, NorthWest or its associated entities did not hold an interest greater than 30% in Generation. Notwithstanding this, the directors of APNFM ("APNFM Directors" or "Directors"), as responsible entity for Generation, have engaged Ernst & Young Transaction Advisory Services Limited ("EY Transaction Advisory Services") to prepare this IER in relation to the Offer as if such a report was required under the *Corporations Regulations 2001* (the "Regulations").

Accordingly, we have prepared this IER to present whether, in our opinion, the Offer is fair and reasonable to Generation Unitholders. Our report is to be included in the Target's Statement being sent to Generation Unitholders in respect of the Offer on or around 23 May 2017.

Approach

Neither the Corporations Act nor the ASX Listing Rules define the term "fair and reasonable". In determining whether or not the Offer is fair and reasonable, we have principally had regard to relevant ASIC Regulatory Guides, particularly Regulatory Guide 111: *Content of expert reports* ("RG 111") which provides some guidance as to how the term should be interpreted in a range of circumstances. With respect to a takeover offer, RG 111 makes it clear that:

- An offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares".
- An offer is "reasonable" if it is fair. It might also be "reasonable" if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- An independent expert should provide a range of values for the securities that are the subject of the offer. If the value of the consideration offered falls within the range of values of the securities, under RG 111, the offer is "fair". RG 111 lists a number of factors which experts may consider when assessing the reasonableness of an offer.

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Summary of opinion

Fairness and reasonableness of the Offer

We have determined whether the Offer is fair by comparing the Offer Price of $2.30 per Generation Unit to our assessment of Generation's adjusted net tangible assets ("Adjusted NTA") per Generation Unit. We have also considered whether Unitholders are receiving the benefit of an adequate premium over Adjusted NTA based on the Offer Price to reflect a portfolio premium that might be expected based on market evidence to be received for a portfolio of properties such as that owned by Generation.

We have adopted this approach as a net tangible assets ("NTA") methodology is typically utilised in valuing real estate investment trusts ("REIT") such as Generation. It also recognises that most independent property valuations prepared for REITs are of each individual property and are not prepared on the basis that the properties are being sold as a combined portfolio. As set out in section 7.10.2 of this Report, it can be observed that property portfolios such as those owned by Generation often realise a price in excess of the sum of the value of individual properties determined on a stand alone basis. We conclude that if the Offer Price both exceeds Adjusted NTA and includes an adequate premium to reflect the additional value attaching to a portfolio of properties then the Offer Price exceeds the value of a Generation Unit on a controlling basis and is therefore fair.

In forming our opinion, we have concluded that the Adjusted NTA per Generation Unit is in the range of $1.55 to $1.76 per Generation Unit. As shown in the table below, the Offer Price is at a premium of 48% at the low end and a premium of 31% at the high end of our assessed Adjusted NTA per Generation Unit. We consider this range of premium to be more than adequate to reflect a premium that might reasonably be expected to be received in relation to a portfolio of properties such as that owned by Generation. The rationale for the adequacy of this premium is set out in section 7.10.2 of this Report.

The table below presents a summary of the assessed Adjusted NTA per Generation Unit on a controlling interest basis compared to the Offer Price. Also presented is the Adjusted NTA per Generation Unit before deductions.[3]

Evaluation of the fairness of the Offer

Currency: $/Unit	Ref	Low	High
Offer Price		2.30	2.30
Adjusted NTA per Generation Unit	*Section 7*	1.55	1.76
Premium to the Adjusted NTA per Generation Unit		0.75	0.54
% Premium		48%	31%
Adjusted NTA per Generation unit before deductions[1]		1.68	1.87
Premium to the Adjusted NTA per Generation Unit before deductions[1]		0.62	0.43
% Premium		37%	23%

Source: EY Transaction Advisory Services analysis

Notes:

1 Excludes deductions for corporate costs, change of control and termination obligations as a result of the Offer and one off transaction costs as set out in section 7.1. We have also performed this analysis without these deductions as the data used to analyse premiums in many comparable transactions does not include such items as they are not all recognised as balance sheet items for accounting purposes.

As the Offer Price exceeds the range of Adjusted NTA per Generation Unit and provides an adequate premium to reflect a portfolio premium as discussed in section 6.2.2, we consider the terms of the Offer to be fair. Under the guidance provided by RG 111, as we consider the terms of the Offer to be fair, we also consider the terms to be reasonable.

3 Adjusted NTA before deductions incorporates the assessed value for each of Generation's properties at Generation's ownership interest, the value of Generation's debt investments, other assets and liabilities less net debt as at 31 March 2017

Other factors

Notwithstanding the above conclusion that the terms of the Offer are fair and reasonable, we have also considered other factors that Generation Unitholders should consider in forming their views as to whether or not to accept the Offer. Listed below is a summary of these other factors. Generation Unitholders should refer to section 8 for further explanation.

Individual Generation Unitholders may interpret these factors differently depending on their own circumstances.

Generation Unitholders are receiving a premium to the price of Generation Units prior to the announcement of the Offer

The last traded price of Generation Units on 21 April 2017, the day prior to the Initial Announcement Date, was $2.05 per Generation Unit. The Offer Price represents a 12.2% premium to the price of a Generation Unit on the day prior to the Initial Announcement Date and 13.3% over the previous one month's VWAP of $2.03 per Generation Unit prior to the Initial Announcement Date.

Generation Unitholders are receiving a premium to the reported NTA and Adjusted NTA

As at 31 March 2017 ("Mar17A"), the reported unaudited net tangible assets ("NTA") of Generation was $365.8 million. Based on the number of units outstanding as at that date, this was equivalent to an NTA of $1.66 per Generation Unit. The Offer represents a 39% premium to the reported NTA of $1.66 per Generation Unit and a 31% to 48% premium to our assessed Adjusted NTA range per Generation Unit. As noted above, we consider this premium more than adequate to compensate for any portfolio premium that might be expected to be received.

The Offer provides liquidity

The Offer represents an opportunity for Generation Unitholders to achieve a ready sale of their Generation Units at a certain price. The historically low volumes of trading in Generation Units means that it may otherwise be difficult for Generation Unitholders to realise value in the open market for large volumes of Generation Units. Further, given NorthWest Australia, as at 18 May 2017, owns in excess of 40% of total Generation Units, low levels of liquidity may persist or even worsen from historical levels if Generation remains listed after the close of the Offer.

Removal of exposure to near-term capital expenditure requirements

Generation currently has one significant property under development with a second pending construction subject to financing and construction tenders. Accordingly, significant expenditure is projected to be incurred over the next two years. As is typically the case with any such property developments, associated risks may include project execution, timing, cost and returns.

No participation in the future of Generation's business

By accepting the Offer, Generation Unitholders will receive the Offer Price but will not receive the benefit of any future increases in value of the portfolio or business as a result of operational and development success or market movements.

Potential for alternative superior proposals to emerge

While it is possible that an alternative proposal involving Generation may emerge, we note that since the announcement of the Offer, no superior proposals have been received and the APNFM Directors are not aware of any potential superior alternative proposal likely to emerge. NorthWest Australia's ownership of GHM (the manager of Generation) and its existing interest in Generation of 40.40% as at 18 May 2017, may limit the potential for superior proposals to emerge.

Intentions upon acquisition of 90% or more of Generation Units

If, as a result of the Offer, NorthWest Australia acquires 90% or more of the Generation Units, NorthWest Australia would have the right, and has stated that it intends, to compulsorily acquire the remaining Generation Units. Other stated intentions in this circumstance include:

- Arrangement of de-listing of Generation from the official list of the ASX.
- Seeking to change the responsible entity of Generation to a NorthWest responsible entity with a board nominated by NorthWest.
- If, as a result of the Offer, change of control or review events are triggered with respect to Generation's existing debt financing arrangements, NorthWest Australia expects that such facilities could be refinanced by Generation in the ordinary course of business.
- To review Generation's distribution and capital management policies to form views on the most effective and efficient capital structure for Generation, including whether Generation's leverage could be increased beyond its current levels and a review of Generation's distribution policies. Any changes to Generation's distribution and capital management policies would need to be approved and implemented by the responsible entity of Generation.
- To perform an operational and strategic review of Generation's assets and operations. This may lead to further acquisitions, disposals or developments in the future.
- No change to the existing manager of Generation which is wholly owned by NorthWest.

Possible minority ownership consequences

In the event that NorthWest Australia acquires greater than 50% but less than 90% of all Generation Units, there are potential adverse consequences of remaining as a minority interest Unitholder in Generation. In these circumstances, Generation Unitholders who do not accept the Offer or otherwise dispose of their Units will remain minority Unitholders in Generation. This has a number of implications, including:

- NorthWest Australia may seek to de-list Generation if it acquires greater than 50% of the Generation Units, subject to complying with ASX guidance on this matter. If this occurs, Generation Unitholders who do not accept the Offer may be left with units in an unlisted entity. If Generation was de-listed, the marketability of units in Generation would be significantly reduced which may also have an adverse impact on the price at which Generation Unitholders could arrange to sell their Units.
- If Generation remains listed:
  - The Generation Unit price would be expected to decrease immediately following the end of the Offer Period. This would reflect the fact that at that stage, the attraction of Generation as a takeover target will be diminished should NorthWest Australia be a controlling Unitholder. Any prospect of ongoing Unitholders realising a control value for their shares would depend upon NorthWest Australia or another buyer proposing another transaction involving a control premium in the future.
  - The reduced free float of Generation Units is likely to reduce the Company's weighting or even inclusion in key stock market indices. Generation is currently included within the S&P/ASX 300 and S&P/ASX 300 A-REIT indices. This, together with the reduced number of available units and potentially reduced institutional support, is likely to reduce liquidity in Generation's Units and potentially suppress its traded price.
  - Generation would be entitled to acquire additional Generation Units under the 'creeping' acquisition provisions of the Corporations Act which allow for up to 3% of Generation Units

to be acquired every six months. Such an approach would not provide minority Generation Unitholders with the opportunity of realising a control value for their units.

- NorthWest Australia intends to seek to change the responsible entity of Generation to a NorthWest controlled responsible entity with a board nominated by NorthWest. Currently, any change to Generation's distribution and capital management policies requires approval and implementation by the RE.

Intentions upon acquisition of less than 50% of Generation Units

In the event that NorthWest Australia acquires less than 50% of Generation Units, NorthWest Australia intends to assess its position with respect to Generation. This may include seeking the implementation of some or all of its aforementioned intentions. Any such implementation would be subject to the Corporations Act.

If the Offer does not result in NorthWest Australia acquiring all of the outstanding Generation Units, the price of a Generation Unit is likely to fall below current trading levels

If the Offer does not result in the acquisition of 100% of Generation Units, and in the absence of an alternative transaction, Generation will continue to operate in its current form and be listed on the ASX unless delisted in accordance with the discussion above. As a consequence, Generation Unitholders who do not accept the Offer will maintain ownership of Generation Units but will not receive any cash consideration. Further, in these circumstances there is a risk that the price of Generation Units will fall back towards levels experienced prior to the Initial Announcement Date closing price of $2.05 per Generation Unit albeit noting the relative illiquidity of Generation Units may persist or worsen as described above.

Tax consequences

EY Transaction Advisory Services has not considered the specific taxation implications that may be relevant for individual Generation Unitholders in connection with the Offer. The exact nature and impact of any tax consequences are uncertain and will depend upon the profile of each Generation Unitholder. These specific consequences need to be borne in mind by each Generation Unitholder in weighing up the merits of the Offer. Generation Unitholders should consider the information contained in section 9 of the Target's Statement and section 9 of the Replacement Bidder's Statement.

As set out in these documents, Generation Unitholders should consider to what extent they may realise revenue or capital gains or losses on the disposal of their Generation Units if they accept the Offer, whether they may be impacted if Generation ceases to qualify as a Managed Investment Trust under Australian tax legislation and whether there are any Australian stamp duty and goods and services tax implications.

Costs associated with the Offer

APNFM has agreed, as set out in the Bid Implementation Deed, that it will use its best endeavours to limit one-off transaction costs to no more than $3.15 million in relation to the Offer. We understand that these costs are expected to be incurred materially in full. A significant proportion of these transaction costs will be payable by Generation regardless of whether the Offer results in NorthWest Australia acquiring all the outstanding Generation Units.

Conclusion

Taking into consideration the matters detailed in this IER, in the opinion of EY Transaction Advisory Services, in the absence of a superior offer, the Offer is fair and reasonable.

Other matters

This IER has been prepared specifically for Generation Unitholders. Neither EY Transaction Advisory Services, EY nor any employee thereof undertakes responsibility to any person, other than Generation Unitholders, in respect of this report, including any errors or omissions howsoever caused.

This IER constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of Generation Unitholders. The decision as to whether to accept the Offer is a matter for individual Generation Unitholders. Generation Unitholders should have regard to the Target's Statement prepared by APNFM's Directors and the Company's management. Generation Unitholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

Our opinion is made as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full IER as attached. All amounts are in Australian dollars ("$") unless otherwise stated.

EY Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included as Part 2 of this Report.

Yours faithfully

Ernst & Young Transaction Advisory Services Limited

Stuart Bright
Director and Representative

Julie Wolstenholme
Director and Representative

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1. Introduction

1.1 Overview of the Offer

On 5 May 2017, APNFM, the responsible entity of Generation, announced that it had reached an agreement with NorthWest Australia to increase its initial offer, announced on 24 April 2017 under its all-cash, unconditional off-market takeover offer for all outstanding units it does not already own in Generation from $2.24 to $2.30 per Generation Unit[4]. NorthWest Australia has declared its Offer Price as final[5] and therefore, in the absence of a competing proposal being made public, will not be increased.

NorthWest Australia's Bidder's Statement was initially lodged with ASIC and the ASX on 24 April 2017 ("Original Bidder's Statement") with the Replacement Bidder's Statement subsequently lodged on 8 May 2017. The Offer is unconditional. The Offer is stated in the Replacement Bidder's Statement to be on the same terms as set out in the Original Bidder's Statement except to the extent approved by ASIC.

Under the Offer, Generation Unitholders will receive cash consideration of $2.30 for every Generation Unit held. This cash consideration will be reduced for any amount or value of any Rights (principally distributions) attaching to the Generation Units which arise or are paid on or after the Initial Announcement Date which NorthWest Australia does not receive. If Generation Unitholders accept the Offer, the cash consideration will be paid within five business days after receipt of valid acceptance. Based on the timetable for the Offer, no distributions are expected to be paid during this period.

NorthWest Australia and APNFM have entered into a Bid Implementation Deed which includes the key terms set out below. Some of these are subject to exceptions relating to the fiduciary duties of APNFM or its directors.

- Exclusivity, covering the period from 5 May 2017 to the end of the Offer Period, including
  - *No shop* whereby APNFM must not, and must ensure that Generation and each of their representatives do not, directly or indirectly solicit, invite, encourage, facilitate or initiate any enquiries, negotiations or discussions which could reasonably be expected to lead to a competing proposal.
  - *No talk* whereby APNFM must not, and must ensure that Generation and each of their representatives do not, directly or indirectly enter into discussions, agreements or communications that could lead to or be related to a competing proposal.
  - *No due diligence* whereby APNFM must not, and must ensure that Generation and each of their representatives do not, make available any non-public information relating to Generation to any person in connection with a possible competing proposal
  - *Notification* such that APNFM must notify NorthWest Australia in writing if APNFM, Generation or any of their representatives is asked to do, proposes to take, or is approached by any person or indirectly or directly receives any approach, inquiry or proposal that could reasonably be expected to lead to a competing proposal.
  - *Matching right provisions* such that if NorthWest Australia makes a matching offer in the case where a competing offer has been made, each of NorthWest Australia, APNFM and Generation and their representatives must use best endeavours to agree and enter into such documents as is reasonably necessary to give effect to and implement NorthWest Australia's matching offer.

4 Less the amount or value of any rights attached to the Generation Units (including any distributions) which arise or are paid on or after the Announcement Date which NorthWest Australia does not receive
5 The Offer Price was declared final as to price, subject only to no competing proposal for Generation being publicly announced

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► Further, the agreement includes a $5 million break fee payable by APNFM to NorthWest Australia in certain circumstances and sets out an agreed cap of $3.15 million for Generation's professional advisory costs and expenses in connection with responding to the Offer. The circumstances under which the break fee may be payable are set out in section 10 of the Target's Statement.

The Offer is scheduled to close on 8 June 2017 unless otherwise extended or withdrawn by NorthWest Australia as permitted by the Corporations Act. Up until this date, NorthWest Australia intends to conduct on-market purchases of Generation Units. If the Offer results in NorthWest Australia acquiring a relevant interest of 90% or more of total Generation Units on issue, NorthWest Australia will become entitled to, and has stated that it intends to, compulsorily acquire the remaining outstanding Generation Units. If this is the case, NorthWest Australia intends to de-list Generation from the ASX and replace the current responsible entity, APNFM, with a NorthWest controlled responsible entity with a board nominated by NorthWest. NorthWest Australia's intentions, including in circumstances where it does not become entitled to a 90%, interest are discussed in section 1.4.

We understand that Generation intends to lodge its Target's Statement on or around 23 May 2017 which will include a copy of this Report. In the Target's Statement, the Generation Board, in the absence of a superior offer and subject to this IER determining that the Offer is fair and reasonable, have unanimously recommended that Generation Unitholders accept the Offer.

1.2 Summary of Generation

Generation is an ASX-listed real REIT with a focus on Australian healthcare related properties. Generation has interests in a portfolio of property assets which includes hospitals, medical centres and residential aged care facilities plus a development pipeline. As at 31 December 2016, Generation had total assets under management of $621 million with investments located in Victoria ("VIC"), Queensland ("QLD") and New South Wales ("NSW"). Its market capitalisation one day prior to the Initial Announcement Date was $453 million.[6]

Generation is managed by GHM. GHM has been a wholly owned subsidiary of NorthWest since 27 June 2016 when it was acquired from APN Group and Miles Wentworth (CEO of Generation) and Chris Adams (a director of the Manager) and their associated entities as discussed in section 4.1.

As at the Initial Announcement Date, Generation had 220,742,347 ordinary units on issue.[7]

A more extensive overview of Generation is provided in section 4.

1.3 Summary of NorthWest

NorthWest Australia is the largest holder of Generation Units with an interest of 22.73% as at the Initial Announcement Date. NorthWest Australia is a controlled entity of NorthWest. NorthWest is a Canadian healthcare REIT that is listed on the Toronto Stock Exchange ("TSX"). NorthWest owns a portfolio of medical office buildings, clinics and hospitals located throughout Canada, Brazil, Germany, Australia and New Zealand.

NorthWest's investments in Australia and New Zealand are primarily via its investments in Generation and Vital Healthcare Property Trust ("Vital Healthcare"). NorthWest also owns 100% of the equity of GHM, the manager of Generation.

On 27 June 2016, NorthWest, via its controlled entity NWI Healthcare Properties LP ("NWI LP"), acquired 27.1 million Generation Units in an off-market transaction. NorthWest has since increased its direct and indirect interest in Generation via private issuance of units (in relation to the performance fee due to the Manager which can be settled by additional Units being issued or in cash under certain circumstances) and

6 S&P Capital IQ as at 21 April 2017 and http://www.generationreit.com.au/aboutus/fund/ sighted 5 May 2017

7 Source: S&P Capital IQ

on-market acquisitions. On 24 April 2017, NWI LP transferred 50.2 million Generation Units, representing 22.73% of total units on issue, to NorthWest Australia by way of an off-market transfer.[8] As at 18 May 2017 as a result of subsequent on-market purchases and acceptances under the Offer, NorthWest Australia held 40.40% of Generation Units on issue.[9]

1.4 NorthWest Australia's intentions

1.4.1 Intentions upon acquisition of 90% or more of all Generation Units

In the event that NorthWest Australia acquires an interest of 90% or more of all Generation Units, as disclosed in the Bidder's Statement, NorthWest Australia intends to:

- Compulsorily acquire the remaining outstanding Generation Units
- Remove Generation from the official list of the ASX
- Replace the responsible entity of Generation with a NorthWest controlled responsible entity with a board nominated by NorthWest
- Maintain the existing manager of Generation, GHM, which is wholly owned by NorthWest

1.4.2 Intentions upon acquisition of greater than 50% but less than 90% of all Generation Units

In the event that NorthWest Australia acquires an interest greater than 50% but less than 90% of all Generation Units, as disclosed in the Bidder's Statement, NorthWest Australia intends to:

- If, at a later date, it becomes entitled to exercise any compulsory acquisition rights under the Corporations Act, it may exercise those rights
- Review the ongoing suitability of Generation remaining listed on the ASX and subject to compliance with the law and ASX guidance, may seek to remove Generation from the official list of the ASX
- At some later date, acquire further Generation Units in any manner permitted by the Corporations Act
- If the Offer triggers any change of control or review events within Generation's existing financing arrangements, NorthWest Australia expects that these facilities could be refinanced by Generation in the ordinary course of business
- Review Generation's distribution and capital management policies to form views on the most effective and efficient capital structure for Generation, including whether Generation's leverage could be increased beyond its current levels
- Undertake a general review of Generation's assets and operations to review the way Generation's assets are developed and managed to evaluate performance, profitability and prospects. This may lead to further acquisitions, disposals or developments in due course

1.4.3 Intentions upon acquisition of 50% or less of all Generation Units

In the event that NorthWest Australia acquires an interest of 50% or less of all Generation Units, as disclosed in the Bidder's Statement, NorthWest Australia intends to:

[8] ASX market announcement dated 24 April 2017 regarding 'Notice of Change of Interests of Substantial Holder'
[9] ASX market announcement dated 18 May 2017 regarding 'Notice of Change of Interests of Substantial Holder'

- Assess its position with respect to Generation in this context and NorthWest Australia's position at that time
- Potentially seek to implement some or all of its intentions as outlined above subject to the Corporations Act. This may rely upon the cooperation of Generation Unitholders and the RE at that time to approve and implement some or all of its intentions

1.4.4 Other

NorthWest Australia has also noted that:

- From the Initial Announcement Date until the Offer closes, it intends to conduct on-market purchases of Generation Units
- Subject to the matters discussed in the Bidder's Statement and the intentions described above, it will generally continue the operations of Generation and not make any major changes to the operations of Generation nor redeploy any Generation property

2. Scope of the independent expert's report

2.1 Purpose of the report

Chapter 6 of the Corporations Act regulates takeover offers of the nature proposed by NorthWest Australia. Specifically, section 640 requires an IER to be commissioned where the bidder holds greater than 30% of a target's shares at the time the bidder's statement is sent to the target or where there are common directors between the two entities.

While there is no regulatory requirement for Generation to commission an IER, as Generation did not at the time the Original and Replacement Bidder's Statements were sent to Generation hold a 30% or greater interest and there are no common directors, the APNFM Directors have decided to commission this IER to assist Generation Unitholders in assessing the merits of the Offer. This Report provides our opinion as to whether the Offer is fair and reasonable to Generation Unitholders.

Our Report will accompany the Target's Statement to be sent to Generation Unitholders. We recommend that Generation Unitholders read the Target's Statement and the Bidder's Statement to obtain a full understanding of the Offer.

The IER considers the interest of unitholders as a whole and not individually. Individual unitholders may be impacted by specific issues that are not general to unitholders as a whole and this Report cannot, and does not, consider such issues.

2.2 Meaning of fair and reasonable

In preparing our report, we had regard to RG 111. As the Offer represents a 'control' transaction, as discussed in the aforementioned ASIC Regulatory Guide, we have considered whether the Offer is 'fair and reasonable'.

The meaning of 'fair and reasonable' in the context of a takeover offer is outlined in RG 111 paragraphs 111.10 to 111.14. This guidance makes it clear that 'fair' and 'reasonable' are two distinct concepts. Under this approach:

- An offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison is to be made assuming 100% ownership of the target and it is "inappropriate to apply a discount on the basis that the shares being acquired represent a minority or portfolio parcel of shares".

- An offer is "reasonable" if it is fair. It might also be "reasonable" if, despite being "not fair", the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

2.3 Basis of evaluation

In assessing whether the Offer is fair and reasonable, we have had regard to whether the consideration being offered for a Generation Unit, on a 100% basis, is higher or lower than the fair value range of a Generation Unit. If the value of the consideration offered falls above or within the range of values of the securities, the offer is considered to be fair.

RG 111 provides that an offer may be "reasonable" despite not being "fair", if the expert believes that there are sufficient reasons for unitholders to accept the offer in the absence of a superior offer before the close of the Offer Period.

In assessing whether the Offer is reasonable, we also considered the following matters:

- The liquidity of, and prices at which, Generation Units have recently traded on the ASX and the premium that NorthWest Australia is paying over pre-announcement trading levels.
- The existence of alternatives to the Offer and the consequences for Generation Unitholders.
- The likelihood of a superior proposal being received.
- The likely impact on the price at which Generation Units will trade in the event that the Offer does not result in over 90% of the outstanding units being acquired.
- Other advantages and disadvantages that Generation Unitholders should consider in assessing whether to accept the Offer.

In undertaking our assessment of the Offer we have had regard to a number of references including ASIC Regulatory Guidelines, in particular, RG 111 and Regulatory Guide 112 *Independence of experts* ("RG 112"), and relevant market valuation guidelines and generally accepted practices in the preparation of expert reports. This report has also been prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional & Ethical Standards Board Limited in July 2008 (revised May 2012). In accordance with APES 225, we have performed a Valuation Engagement, which is defined as *"an engagement where the valuer is free to choose the valuation approaches, methods and procedures as appropriate to the circumstances. The estimate of value that results is a conclusion of value."*

A glossary summarising the abbreviations we have used in this report is contained in Appendix G - *Glossary*.

2.4 Fair value

We have considered the value of a Generation Unit and the Offer on a fair value basis. Fair value in this context is considered to be:

"The price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

Fair value does not incorporate any special value. Special value is the additional value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

2.5 Independence

Prior to accepting this engagement, we considered our independence with respect to Generation, NorthWest and APNFM with reference to RG 112. In our opinion, we are independent of Generation, NorthWest and APNFM.

EY Transaction Advisory Services and EY have not provided any services to Generation, NorthWest or APNFM in relation to the Offer.

EY has previously provided professional services to both Generation via its manager, GHM, and APNFM, and subsidiaries thereof. In the case of GHM, this includes past valuations of Casey Private Hospital. These professional services were in respect of matters not related to the Offer. We do not consider these services to compromise our independence.

2.6 Limitations and reliance on information and specialist reports

We have considered a number of sources of information in preparing our report and arriving at our opinion. These sources of information are detailed in Appendix F – *Sources of information*.

In particular, we have had regard to independent property valuation reports prepared by independent professionally qualified valuers engaged by Generation (the "Property Valuation Reports"). All such valuations were undertaken for financial reporting purposes at various dates over the last 18 months. The Property Valuation Reports were not specifically commissioned in relation to the Offer or this IER.

Based on our review of these reports, we consider that:

- Reputable valuation companies and suitably qualified individuals with relevant experience performed the valuation analysis
- The property valuers engaged were authorised by law to practice as property valuers
- The property valuers regarded themselves as independent
- There were no restrictions in the scope of the independent valuers' engagements or other terms which may have impacted the quality of the valuations
- The valuers prepared their valuations in accordance with Australian Property Institute standards
- The valuers utilised recognised and common property valuation methodologies and used these methods to conclude upon value.

We note that our review does not imply, and nor should it be construed that, we have subjected the valuations to any form of audit or due diligence. The values ascribed to Generation's properties by us in this Report should not be regarded as being a substitute for the values ascribed to such properties by the RE for the purposes of preparing Generation's financial statements, which are determined in accordance with Generation's valuation policy and following a process, which includes the RE obtaining external valuations from independent professionally qualified valuers and internal valuations that are performed by the Manager and reviewed and accepted by the Board of Directors of the RE.

The information provided to us for the preparation of this IER has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Offer is fair and reasonable for Generation Unitholders. We also held discussions with management team members of Generation in relation to the Offer, as well as the operations, financial position and operating results of Generation. However, we do not warrant that our enquiries have identified all of the matters that an audit, an extensive examination or tax investigation might disclose.

Preparation of this IER does not imply that we have, in any way, audited the accounts or records of Generation. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards and International Financial Reporting Standards, as applicable.

In forming our opinion we have also assumed that:

- Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.
- The assessments by Generation and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are complete and accurate.

- The information set out in the Target's Statement and accompanying documents to Generation Unitholders is complete, accurate and fairly presented in all material respects.
- The publicly available information relied upon by us in our analysis was accurate and not misleading.
- To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this IER are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A – *Statement of qualifications and declarations* of this report.

Our assessment of the Offer is based on economic, market and other conditions prevailing as at the date of this IER. As evidenced in recent years these conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, our opinion could be different.

We provided draft copies of this IER to the Directors and management team members of Generation for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of EY Transaction Advisory Services alone. Amendments made to this IER as a result of this review by the Directors and management of Generation have not changed the conclusions reached by us.

2.7 Unitholders' decisions

This IER constitutes general financial product advice only. In forming our opinion we have considered the interests of Generation Unitholders as a whole, and we have not considered, nor is it practical or possible to consider, the individual circumstances of each Generation Unitholder. The decision to accept the Offer is a matter for individual Generation Unitholders. Generation Unitholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. Unitholders should also have regard to the Target's Statement prepared by the Directors and management of Generation. Unitholders who are in doubt as to the action they should take in relation to the Offer should consult their own professional adviser.

Similarly it is a matter for individual Generation Unitholders as to whether to buy, hold or sell units in Generation. This is an investment decision upon which we do not offer an opinion and is independent of a decision to accept the Offer. Unitholders should consult their own professional adviser in this regard.

EY Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

3. Industry overview

Generation is a REIT focused on investment in healthcare related properties, with its existing portfolio incorporating hospitals, medical centres, residential aged care, laboratories and other purpose-built healthcare facilities in Australia. Accordingly, this section focuses not only on REITs but also specifically the healthcare segment of the property market.

3.1 Australian healthcare REIT market

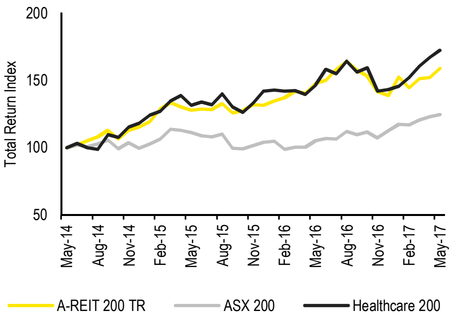
Standard & Poor's ("S&P") defines healthcare REITs as companies engaged in the acquisition, development, ownership, leasing, management and operation of properties serving the healthcare industry, including hospitals, medical clinics, nursing homes and assisted-living facilities. Such assets are often considered to be 'defensive' in nature given the properties are typically leased to major corporates, government or not for profit tenants on a long term basis, thus often providing very predictable, stable and low risk cash returns.

As of May 2017, healthcare specific REITs accounted for less than 1% of the Australian REIT ("A-REIT") sector by market capitalisation based on the top 300 companies per S&P Capital IQ. The A-REIT sectors includes two healthcare related securities being Generation and Arena REIT ("Arena"), a REIT that owns, manages and develops specialised assets in Australia with an emphasis on investments in long term, stable social infrastructure facilities in sectors such as childcare and healthcare.

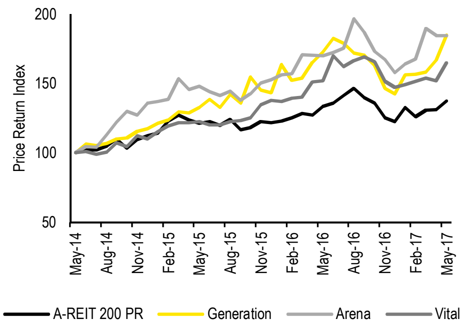
3.1.1 Recent performance

The first chart below shows the total return ("TR") performance for three relevant benchmark equity indices over the last three years, the S&P/ASX 200 Index ("ASX 200"), the S&P/ASX A-REIT 200 Index ("A-REIT 200 TR") and the S&P/ASX Healthcare 200 Index ("Healthcare 200"). The second chart below shows the price return ("PR") performance for Generation and Arena as well as Vital Healthcare, which is a fund listed on the New Zealand Stock Exchange that invests in health and medical-related properties in Australia and New Zealand[10].

Benchmark Indices Total Return Performance



Selected Healthcare REITs Price Return Performance



Source: Bloomberg
Notes:
[1] Total Return is calculated based on capital return plus dividends
[2] Price Return is calculated based on capital return only
[3] Performance of Vital Healthcare shown in the second chart is displayed in local market currency (NZD)

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[10] Vital Healthcare is 24.5% owned by NorthWest

We make the following observations (all figures sourced from Bloomberg unless otherwise noted):

- Over the year to May 2017, the A-REIT sector's total return of 7.8% was weak when compared with 18.5% for the benchmark ASX 200 (see first chart above titled Benchmark Indices Total Return Performance). The A-REIT market recorded a decline of almost 8% in the month of October 2016 alone (its worst monthly return since October 2009) reflecting, at least in part, the impact of the approximately 40 basis point increase in the 10-year bond yield. More recently, the A-REIT sector has shown sign of recovery, gaining 10.2% over the three months to May 2017.

- Merger and acquisitions and capital raising activity has increased across the A-REIT sector over the past 12 to 18 months as REITs have sought opportunities to enhance returns and achieve operational synergies in an environment characterised by tightening asset-level yields and lower returns. For example, in May 2017, Charter Hall Group completed a fully-underwritten institutional placement for $275 million of new equity[11]. In April 2017, Investa Office Fund granted Cromwell Property Group access to conduct non-exclusive due diligence following its all-cash offer to acquire Investa Office Fund[12]. These trends are also evident in the direct property markets with the $1.2 billion Australian Unity Healthcare Property Trust re-opening to investors with a target raising amount of $150 million to fund an expanding development pipeline of hospitals and medical centres on the East Coast of Australia[13].

- Over the three year period to May 2017, both the A-REIT sector and general healthcare sector have significantly outperformed the broader equity market, with total returns of 16.8% per annum and 19.9% per annum respectively, compared with 7.6% per annum for the benchmark ASX 200. This outperformance reflects strong investor demand for perceived defensive asset classes such as those with long dated leases amidst elevated levels of political and economic uncertainty. In turn, this generally supports growth in underlying property values.

- Both Generation and Arena have outperformed the overall A-REIT market, and a similarly strong performance trend can be observed for Vital Healthcare in New Zealand.

- The A-REIT sector yield, calculated as earnings before interest, tax, depreciation and amortisation ("EBITDA") / enterprise value ("EV"), shows a modest premium over and above the 10-year Australian Commonwealth Government Bond ("ACGB") yield, as illustrated in the first chart below. As at 2 May 2017, the A-REIT200 bond yield premium over the ACGB yield was approximately 1.4%, which is significantly lower than the ASX 200 with a premium of 5.2%.[14] The relatively lower premium observed for the A-REIT market is attributed to both the high level of investor demand for defensive asset classes and positive revaluations of assets which have driven up book values and in turn, enterprise values ahead of rents.

[11] ASX company announcement
[12] ASX company announcement
[13] Australian Unity website viewed May 2017
[14] Figures presented in this section have been sourced from Bloomberg and S&P Capital IQ

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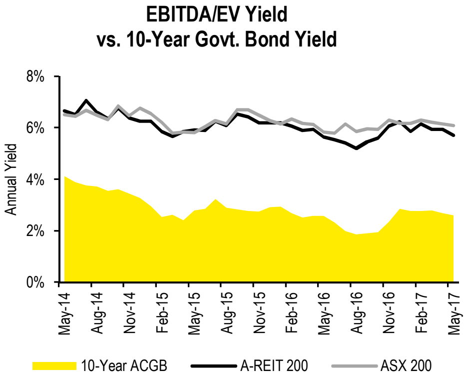

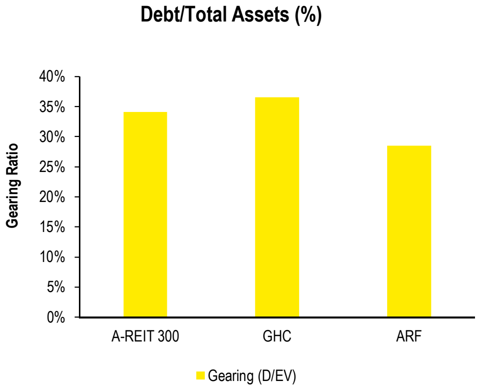

Source: Bloomberg, S&P Capital IQ, EY Transaction Advisory Services analysis

- As shown in the second chart above, Generation and Arena currently have gearing ratios (Debt/EV) which fall broadly in line with the A-REIT market, ranging from 29% to 37%. This compares with 65% on average for the benchmark ASX 200, lending support to the perceived defensiveness of the healthcare REIT sector.

- Notwithstanding the above, there has been volatility of returns across listed markets globally given geo-political uncertainties in Eastern Europe, the UK "Brexit" referendum result and the change of government in the US which arguably have impacted and may continue to impact investor confidence.

3.1.2 Outlook

The healthcare property sector in Australia is supported by fundamental factors such as Australia's ageing population demographic, longer life expectancies and technological advances. Broadly, the pricing of healthcare property assets is expected to rise, particularly for defensively positioned, long-leased properties backed by strong lease covenants such as Generation's portfolio as described in section 4.2. Such defensive assets are often highly sought after by institutional investors globally, leading to compression in capitalisation rates that may continue for some time going forward.

Conversely, a key risk to the future performance of the A-REIT market, and specifically the healthcare REIT segment, is a possible downturn in the property cycle given commercial property capital values have experienced significant growth for a number of consecutive years now. If interest rates and bond yields rise, this downturn risk is arguably heightened. However, should the current low cash rates and strong demand for commercial real estate continue, this will support asset values and acquisition activity.

In this regard, low official interest rates in Australia are part of the government's monetary policy to support gross domestic product ("GDP") growth as the Australian economy shifts focus away from being a traditionally mining and resources dominated economy given continued weak commodity pricing. On the other hand, current low wage growth rates and a trimmed mean inflation rate of 1.9%[15] for the 12 months to 31 March 2017, which is below the Reserve Bank of Australia's 2% to 3% target band, and current low wage growth rates may limit the strength of the economy and in turn, weaken the property market.

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[15] Figures sourced from the Australian Bureau of Statistics

3.2 Australian healthcare sector

The healthcare industry in Australia has continued to grow steadily, increasing in both size and complexity. The industry is comprised of a number of key players from the public and private sector, both of which have continued to increase the level of service provided to patients in line with the rising demands of Australia's ageing population. Australia's ageing population is considered a key driver of industry revenue with demand for healthcare services evident as the pool of high risk patients increases. In turn, this creates demand for more beds and better quality healthcare related properties across Australia, supporting ongoing investment in healthcare properties and arguably underpinning the strengthening values of healthcare properties.

3.2.1 Recent performance

Revenue for the general hospitals industry is forecast to reach $63.3 billion in 2016-17, having grown by an average of 3.4% per annum over the five years to 2016-17[16]. This reflects increasing demand for public hospitals largely due to the ageing population in Australia as well as strong demand for private hospitals as the Federal Government of Australia ("Federal Government") provides incentives, such as tax incentives, for consumers to invest in private health cover. The Australian healthcare sector is forecast by IBIS World to grow at a compound annual growth rate of 3.2% over the 5 years to 2021-22.

3.2.2 Outlook

Key factors driving the growth of the healthcare sector and in providers offering quality services are the funding arrangements supporting hospitals (public and private) and the ability of such hospitals to meet demand. The below discussion comments upon the funding arrangements underpinning public and private hospitals and changes in bed (capacity) requirements as factors impacting the future of the sector.

3.2.2.1 Public hospital funding

The major sources of funding for public hospitals are State/Territory Governments and the Federal Government. According to IBIS World, government funding for public hospitals is forecast to grow at a faster rate over the next five years than the previous five years. In the 2016-2017 Federal Budget, the Federal Government presented that it would fund a significant portion (45%) of the growth in hospital services for the three years from 2017-2018[17]. This agreement is a positive development for the industry in contrast to the funding cuts announced as part of the 2014-15 budget package.

Government funding beyond 2019-20 will be dependent upon future agreements negotiated between the government and states. Given recent fiscal pressure, all tiers of government are seeking to ensure that ongoing spend seeks to reduce the strain on the public hospital system through:

- The provision of incentives for general practitioners ("GPs") to bulk-bill patients
- Encouraging more Australians to obtain private health insurance cover
- State Governments contracting with private hospitals to undertake elective surgeries in order to reduce public hospital waiting lists.

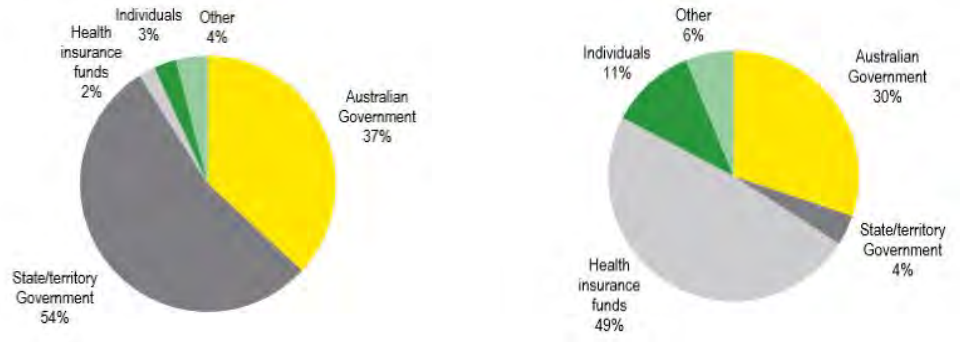
3.2.2.2 Private hospital funding

The major sources of funding for private hospitals are private health insurance funds and the Federal Government (largely via health insurance rebates). The ongoing profitability of private hospitals is therefore largely dependent upon the Federal Government continuing to support private health insurance which, taking into account the discussion in section 3.2.2.1, is likely.

[16] IBIS World 'General hospitals in Australia' industry report, January 2017
[17] IBIS World 'Health services in Australia' report, December 2016

The breakdown of public and private funding sources is provided below.

Source of funding for public (left) and private (right) hospitals (2013-2014)



Source: Australian Institute of Health and Welfare, 2016

3.2.2.3 *Capacity*[18]

Given increasing demand on hospitals, the number of beds available and the length of patients' stays are key factors influencing the demand for, and thus inherently the value of, healthcare related properties. Broadly, there has been growth in the number of beds but with private hospital growth outstripping that of public hospitals. Based on data from the Australian Institute of Health and Welfare for 2014-15, the number of public hospital beds has increased by an average of 1.1% between 2010-11 (57,800 beds) and 2014-15 (60,300 beds). Over the same period, private beds have increased by an annual average of 2.9% from 28,400 to approximately 32,000. In addition, between 2010-11 and 2014-15, the number of patient days increased by an average of 1.7% each year, from 26.9 million to 28.8 million. For private hospitals specifically, the number of patient days increased an average of 2.8% per year, and the proportion of patient days that were in private hospitals increased from 31.0% to 33.0%.

However, such growth may be offset, at least to some extent, by the use of less invasive surgical techniques following medical advancements which has increased patient throughout and enables faster discharge of patients, thereby reducing demand for hospital beds.

3.3 Australian residential aged care sector[19]

The need for age-appropriate and sufficient housing is a complex issue associated with Australia's rapidly ageing population. While approximately 3.7 million Australians are aged 65 years and over, only 10.0% currently reside in retirement villages or residential aged care facilities. With the onset of age-related conditions and fragility comes the growing need for assistance with everyday activities and personal care and thus demand for suitable accommodation.

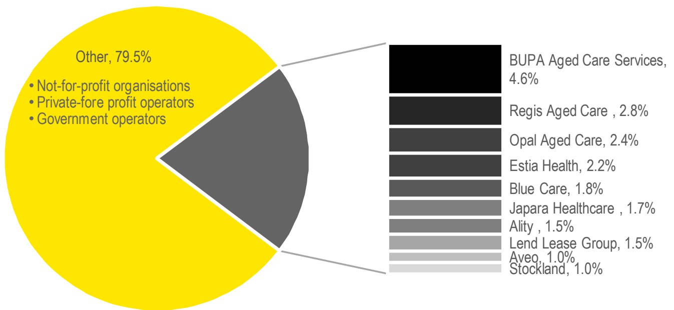
3.3.1 Recent performance and market structure

Over the past five years, the residential aged care industry has expanded to offer different lifestyle accommodation options and aged care services. More varied product offerings combined with flexible pricing strategies and growth in Federal Government funding, have supported the performance of the industry. These trends are expected to continue.

[18] Australian Institute of Health and Welfare 'Admitted patient care 2014-15' statistics published in 2016
[19] IBIS World 'Aged care residential services in Australia' report, February 2017

We note that the industry is highly fragmented with a low level of market share concentration. In 2016-17, the four largest operators accounted for less than 20% of the industry's revenue. As presented in the chart below, no single operator holds a market share of more than 5%. The low market concentration of the industry reflects the current size of the operators with 60% of aged care providers operating only one facility in 2015 and less than 5% of the industry's providers operating over 20 facilities.

Estimated market share of major aged care companies



Source: IBIS World 'Aged care residential services in Australia' report, February 2017

3.3.2 Outlook

Industry participants are expected to face considerable challenges and changes over the next five years. These include implementing new measures to adjust operations to be in line with the changing regulatory environment as well as the move towards a more consumer driven, market-based system.

We make the following observations:

► Demand in the industry is driven by the elderly population and life expectancies. With Australia's ageing population and longer life expectancies, the aged care industry is forecast by IBIS World to grow at an annual growth rate of 4.4% over the next five years.

► Despite the demand growth, there are supply constraints put in place by the government in the form of the Aged Care Approvals Round which is a system that rations aged care places through a competitive application process. This regulation of bed supply is currently under review with a proposal to have an uncapped supply in five to seven years.

► Government funds approximately two thirds of the industry's revenue, thus in large part supporting the industry's profitability. As the government likely seeks to reduce or limit this burden in the future, further regulatory change may occur which heightens uncertainty and may impact the sector's outlook.

► To the extent that the industry and the underpinning regulatory framework maintain a focus on the 'continuum of care' model, it is expected that demand for integrated accommodation, where retirement villages and residential aged care facilities are co-located, will increase.

4. Overview of Generation

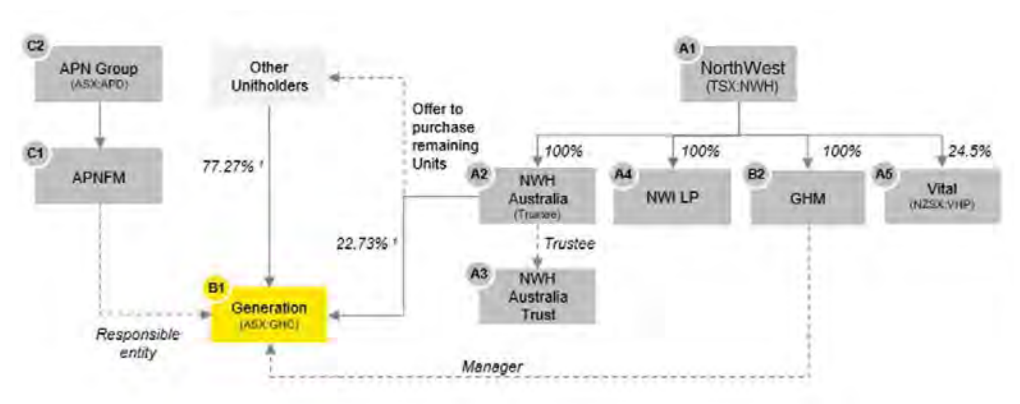
4.1 Background and history

Generation is an ASX-listed REIT with a focus on Australian healthcare related properties. Generation was listed on the ASX in 2006 as ING Real Estate Healthcare Fund. Generation adopted its current name on 27 September 2011 following the appointment of APNFM as the responsible entity of Generation.

Generation has interests in a portfolio of property assets which includes hospitals, medical centres and residential aged care facilities plus a development pipeline. As at 31 December 2016, Generation had total assets under management of $621 million with investments located in VIC, QLD and NSW. Its market capitalisation one day prior to the Initial Announcement Date was $453 million.

Generation is managed by GHM, which is a wholly owned subsidiary of NorthWest following its acquisition on 27 June 2016. Relevant entities and a company structure diagram are set out below.

Organisational Structure



Source: Generation website, Vital Healthcare website
Notes:
[1] Percentage interests shown above as at the Initial Announcement Date

Entities relevant to Generation and the Offer

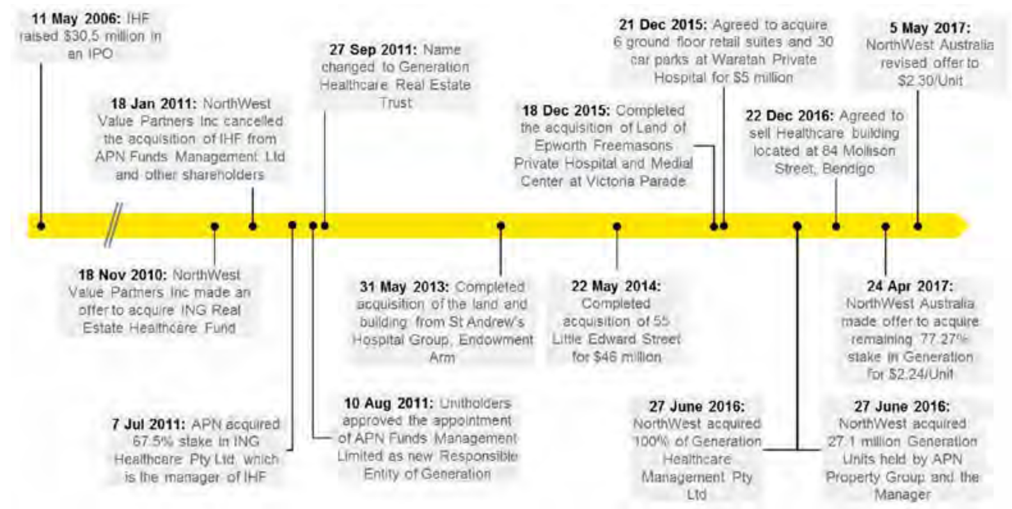
Ref	Full entity name	Abbreviated name in this report	Description
A1	NorthWest Healthcare Real Estate Investment Trust	NorthWest	Ultimate parent of Generation Healthcare Management and NWH Australia
A2	NWH Australia Asset Trust	NorthWest Australia Trust	Controlled entity of NorthWest (A1)
A3	NWH Australia AssetCo Pty Ltd	NorthWest Australia	Trustee for NWH Australia Trust (A2)
A4	NWI Healthcare Properties LP	NWI LP	Controlled entity of NorthWest (A1) Initially acquired stake in Generation (B1) from APN (C1) before selling it on to NorthWest Australia (A3)
B1	Generation Healthcare REIT	Generation	Target subject to the Offer
B2	Generation Healthcare Management Pty Limited	GHM or the Manager	Manager of Generation (B1)
C1	APN Funds Management Limited	APNFM or RE	Responsible entity of Generation (B1)
C2	APN Property Group Limited	APN Group	Former unitholder of Generation and owner of APNFM (B1)

Source: Generation website, Bidder's Statement

NorthWest acquired GHM from APN Group and Miles Wentworth (CEO of Generation) and Chris Adams (a director of the Manager) and their associated entities on 27 June 2016. As part of the same transaction, NorthWest acquired 27.1 million Generation Units from APN Group, the Manager and certain key management and directors of Generation (and persons associated with them), to obtain a 19.9% interest in Generation. Subsequent to this, further Generation Units were acquired by NorthWest on the ASX to reach its interest of 22.73% as at the Initial Announcement Date which was transferred to NorthWest Australia on 24 April 2017.

The following diagram summarises key events in the history of Generation:

Corporate timeline



Source: Generation website, Company announcements, Bidder's Statement

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4.2 Generation's property assets

4.2.1 Overview of assets

The table below provides an overview of Generation's assets by location, status and ownership with certain key metrics as at 31 December 2016 also presented including book value, weighted average lease term to expiry and occupancy. The assets are further described in the following sections.

List of Generation's properties

	Property	Nature	City, State	Status	Owner-ship	Book value[3] at 31 Dec 2016 *($'000)*	WALE *(yrs)*[8]	Occu-pancy *(%)*[8]
1	Australian Red Cross Blood Service Facility ("ARCBS")	Specialist facility	Brisbane, QLD	Operational	100%	81,500	16.6	100%
2	Casey Specialist Centre	Specialist facility	Berwick, VIC	Operational	100%	31,750	8.0	100%
3	Epworth Freemasons Private Hospital (Clarendon Street)	Private hospital	Melbourne, VIC	Operational	50%	48,700	17.4	100%
4	Epworth Freemasons Private Hospital and Medical Centre (Victoria Parade)	Private hospital and medical centre	Melbourne, VIC	Operational	100%	77,800	6.8	100%
5	Frankston Private[1]	Private hospital	Frankston, VIC	Operational	50%	52,500[4]	13.4	100%
6	Frankston Private Expansion[1]	Private hospital	Frankston, VIC	Operational[6]	65%	23,100[5, 6]	20.0	n/a
7	Frankston Specialist Centre	Medical office	Frankston, VIC	Operational	50%	3,200[4]	7.9	100%
8	Harvester Centre	Medical office	Sunshine, VIC	Operational	100%	19,000	5.5	100%
9	Pacific Private Clinic	Surgical and medical office	Southport, QLD	Operational	100%	32,900	3.8	85%
10	RSL Care RDNS Baycrest Aged Care Facility	Aged care	Pialba, QLD	Operational	100%	15,300	19.5	100%
11	RSL Care RDNS Darlington Aged Care Facility	Aged care	Banora Point, NSW	Operational	100%	14,300	19.7	100%
12	RSL Care RDNS Tantula Rise Aged Care Facility	Aged care	Alexandra Headland, QLD	Operational	100%	19,100	19.5	100%
13	Spring Hill	Medical office	Brisbane, QLD	Operational	100%	64,000	5.5	100%
14	St John of God Berwick Hospital Development (Casey Stage 2)	Private hospital	Berwick, VIC	Under construction	90% / 50%[2]	25,780[5]	n/a	n/a
15	Waratah Private Hospital Ground Floor Suites	Retail suites and car park	Hurstville, NSW	Operational	100%	7,300	19.1	100%
16	Westmead Rehabilitation Hospital	Rehabilitation hospital	Sydney, NSW	Operational	100%	27,000	21.4	100%
Total portfolio							**12.1**	**98.7%**
Other								
17	Epping Medical Centre	Debt investment in medical centre	Epping, VIC	Operational	100%	28,698[7]	4.89	52%
18	Waratah Private Hospital	Debt investment in private hospital	Hurstville, NSW	Operational	12.5%	7,967[7]	n/a	n/a
19	Grey Street Centre and Albert Street car park	Hospital and ancillary services	Melbourne, VIC	Construction pending	50%[3]	n/a	n/a	n/a

Source: Generation website, Bidder's Statement, Generation's half year 31 December 2016 and full year June 2016 accounts, Generation's 31 March 2017 results update

Notes:

1 From March 2017, these Frankston properties have been consolidated
2 Includes two separate lots, the car park owned 90% by Generation, the hospital 50%
3 50/50 joint venture with Epworth Foundation with both the car park and Clarendon Street to be head leased by Epworth Foundation for an initial 20 year term
4 Per pages 14, 15 and 18 of Generation's half year financial statements for the six months to 31 December 2016; carrying amounts for the Frankston properties are shown on a 100% interest basis
5 Represents the costs incurred to date on these properties which were under construction as at 31 December 2016; Frankston expansion costs are shown on a 65% basis
6 Substantially completed 13 April 2017 with Healthscope's head lease commencing from 14 April 2017
7 Represents the secured loans held at amortised cost as at 31 December 2016
8 As at 31 December 2016 per Generation's half year results presentation and report

4.2.2 Operating assets[20]

4.2.2.1 ARCBS Headquarters – Brisbane QLD

The Australian Red Cross Blood Services headquarters facility comprises a modern, six storey commercial building that was completed in 2008. Improvements include office, retail, laboratory, healthcare, recreation and teaching facilities over two basement levels, ground floor and three upper levels of accommodation including a swimming pool and gymnasium. It also includes ancillary health, commercial and retail uses. Generation has a 100% interest in the property on a leasehold basis with ARCBS as the major tenant. The property is subject to a long term ground lease from the Queensland University of Technology ("QUT"). The property tenure is by way of an 80 year ground lease from the QUT which commenced in April 2008.

4.2.2.2 Casey Specialist Centre – Berwick VIC

The property comprises a four level specialist medical centre with cancer service focused operations. The centre was completed in February 2015 and accommodates 52 basement car parking spaces and approximately 30 concrete paved parking bays. The tenancies provide a range of specialist medical services consisting of a radiotherapy unit, day chemotherapy unit, radiology, pharmacy, pathology, specialist consulting suites and a café. Generation has a 100% interest in the property on a freehold basis with St John of God, GenesisCare and MIA Radiology as major tenants.

4.2.2.3 Epworth Freemasons Clarendon Street – East Melbourne VIC

The property comprises a hospital with ancillary diagnostic and cancer services over six levels constructed by the Freemasons in 1937. Accommodation comprises a total of 184 beds, inclusive of an eight bed intensive care unit, an eight bed day surgery recovery and eight operating theatres. In addition, the property comprises three single Victorian terraces to the Grey Street frontage, a circa 1970s three level block of flats along Gotch Lane and two blocks of brick flats along Albert Street.

In May 2014, Generation had contracted with its 50% joint venture partner and head lessee, Epworth Foundation, to contribute to a significant refurbishment, expansion and service renewal of the site, conditional upon an 8 year least extension (taking it to 20 years in total). The circa $72 million development, including a new specialist centre and an underground carpark is currently being designed with the project to be a 50/50 joint venture with Epworth Foundation. Refer to section 4.2.5.1.

4.2.2.4 Epworth Freemasons Victoria Parade – East Melbourne VIC

The property provides a maternity hospital, day surgery and medical consulting and ancillary services over three levels. Built in circa 1989, the hospital also accommodates a basement car park providing 321 car spaces. Generation has a 100% interest in the property on a freehold basis with The Epworth Foundation as the major tenant.

4.2.2.5 Frankston Private Hospital – Frankston VIC

Frankston Private Hospital comprises a four level purpose built hospital and medical facility completed in August 2006. In addition, expansion works recently completed included three new operating theatres and 60 overnight medical and surgical beds. Refer to section 4.2.3.2.

The existing facility includes an integrated outpatient cancer facility, three theatres, a 17 bed day surgery unit and medical consulting suites. There are also 159 car spaces across the existing and new development.

The major tenants within this facility are Healthscope Limited, Genesis Cancer Care and MIA Radiology.

4.2.2.6 Frankston Specialist Centre – Frankston VIC

The facility comprises a single storey medical centre constructed circa 1989. Accommodation includes a central waiting area with two reception and office service areas, 10 consulting rooms, staff room and kitchen

[20] Descriptions taken from external Property Valuation Reports, Generation's company website, Generation's annual reports and company announcements

and 14 concrete paved car parking spaces. Generation's interest in the property is held on a freehold basis with Healthscope Limited as the major tenant.

4.2.2.7 Harvester Centre – Sunshine VIC

The property comprises a refurbished medical office building with a three level car park. The property was originally constructed in 1909 and has been refurbished over the years including the most recent upgrade in 2007. Generation has a 100% interest in the property on a freehold basis with Melbourne Health (State Government) as the major tenant.

4.2.2.8 Pacific Private Clinic – Southport QLD

The property comprises a seven storey specialist surgical day hospital/medical centre facility with an additional three basement levels of car parking. The property accommodates clinical services as well as other on-site services such as pathology and diagnostic imaging. Generation has a 100% interest in the property on a freehold basis with Healthscope Limited currently as the major tenant. We have been advised by Generation that a Heads of Agreement for levels one and two is in place which will alter the tenancy profile in the future. Due to confidentiality, we are unable to disclose the nature of these agreements.

4.2.2.9 RSL Care RDNS[21] Baycrest – Pialba QLD

The residential aged care facility comprises 101 beds constructed over two stages in the 1990s and 2006. A 2006 extension added 60 beds over a two level building and additional car parking area. The facility is also co-located with an RSL Care RDNS operated retirement village comprising 192 units.

4.2.2.10 RSL Care RDNS Darlington – Banora Point NSW

The facility accommodates 90 beds across a single level and constructed over two stages in 2005 and 2007. The facility is also co-located with an RSL Care RNDS operated retirement village which comprises 96 independent living units. There is unimproved land adjacent to the facility that is owned by RSL Care RNDS that may be developed in future.

4.2.2.11 RSL Care RDNS Tantula Rise – Alexandra Head QLD

The property comprises a 120 bed residential aged care facility which was constructed over two stages in 2005 and 2007. The facility is co-located with an RSL Care operated retirement village comprising 40 independent living units.

4.2.2.12 Spring Hill – Brisbane QLD

The property comprises a predominantly medical orientated commercial office building with two separate entrances, three levels of basement car parking which accommodates 484 car spaces, ground floor foyer and two upper levels of office accommodation. Generation has a 100% interest in the property on a freehold basis with Cura Day Hospitals, Virtus Health and Secure Parking as major tenants.

4.2.2.13 Waratah Private Hospital Ground Floor Suites – Hurstville NSW

The property comprises six ground level strata titled suites with 30 basement car spaces within the Waratah Private Hospital. A 20 year lease has been entered into with the hospital operator over this area. Recent enhancement works were commenced in late calendar year 2016 with a rehabilitation gym and a hydrotherapy pool recently completed[22]. Generation has a 100% interest in the 6 suites and 30 car parks on a freehold basis with Waratah Private Hospital Pty Limited as the major tenant.

[21] Royal District Nursing Service which merged with RSL Care
[22] Generation's 31 December 2016 half year results presentation

4.2.2.14 *Westmead Rehabilitation – Merrylands NSW*

Westmead Rehabilitation Hospital comprises a two level rehabilitation hospital with 65 beds in 57 wards. Operations began in 2005, with extensions and additions over the last three years, plus current refurbishment works underway. The hospital accommodates a hydrotherapy pool, gymnasium, treatment rooms and 39 car spaces located to the front of the facility and at basement level. The facility provides speech therapy, occupational therapy and physiotherapy along with psychological rehabilitation services. Generation has a 100% interest in the property on a freehold basis with Pulse Health Limited as the major tenant.

4.2.3 Development assets

4.2.3.1 *Casey 2 Project – Berwick VIC*

Generation is progressing Stage 2 of the Casey Medical Precinct development on the remaining 8,078 sqm of land following completion of Stage 1 of the medical centre and carpark comprising 71 car spaces which opened in early 2015. Stage 2 will encompass the private hospital to be operated by St John of God Health Care and main car park to be both owned as tenants in common. Generation holds a 50% interest in the land and hospital base building lot and a 90% interest in the car park lot. As at 31 March 2017, stage 2 is approximately 60% complete and is expected to be fully completed by the end of calendar year 2017[23].

The hospital will comprise 190 beds, six operating theatres, six birthing suites, a cardiac/vascular catheter laboratory, two endoscopy theatres, medical consulting suites and 12,000 sqm of underground car parking which will accommodate approximately 350 additional car spaces. St John of God Health Care will operate the hospital under a 20 year lease term, with the initial rent to be determined via the return on the cost of the project. Furthermore, there is a longer term master plan whereby a subsequent development opportunity could be undertaken should demand and economics at the relevant time support such a project.

4.2.3.2 *Frankston Private Expansion Project – Frankston VIC*[24]

The Frankston Private Hospital expansion reached completion on 13 April 2017. It includes three new operating theatres and 60 overnight medical and surgical inpatient beds. A further 90 car parks and an expanded recovery area are also included. The facility is located adjacent to the existing facility fronting the major Frankston-Flinders highway. The head lease with Healthscope Limited commenced on 14 April 2017 with some minor reconfiguration and upgrade works within the existing Frankston Private building expected to be completed by 30 June 2017. Furthermore, there is a longer term master plan whereby a subsequent development opportunity could be undertaken on the rear of the site, currently leased to Healthscope Limited, should demand and economics at the relevant time support such a project.

4.2.4 Debt investments

4.2.4.1 *Epping Medical Centre*[25] *– Epping VIC*

In October 2016, Generation made an initial debt investment (via a senior and subordinated loan) into Epping Medical Centre of $28.7 million. At the same time, it entered into a put and call option to acquire 50% of the building for $17.5 million and a three year option to acquire the adjacent 10,000 square metre ("sqm") site for $4.0 million. Epping Medical Centre is a 10,042 sqm specialist medical centre in VIC located close to Northern Public Hospital.

4.2.4.2 *Waratah Private Hospital – Hurstville NSW*

Waratah Private hospital is a purpose built hospital covering 13,497 sqm with 501 car parks. In the financial year ending 30 June 2014, Generation entered into a joint venture arrangement with Evolution Healthcare Pty Limited ("Evolution Healthcare") to acquire a minority interest in a secured debt position associated with the private hospital. The debt interest is secured by a first ranking mortgage over the land and building and

23 Generation 31 March 2017 update ASX announcement dated 10 May 2017
24 Generation 31 March 2017 update ASX announcement dated 10 May 2017
25 Page 13 and 28 of Generation's half year results presentation for the six months to 31 December 2016

other assets[26]. At the same time, Generation entered into a five year call option to acquire 65% of the building subject to certain terms and conditions.

4.2.5 Assets pending construction

4.2.5.1 Grey Street Centre and Albert Street car park (related to Epworth) – East Melbourne VIC

This asset is currently at 'construction pending' stage. As noted in Generation's 31 December 2016 investor presentation, the asset has received its heritage permit and planning approvals and a start date is anticipated to be late in the first half of calendar year 2017 subject to successful construction and debt tenders and governance approvals. The project is expected to take approximately 22 months to complete at a total project cost of circa $72 million. Generation's ownership share in this 'return on cost' project is 50%.

The development includes a new specialist centre to be known as the Grey Street Centre which is expected to include specialist suites, a GP clinic, 12 additional beds, 3 operating theatres, 1 endoscopy suite and a 309 bay underground carpark. The town planning application was submitted in December 2015 with a heritage permit issued in May 2016 and the town planning permit issued in August 2016. As at 31 March 2017, progress had been made such that construction tender documentation and project financing is near finalisation. The construction tender process is anticipated to occur in May to June 2017[27].

[26] Generation FY16 annual report
[27] Generation's 31 March 2017 update ASX announcement dated 10 May 2017

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4.2.6 Financial performance

A summary of Generation's financial performance for the last two years ended 30 June (i.e. FY15A and FY16A), the half year ended 31 December 2016 and the (unaudited) nine months to 31 March 2017, as extracted from the financial statements, is presented below:

Generation - Consolidated income statement summary[1] *Currency: $ 000*	FY15A	FY16A	Dec16A	9 months to 31 Mar 2017[3]
Rental income	26,556	29,841	17,198	25,260
Other property income	3,165	3,659	1,928	3,174
Other income				
Net change in the fair value of investment properties and deposits	17,980	46,773	29,942	59,977
Net change in the fair value of derivatives	(1,654)	(5,130)	6,534	6,126
Net change in the loans carried at amortised cost	(1,774)	(3,714)	(146)	(146)
Gain arising on Divine becoming a controlled entity	-	35	164	370
	14,552	37,964	36,494	66,327
Total revenue	**44,273**	**71,464**	**55,620**	**94,761**
Property expenses	(5,754)	(6,040)	(3,032)	(4,833)
Fund management fee[2]	(1,949)	(2,512)	(1,448)	(2,215)
Performance fee	(4,024)	(10,787)	-	-
Other expenses	(376)	(608)	(320)	(520)
Total expenses	**(12,103)**	**(19,947)**	**(4,800)**	**(7,568)**
EBITDA	**32,170**	**51,517**	**50,820**	**87,193**
Finance costs	(6,907)	(7,134)	(3,819)	(5,799)
Interest income	2,830	6,380	1,933	3,061
Depreciation and amortisation	-	-	-	-
Profit before income tax	**28,093**	**50,763**	**48,934**	**84,455**
Income tax expense	-	-	-	-
Profit for the year	**28,093**	**50,763**	**48,934**	**84,455**
Share of net profit of equity accounted investment	3,253	1,762	-	-
Total net profit	**31,346**	**52,525**	**48,934**	**84,455**
Net profit / total comprehensive income attributable to non-controlling interests	-	(1,113)	(5,226)	(15,007)
Total comprehensive income attributable to unitholders of Generation	**31,346**	**51,412**	**43,708**	**69,448**
Underlying net operating income[4]	17,188	21,795	11,156	16,770

Source: Generation '2015 and 2016 Annual Report' and 'HY Report' for the six months ended 31 December 2016

Notes:

1 May not add due to rounding

2 On 27 June 2016, NorthWest acquired 100% of the equity of the manager of Generation; accordingly, the management fee structure changed from this date; this is described in further detail below but we understand that substantially the entitlements have not changed

3 Unaudited results as presented in Generation's 31 March 2017 update announcement issued on 10 May 2017

4 Underlying net operating income is calculated based on total comprehensive income attributable to Generation Unitholders adjusted for certain items such as net changes in the fair value of investment properties, derivatives and loans as well as performance fees

In relation to the historical financial performance we note:

- Revenue from rental income in FY16 increased by $3.3 million (12.4%) to $29.8 million from FY15A. The increase reflects a combination of factors such as inflation as measured by the consumer price index ("CPI"), fixed and market rent reviews, a full 12 months contribution from Casey Specialist Centre

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(completed in February 2015) and a full 12 months contribution from the RSL Care portfolio that was acquired in June 2015.

- Other income of $40.0 million in FY16A increased by $23.4 million from FY15A. This significant movement primarily relates to the net change in the fair value of investment properties (an increase of $28.8 million supported by independent external and internal management valuations reviewed and accepted by the RE's Board of Directors). This was partly offset by changes in the fair value of derivatives and the book value of loans carried at amortised cost.

- Total expenses increased to $19.9 million in FY16A from $12.1 million (by $7.8 million or 64.8%) due to higher management and performance fees largely given the increased assets under management and Generation's better performance relative to the market. We note that the Manager is entitled to[28]:

  - A management fee of up to 0.6% of the gross asset value of Generation, payable monthly in arrears.

  - A performance fee equal to 5.0% of the dollar amount by which Generation's performance exceeds the S&P/ASX 300 Property Accumulation Index plus 15% of outperformance above 2.0% per annum. The performance fee is subject to a cap of 1.5% of the monthly average gross assets such that any excess is rolled forward to future periods and payable subject to Generation's total return for that period being positive albeit any rolled forward amounts may become payable immediately under certain circumstances. We note that a rolled forward amount of approximately $8.8 million does currently exist as set out in section 10.10 of the Target's Statement and section 7.5 of this Report.

  - A project management services fee of up to 2.0% of the project cost for each project where project management services are provided.

  - An acquisition fee of up to 2.0% of the cost (including transaction costs) of any acquisitions.

  - A development management services fee of up to 3.0% of the project cost for each project where development management services are provided.

  - The reimbursement of fund expenses incurred on behalf of Generation.

- GHM, as the manager of Generation, has in place an agreement ("Investment Management Agreement") with the RE to provide management services including the administration of Generation, management of the investment portfolio, retaining professional advisors and service providers, maintaining financial records and other additional services. As manager, it also provides property management, leasing, development management and acquisition due diligence services for agreed fees. In this respect, it is also entitled to property/asset management fees.

- On 27 June 2016, NorthWest acquired 100% of GHM from APN Group and Miles Wentworth (CEO of Generation) and Chris Adams (a director of the Manager) and their associated entities. Accordingly, the figures presented for Dec16A and for the nine months to 31 March 2017 above represent the current RE and investment management structure of the business. We understand the nature and operations of GHM under the Investment Management Agreement have substantially remained the same.

- The increase in total expenses was partially offset by a favorable decrease in ground rent expense following the purchase of the Epworth Freemasons Victoria Parade freehold land in December 2015.

[28] See Note 17 in Generation's June 2016 annual report; RE (APNFM) receives the above described fees which are then paid on to the Manager

- Finance costs primarily relate to the capital structure associated with funding the property portfolio, predominantly comprised of established assets that are income producing. Finance costs also relates to funding for projects currently under construction and general corporate uses. Finance costs increased from $6.9 million in FY15 to $7.1 million in FY16A. This increased financing cost reflects the secured debt investment associated with Waratah ground floor suites and Epworth Freemasons Victoria Parade.

- Interest income increased by $3.6 million to $6.4 million in FY16 from $2.8 million in FY15A. Interest income primarily relates to finance lease receivables recorded on the balance sheet. Historically, interest income related to the RSL Care RDNS properties which have subsequently been converted to property assets (in late FY16 and early FY17). It also includes interest earned in respect of the Waratah debt investment and since October 2016, the Epping Medical Centre debt investment.

- Share of net profit of equity accounted investments declined from $3.3 million in FY15 to $1.8 million in FY16A and nil for the six months to 31 December 2016. This is the result of Divine Logistics Trust ("Divine") moving from an equity accounted investment to a controlled subsidiary from 1 March 2016 when Generation gained control of Divine following the contribution of additional equity to finance the Frankston Private expansion project. Generation currently owns 57% of Divine. The principal activity of Divine is to own the Frankston properties, including the related expansion, in conjunction with its joint venture partners.

- As a result of the above factors, total comprehensive income attributable to Generation Unitholders increased by 64% to $51.4 million for the 12 months to 30 June 2016 compared to $31.3 million for the prior corresponding period. Total comprehensive income attributable to Generation Unitholders was $43.7 million for the half year ending 31 December 2016 and $69.4 million for the nine months to 31 March 2017.

- Generation issued forward guidance forecasting FY17 underlying net operating income per Generation Unit of 10.24 cents per Generation Unit and reaffirmed a forecast FY17 distribution of 8.973 cents per Generation Unit. Assuming outstanding units on issue of 220,742,347, this implies FY17 underlying net income of $22.6 million, an increase of 3.7% over FY16. In its forward guidance, Generation also noted that upside to FY18 and FY19 earnings was anticipated as a result of debt funded organic growth projects at Frankston Private and Casey Stage 2. Refer to section 4.5 for details regarding historical distributions and forward guidance[29].

[29] Generation's half year 31 December 2016 investor presentation and 31 March 2017 results update

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4.2.7 Financial position

Provided below is a summary of Generation's financial position as at 30 June 2015 and 2016 as well as 31 December 2016 and (unaudited) 31 March 2017.

Generation – Consolidated financial position summary[1]				
Currency: $ 000	FY15A	FY16A	Dec16A	9 months to 31 Mar 2017[2]
Current assets				
Cash and cash equivalents	1,618	2,610	3,367	6,305
Trade and other receivables	3,113	3,267	3,824	4,240
Assets classified as held for sale	-	-	11,420	-
Total current assets	**4,731**	**5,877**	**18,611**	**10,545**
Non-current assets				
Trade and other receivables	19,962	20,497	20,769	20,909
Loans carried at amortised cost	9,270	7,430	36,665	37,097
Investment properties	303,642	467,624	544,212	588,459
Deposit on investment properties	45,750	14,300	-	-
Equity accounted investments	24,135	-	-	-
Derivatives	-	-	662	288
Total non-current assets	**402,759**	**509,851**	**602,308**	**646,753**
Total assets	**407,490**	**515,728**	**620,919**	**657,298**
Current liabilities				
Trade and other payables	14,422	11,626	17,217	13,640
Borrowings	387	398	404	407
Derivatives	2,676	3,292	3,311	3,492
Distribution payable	7,777	9,646	9,840	-
Total current liabilities	**25,262**	**24,962**	**30,772**	**17,539**
Non-current liabilities				
Trade and other payables	680	3,164	798	837
Borrowings	116,055	146,299	206,805	215,366
Derivatives	6,920	11,945	6,054	5,907
Total non-current liabilities	**123,655**	**161,408**	**213,657**	**222,110**
Total liabilities	**148,917**	**186,370**	**244,429**	**239,649**
Net assets	**258,573**	**329,358**	**376,490**	**417,649**
Equity				
Issued units	231,129	241,578	243,830	246,495
Retained earnings	27,444	59,718	93,586	119,326
Equity attributable to unitholders of the parent	**258,573**	**301,296**	**337,416**	**365,821**
Non-controlling interests	-	28,062	39,074	51,828
Total equity	**258,573**	**329,358**	**376,490**	**417,649**

Source: Generation '2016 Annual Report' and 'HY Report' for the six months ended 31 December 2016

Notes:
[1] May not add due to rounding
[2] Unaudited results as presented in Generation's 31 March 2017 update announcement issued on 10 May 2017

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In relation to the historical financial position we note:

- Total assets increased by 27% from $407.5 million in FY15 to $515.7 million in FY16A as a result of revaluation increases, the acquisition of freehold interest at Victoria Parade and Waratah ground floor suites, project expenditure at Casey Stage 2 and Frankston Private, capital expenditure on existing properties and the consolidation of Divine. Increases to 31 March 2017 similarly reflect capital expenditure on development projects as well as uplifts as a result of revaluations of certain properties as is consistent with the net change in fair value of investment properties reflected in section 4.2.6 above.

- $11.4 million was recorded as assets held for sale as at 31 December 2016 reflecting the unconditional contract to sell 84 Mollison Street, Bendigo for $12 million ($11.4 million net of sales cost) entered into on 22 December 2016. The property was subsequently sold on 11 January 2017.

- Derivative assets and liabilities relate to interest rate contracts entered into by Generation.

- Current trade and other receivables as at 31 March 2017 primarily consist of accrued interest, prepayments and deposits. Non-current trade and other receivables as at 31 March 2017 consist of finance lease receivables.

- Loans carried at amortised cost of $37.1 million as at 31 March 2017 represent Generation's interest in the assets and cashflows of Waratah Private Hospital via a secured loan acquired at a significant discount to its original face value and its debt investment in Epping Medical Centre acquired in October 2016. Generation's loan investment made in relation to Epping Medical Centre comprised a $22.3 million secured first mortgage senior loan as well as a secured and shareholder guaranteed subordinated loan of $6.4 million.

- The $164.0 million increase in investment properties as at FY16A from FY15A includes the impact of Divine being accounted for as a controlled subsidiary rather than an equity investment and the revaluation of investment properties.

- Deposits on investment properties of $45.8 million for FY15A relate to the acquisition of three RSL Care properties. The acquisition of two of the three RSL Care properties (Baycrest and Tantula Rise) was completed in June 2016. The remaining $14.3 million deposit on investment properties at FY16 relates to RSL Darlington Aged Care Facility which was subsequently acquired in October 2016.

- Equity accounted investments of $24.1 million in FY15A relate to Generation's investment in Divine.

- Borrowings of $146.3 million as at 30 June 2016 consisted of $137.1 million of bank debt and $9.6 million of finance leases. The increase in borrowings for FY16 is primarily due to a $30.0 million additional revolving cash advance facility drawn down in relation to the Frankston Hospital expansion project. The subsequent increases in borrowings to 31 December 2016 and 31 March 2017 reflects additional debt related to various expansion and enhancement projects including the significant development related to St John of God Berwick Hospital. A breakdown of the net debt position as at 31 March 2017 is shown in section 4.2.9.

4.2.8 Cash flow statement

Provided below is a summary of Generation's cash flow statement for FY15A, FY16A and the half year ended 31 December 2016, as extracted from Generation's audited financial statements.

Generation – Consolidated cash flow summary[1]			
Currency: $ 000	FY15A	FY16A	Dec16A[2]
Cash-flow from operations			
Rental and other property receipts	31,573	34,891	19,711
Property and other payments	(10,090)	(10,421)	(4,701)
Distributions received from equity accounted investment	1,661	1,202	-
Interest received	382	3,389	447
Borrowing costs paid	(7,234)	(6,965)	(3,426)
Operating cash-flow	**16,292**	**22,096**	**12,031**
Cash-flow from investing activities:			
Purchase of investment properties	(49,075)	(19,873)	(2,750)
Additions to investment properties and properties under construction	(14,194)	(18,386)	(38,701)
Additions to equity accounted investment	(1,875)	-	-
Share of gain on change in fair value of investment property paid to lessee	-	(5,833)	-
Sale of interest in land	-	3,505	-
Loans advanced	(1,137)	(365)	(28,860)
Net cash inflow arising from business combination	-	231	-
Cash from investing	**(66,281)**	**(40,721)**	**(70,311)**
Cash-flow from financing activities:			
Proceeds from issue of units	52,089	-	-
Proceeds from issue of units in subsidiary to non-controlling interests	-	2,664	6,744
Unit issue costs	(1,669)	(71)	(16)
Distributions paid to unitholders	(9,302)	(12,444)	(7,472)
Proceeds from borrowings	62,950	36,056	60,855
Repayment of borrowings	(55,680)	(6,200)	(300)
Distributions paid to non-controlling interests	-	(388)	(774)
Cash from financing	**48,388**	**19,617**	**59,037**
Net change in cash	**(1,601)**	**992**	**757**
Opening cash balance	**3,219**	**1,618**	**2,610**
Net change in cash	(1,601)	992	757
Closing cash balance	**1,618**	**2,610**	**3,367**

Source: Generation '2015 and 2016 Annual Report' and 'HY Report' for the 6 months ended 31 December 2016

Notes:
[1] May not add due to rounding
[2] For the half year ended December 2016

In relation to the cash flow statement we note:

- Cash flows for the nine months to 31 March 2017 were not available.
- Cash flows from financing and investing activities in FY15A and FY16A largely reflect the debt drawn to fund project costs related to Casey 2 and Frankston, the Victoria Parade freehold interest and the acquisition of Waratah ground floor suites. The cash flows from financing and investing activities in Dec16A primarily reflect the debt drawn to fund the investment in the Epping Medical Centre.
- For the periods shown above, Generation has experienced net cash inflows from operating activities that have exceeded cash distributions paid.

4.2.9 Debt[30]

As at 31 March 2017, Generation had the following debt obligations:

- Current finance lease liability of $0.4 million and a non-current finance lease liability of $9.4 million ($0.4 million and $9.3 million as at 31 December 2016, respectively).
- Bank debt (non-current) of $206.0 million ($197.5 million as at 31 December 2016) comprised five bank facilities[31]:
  - A revolving cash advance facility with a total limit of $118.4 million drawn to $105.0 million, repayable in tranches on 31 March 2019 and 30 September 2019.
  - A revolving cash advance facility with a term facility limit of $10.1 million which was fully drawn at 31 December 2016 and a construction facility limit of $15.7 million being 55% of Generation's share of the Frankston expansion costs drawn to $12.8 million. Both are repayable on 23 May 2020.
  - A revolving cash advance facility with Bank of Melbourne of $41.2 million, fully drawn, repayable on 15 July 2018.
  - A joint and several facility with St John of God Health Care drawn to $12.3 million to assist in funding the construction cost of the St John of God Berwick Hospital expiring on the earlier of 36 months after the first drawing or six months after completion of the project.
  - A revolving cash advance facility with ANZ of $25.0 million, fully drawn, repayable on 19 October 2019.

Total debt as at 31 March 2017 was $215.8 million, while net debt was $209.5 million per the statement of financial position as presented in section 4.2.7.

4.3 Securities

As at the Announcement Date, Generation had 220,742,347 units on issue including those issued in FY17 related to the company's distribution reinvestment plan and units issued to GHM in partial payment of its deferred performance fees.

4.4 Major Unitholders

The following are the substantial holders of Generation Units based on the latest substantial holder notices lodged with the ASX as at 18 May 2017:

Generation – Major unitholders as at 18 May 2017

Unitholder	Number of units	% of total units on issue
NorthWest Australia	89,182,268	40.40%
Australian Unity Funds Management as responsible entity for registered managed investment schemes	22,378,889	10.14%
AMP Limited and its related bodies corporate	11,916,947	5.40%

Source: Morningstar Datanalysis, Generation Annual Report 2016 and Generation ASX substantial holding announcements

30 Per unaudited results presented in Generation's 31 March 2017 results update dated 10 May 2017

31 Per unaudited management accounts presenting the trial balance as at 31 March 2017 for Generation; noted that the sum of the drawn facility amounts is $206.4 million with the difference to the headline bank debt figure of $206.0 million reflecting an accounting adjustment of $0.4 million to reclassify a portion of the bank facility balance to prepaid borrowing costs (current asset)

4.5 Distributions

The table below presents Generation's historical distributions for the last two years.

Generation – Historical distributions		
Unitholder	Distribution (cents per Generation Unit)	Payment date
31 December 2016	4.4865	28 February 2017
30 June 2016	4.4200	31 August 2016
31 December 2015	4.4200	26 February 2016
30 June 2015	4.3800	31 August 2015
31 December 2014	4.2000	27 February 2015

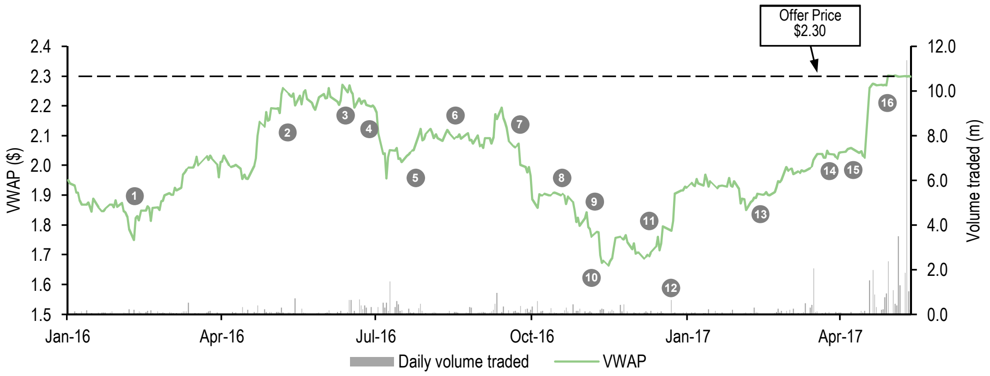
Source: Generation's company website, 'Distribution and tax information' section

Generation, in its forward guidance provided in with the half year 31 December 2016 results presentation, forecast a full year distribution of 8.973 cents per Generation Unit implying the remaining distribution for FY17 would be 4.4865 cents per Generation Unit. It is expected that this would be paid in August 2017.[32]

4.6 Unit Price performance

The chart below shows the daily volume weighted trading price ("VWAP") and trading volumes of Generation Units on the ASX between 1 January 2016 and 18 May 2017. Over this period, the Generation Unit price traded at a high of $2.31 on 5 May 2017 and a low of $1.67 on 21 November 2016. The Generation Unit price on 21 April 2017, being the last trading day prior to the Initial Announcement Date, was $2.05 and the VWAP over the 1 month prior to the Initial Announcement Date was $2.03.

Generation VWAP (daily VWAP) and volume



Source: S&P Capital IQ

In addition to the regular interim and annual reporting announcements, other announcements made by Generation between 1 January 2016 and 24 April 2017, annotated in the chart above, that may have had an impact on Generation's price per Generation Unit are summarised over the page. We also point to the subsequent charts in this section which show market index movements over the same period.

[32] Expected date as presented on Generation's company website

1. 18 February 2016: Release of half year financial results
2. 3 May 2016: Announcement of NorthWest becoming a substantial Unitholder
3. 27 June 2016: Announcement of the acquisition of GHM by NorthWest
4. 1 July 2016: Letter to Generation Unitholders from APNFM relating to GHM's acquisition by NorthWest
5. 18 July 2016: Announcement of Distribution Reinvestment Plan
6. 22 August 2016: Release of FY2016 financial results
7. 29 September 2016: Release of Generation 2016 Annual Report to Unitholders
8. 26 October 2016: Announcement of Generation's investment in Epping Medical Centre
9. 11 November 2016: Release of September Quarterly Update
10. 16 November 2016: Management presentation at Annual General Meeting
11. 22 December 2016: Announcement of portfolio revaluation gain; Generation entered into an unconditional contract to sell Leading Healthcare building located at 84 Mollison Street, Bendigo
12. 28-29 December 2016: On-market acquisition of Generation Units by entities controlled by NorthWest
13. 20 February 2017: Release of Generation half-yearly results
14. 27 March 2017: NWI LP acquired additional 3% stake in Generation in settlement of the 'option' contract in relation to the 28-29 December 2016 announcement
15. 24 April 2017: Initial Offer by NorthWest for all Generation Units not already owned at the price of $2.24 per Generation Unit
16. 8 May 2017: Revised Offer by NorthWest for all Generation Units not already owned at the revised Offer Price of $2.30 per Generation Unit

The following table summarises the monthly trading prices of Generation's Units on the ASX over the period 1 January 2016 and 21 April 2017, one day prior to the Initial Announcement Date.

Monthly trading volumes analysis- Generation						
Month	**High** *($/Unit)*	**Low** *($/Unit)*	**Close** *($/Unit)*	**VWAP** *($/Unit)*	**Monthly volume** *(million Units)*	**Liquidity** *(%)*
Jan-16	1.98	1.84	1.86	1.90	1.59	0.7%
Feb-16	1.89	1.73	1.87	1.83	2.05	1.0%
Mar-16	2.05	1.87	2.04	1.97	2.32	1.1%
Apr-16	2.20	1.95	2.15	2.01	2.13	1.0%
May-16	2.30	2.12	2.21	2.20	2.92	1.3%
Jun-16	2.28	2.20	2.20	2.23	4.27	2.0%
Jul-16	2.20	2.00	2.06	2.06	6.42	2.9%
Aug-16	2.13	2.04	2.09	2.10	2.60	1.2%
Sep-16	2.23	2.00	2.00	2.11	4.35	2.0%
Oct-16	2.01	1.86	1.89	1.91	4.05	1.8%
Nov-16	1.90	1.67	1.77	1.75	3.70	1.7%
Dec-16	1.92	1.68	1.92	1.75	2.27	1.0%
Jan-17	2.00	1.92	1.98	1.93	1.47	0.7%
Feb-17	1.95	1.88	1.95	1.91	1.50	0.7%
Mar-17	2.05	1.95	2.05	2.00	5.47	2.5%
Apr-17	2.07	1.99	2.05	2.04	1.09	0.5%

Source: S&P Capital IQ and EY Transaction Advisory Services analysis

Having regard to the period from 1 April 2016 to 21 April 2017, Generation Units have traded within the range of $1.67 (November 2016) to $2.30 (May 2016). The monthly liquidity of Generation Units over the same period ranged between 0.7% and 2.9% (measured as total volume traded divided by total units on issue) with the average monthly volume of shares traded of 1.3% implying annual turnover of around 22% of the free float.

In comparison, Generation's peers show an average annual turnover of approximately 53% on average (FY16). We note the very low levels of trading in Generation Units indicates low liquidity. Please refer to Appendix D for further analysis.

We have also considered the pricing of a Generation Unit in the period leading up to the Initial Announcement Date. The table below summarises the VWAP of Generation Units prior to the Initial Announcement Date:

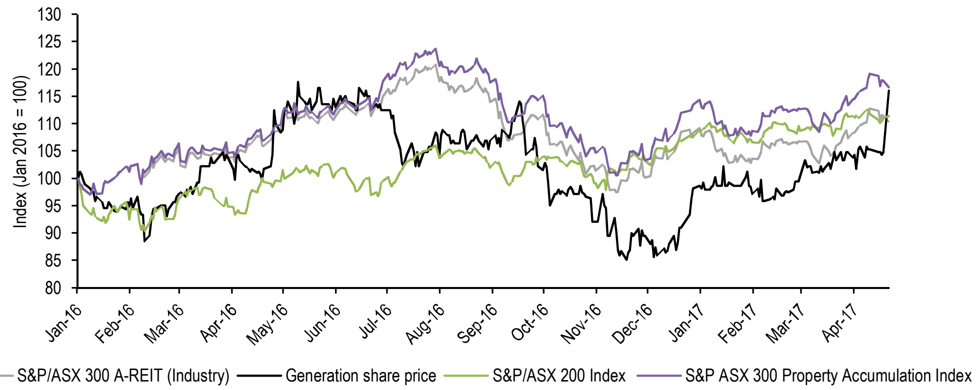
Price of Generation Units prior to the Initial Announcement Date		
Period	**Spot** *($/Unit)*	**VWAP** *($/Unit)*
1 day prior to the Initial Announcement Date	2.05	2.03
1 week prior to the Initial Announcement Date	2.06	2.04
1 month prior to the Initial Announcement Date	1.99	2.03
3 months prior to the Initial Announcement Date	1.94	1.99

Source: S&P Capital IQ, IRESS and EY Transaction Advisory Services analysis

Notes:
1 Spot prices based on last sale price for the specific day prior to the Initial Announcement Date
2 VWAP based on Generation's VWAP over the period prior to the Initial Announcement Date

The chart below illustrates the correlation between movements in the price per Generation Unit with the S&P/ASX 200 index, S&P/ASX 300 REIT index and S&P ASX 300 Property Accumulation index over the period 1 January 2016 to 24 April 2017.

Generation Unit price vs benchmark indices



Source: S&P Capital IQ, S&P Dow Jones Indices as at 30 April 2017, EY Transaction Advisory Services analysis

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5. Overview of NorthWest Australia

NorthWest Australia is the largest holder of Generation Units with an interest of 22.73% as at the Initial Announcement Date. NorthWest Australia is a controlled entity of NorthWest. NorthWest is a Canadian healthcare REIT that is listed on the TSX. NorthWest owns a portfolio of medical office buildings, clinics and hospitals located throughout Canada, Brazil, Germany, Australia and New Zealand.

NorthWest was listed on the TSX on 25 March 2010. In 2015, NorthWest completed a merger with NorthWest International Healthcare Properties REIT ("NWI") to create a global diversified healthcare real estate investment trust with over CAD$2 billion of assets at the time.

NorthWest's investments in Australia and New Zealand are primarily held via its investments in Generation and Vital Healthcare. NorthWest also owns the 100% of the equity of GHM, the manager of Generation.

On 27 June 2016, NorthWest, via its controlled entity NWI LP, acquired 27.1 million Generation Units in an off-market transaction. NorthWest has since increased its direct and indirect interest in Generation via private issuance of units (in relation to the performance fee due to the Manager which can be settled by either cash or additional units being issued) and on-market acquisitions. On 24 April 2017, NWI LP transferred 50.2 million Generation Units, representing 22.73% of total units on issue, to NorthWest Australia by way of an off-market transfer. Since the Initial Announcement Date, NorthWest Australia has increased its stake in Generation as a result of subsequent on-market purchases and acceptances under the Offer. As at 18 May 2017, NorthWest Australia had increased its stake in Generation to 40.4% of Units on issue.

Vital Healthcare is a New Zealand-listed REIT with investments in health and medical related properties in New Zealand and Australia. Vital Healthcare is managed by Vital Healthcare Management Limited, which is owned by NorthWest. As at 31 December 2016, NorthWest, via its investments in Vital Healthcare and Generation had interests in 30 hospitals, 7 residential aged care facilities and 101 medical office buildings or development sites in Australia and New Zealand.

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6. Valuation approach

As noted in section 2.2, we have considered whether the Offer is fair by comparing the Offer Price of $2.30 per Generation Unit to our assessment of the Adjusted NTA per Generation Unit and considering the adequacy of any "portfolio premium" as discussed below.

In arriving at our assessment of the Adjusted NTA, consistent with the most recent independent property valuations, we have considered the value of each property as an individual standalone property which is normal practice in the industry. Notwithstanding this, there are a number of examples of sales of portfolios of properties which have realised a portfolio premium for the reasons set out in section 6.2.2. Given the subjectivity of this premium, which in part depends upon the nature of a purchaser, we consider whether Unitholders are receiving the benefit of such a premium by considering whether the premium the Offer Price implies over the Adjusted NTA determined by us is adequate to reflect such a portfolio premium. This analysis is undertaken in section 7.10.2.

We conclude that, if the Offer Price both exceeds Adjusted NTA and includes an adequate premium to reflect the additional value attaching to a portfolio of properties, then the Offer Price exceeds the value of a Generation Unit on a controlling basis.

This approach is explained further below.

6.1 Valuation methodologies adopted

The most commonly adopted valuation approach for REITs, such as Generation, is to assess the value of the REIT based on the value of its underlying net assets, on a going concern basis. This is the primary approach we have taken when considering the value of units in Generation. We have based our assessment on an Adjusted NTA methodology whereby we consider the latest reported net tangible assets and make adjustments where we consider necessary to reflect the latest view of the market value of the underlying property assets. In addition to an updated view of the market value of the individual properties, we have adjusted for the capitalised value of corporate overhead costs, other assets and liabilities and net debt. We have calculated an Adjusted NTA per Generation Unit based on the number of units in Generation.

6.1.1 Property assets including development assets

6.1.1.1 Investment property assets

For Generation's completed and operational investment properties, we have performed a review of the most recent independent property valuations commissioned by Generation. We note that each valuation was prepared on an 'as if complete' basis with the exception of Epworth Freemasons Private Hospital (Clarendon Street) which did not incorporate the pending Grey Street Centre and Albert Street car park development project as described in section 4.2.5.1. Where appropriate, we have considered whether any adjustments are required to update the current market value of the properties, for instance as a result of any capital expenditure incurred since the valuation and for changes in yields in the context of the current market environment and recent transactions.

Where properties are not 100% owned, we have applied the pro rata ownership percentage with no discount for a lack of control being assumed. This is explained further in section 6.2.1.

6.1.1.2 Development assets

As set out earlier in section 4.2, Generation has several assets with development works currently underway. These are[33]:

- Epworth Freemasons Private Hospital (Clarendon Street), Grey Street Centre and Albert Street, car park with an estimated start in mid-calendar year 2017 and an approximate construction period of 22 months
- St John of God Hospital Berwick (Casey Stage 2) which commenced construction in January 2016 and is anticipated to be completed by late calendar year 2017
- While the Frankston Private expansion project is complete, minor refurbishment works are currently underway in relation to the pre-existing building at the site which are expected to be complete by June 2017[34]

These projects all relate to existing assets of Generation and as such, the 'as if complete' valuations referred to in section 6.1.1 for St John of God Hospital Berwick and Frankston Private incorporate the value attached to these expansion projects as if the works had been finished. In order to reflect that capital expenditure that remains yet to be incurred for these three projects, we have reduced the assessed property values by the future costs required to complete the works subsequent to 31 March 2017, being the date of the latest balance sheet available to us in the preparation of this Report. Remaining costs to complete have been based upon total estimated project costs less costs incurred to 31 March 2017.

In respect of Epworth Freemasons Private Hospital (Clarendon Street) which was not valued on an 'as if complete' basis, we have allowed for upside of $10 million to $15 million (at Generation's ownership interest) in our Adjusted NTA. This takes into account projected capital costs, rental terms, valuation yields and risk assessments. We consider this appropriate given that although construction tender documentation and project financing is not yet finalised, negotiations in this regard are well advanced and the project is expected to commence within calendar year 2017.

6.1.2 Debt investments

Generation's debt investments are reflected in Generation's financial statements as amortised loans at cost. In considering the value of these loans we have considered the nature of these loans together with the related arrangements including Generation's put and call option in relation to Epping Medical Centre and a call option in relation to Waratah Private Hospital. This has included consideration of whether the options, given the nature and circumstances particular to each property, are likely to be exercised.

For the low end of our Adjusted NTA, we have assumed that the value of each debt investment is equal to the amortised loan held at cost as at 31 March 2017. For the high end of our Adjusted NTA, we have also assumed that the value attributable to Waratah Private Hospital is equal to the book value of the debt investment as at 31 March 2017. This reflects the fact that the hospital is in receivership, as it was at the time Generation entered into the option deed, and there is significant uncertainty regarding both the potential value of the asset in the future given recent performance and whether Generation may or may not exercise the option. In the case of Epping Medical Centre, at the high end we have incorporated some upside, on a risk adjusted basis, by assuming that the option is exercised and that the subject property interest is acquired. These assets are discussed further in section 7.3.

[33] Generation's 31 December 2016 half year results presentation
[34] The Frankston Private expansion project related to the newly built building was completed in April 2017

6.1.3 Corporate overheads

The implied cash flows from properties underpinning Generation's NTA do not reflect the costs of management and administration of the REIT. Generation incurs the following overhead costs based on its current operating structure:

- Responsible entity and management fees.
- Listed entity costs such as listing fees and share registry fees.
- Other administrative costs such as marketing, bank fees, valuation fees and other expenses.

While in its current structure Generation incurs the above costs, given the basis of valuation is on a control basis, we have considered whether a typical market participant acquiring Generation may achieve any savings in relation to these costs upon acquisition. For instance, if an acquirer intended to de-list Generation and had an existing property investment platform, cost savings may be achievable.

A market participant acquirer can be characterised as a potential acquirer that could reasonably be considered to be willing to enter a transaction in the REIT sector for an asset such as Generation. In this context, we consider that a potential acquirer could be other REITs, other REIT managers or major financial institutions looking for exposure to this sector. Such entities may or may not be listed and may or may not already have property management capability in the relevant sectors. As such, we would expect that such an acquirer may achieve cost savings, although the quantum and extent to which such savings may be realised is inherently uncertain and will vary based upon both the different types of potential acquirers and the circumstances of individual potential acquirers.

In the absence of a competing offer and acknowledging that NorthWest Australia may be considered a logical buyer of Generation, we have also considered the nature and stated intentions of NorthWest Australia given it owns 100% of the Manager and has an existing footprint in Australia and New Zealand. As referred to in section 1.4, NorthWest Australia intends to replace the RE and to de-list Generation if it acquires over 50% of the outstanding Generation Units. As a result, while cost savings could be achieved, certain change of control and termination obligations may also be triggered. This is described further below in section 6.1.4. In the case of any other hypothetical buyer, it is likely that such a buyer may also have an existing investment platform and may seek to remove both the RE and the Manager so as to absorb the management of the underlying assets within its existing structure. We note that even if this does occur, it is likely that a level of RE fees, management costs and overheads would still be incurred.

Having regard to the above, we have assumed that a market participant would terminate the Manager, replace the RE with its own responsible entity and would optimise management and administrative efforts across its existing platform such that only an additional three to four staff would be required for property management as well as certain back office support functions to support the Generation portfolio.

6.1.4 Change of control and termination obligations

As described in section 10.10 of the Target's Statement, certain payments may be triggered as a result of a change in the responsible entity or as a result of the Offer if there is a change of control of Generation. We have included deductions in our Adjusted NTA to reflect these obligations.

In relation to the above, under the terms of the Investment Management Agreement we understand that in order to terminate the Manager, a two year notice period must be provided. Given the assumptions stated above and noting that logically an acquirer is unlikely to continue to engage a manager that may not be incentivised following being given such notice, we have included a deduction to reflect a termination fee based on two years of management fees.

6.1.5 Net debt

To arrive at the Adjusted NTA, we have deducted net debt as discussed further in section 7.6.

6.1.6 Other assets and liabilities

We have assessed the value of Generation's other assets and liabilities as being commensurate with their book value as at 31 March 2017. Other assets and liabilities include primarily accounts receivable, accounts payable and derivatives. It also includes construction costs in relation to various development projects up to 31 March 2017.

6.1.7 One off transaction costs

We have deducted one off transaction costs expected to be incurred by Generation in relation to the Offer.

6.2 Other valuation factors considered

Prior to finalising our assessment of the Adjusted NTA of Generation, we considered the reasonableness of our assessed valuation ranges for the property assets valued using the market approach by comparison with market evidence for similar transactions. We also considered the recent traded prices of Generation Units and other factors as set out below.

6.2.1 Control premium / minority discount

As noted previously, we have considered the value of Generation on a 100% controlling interest basis. This is consistent with the requirements of RG 111. This approach reflects the fact that NorthWest Australia is obtaining control of Generation through its acquisition of all outstanding units in Generation. A market valuation of the underlying investment properties provides a controlling interest value of each asset on a stand alone basis. As such, no adjustment has been made to our valuations to add a control premium. We do however consider whether an adequate portfolio premium is reflected in the Offer Price for the fact that Generation owns an established portfolio of investment assets. This is discussed below.

We note that certain of Generation's property investments are held at interests of less than 100%. In such cases, sometimes a discount for lack of control of that individual property may be appropriate given an investor of a non-wholly owned property may be unable to sufficiently control, influence or optimise the operations and capital structure of an investment. However, any such discount for lack of control is highly subjective and can differ materially. As such, while we acknowledge that some level of discount may be applicable, we have not adjusted the valuations of non-100% owned investments to reflect less than a proportional interest in the subject property.

6.2.2 Portfolio premium

Given the number of properties in the portfolio and investor appetite in the market for such property portfolios, we have considered whether the Offer Price reflects a premium over the value of stand alone properties to reflect the value of a combined portfolio of properties. To understand the potential quantum of any such premium, we have performed analysis to determine typical premia to NTA for listed comparable companies and as evidenced by recent transactions involving similar entities to Generation. In this context, we note the significant subjectivity in applying any such premium especially since property valuations are historical and tend to lag actual market transactions which can explain part of observed premiums for such listed entities and transactions. Accordingly, rather than making an explicit adjustment to the value of Generation, we have considered whether the premium implied by the Offer Price over the Adjusted NTA is adequate to cover any such portfolio premium.

7. Valuation of Generation

7.1 Summary of values

We have assessed the Adjusted NTA of Generation based on the sum of the fair values of its underlying net assets and liabilities, on a going concern basis. This is summarised in the following table.

Generation – Adjusted NTA[1]			
$ million	Ref	Low	High
Property valuations including development assets	7.2	553.6	583.4
Plus: debt investments			
Epping Medical Centre	7.3.1	28.8	40.0
Waratah Private Hospital	7.3.2	8.3	8.3
Less: Corporate costs	7.4	(13.5)	(10.0)
Less: Change of control and termination obligations			
Accelerated performance fee	7.5	(4.8)	(4.8)
Outstanding performance fees	7.5	(1.3)	(1.3)
Termination of Manager fees	7.5	(6.0)	(6.0)
Less: Net debt	7.6	(199.7)	(199.7)
Plus: Other assets and liabilities	7.7	(19.3)	(19.3)
Less: One off transaction costs	0	(3.2)	(3.2)
Adjusted NTA of Generation		**343.0**	**387.5**
Number of Units on issue (million Units)	7.9	220.7	220.7
Adjusted NTA per Generation Unit ($/Unit)	**7.10**	**1.55**	**1.76**
Adjusted NTA before deductions:			
Adjusted NTA before deductions[2]		371.7	412.7
Adjusted NTA per Generation Unit before deductions ($/Unit)[2]		1.68	1.87

Source: EY Transaction Advisory Services analysis

Notes:

[1] *Numbers may not add due to rounding*

[2] *Excludes deductions for corporate costs, change of control and termination obligations and one off transaction costs. We have also performed this analysis without these deductions as the data used to analyse premiums in many comparable transactions does not include such items as they are not all recognised as balance sheet items for accounting purposes*

7.2 Property assets (including development assets)

We have reviewed the most recent independent Property Valuation Reports and to the extent necessary, have discussed these with management of Generation and updated the valuations for our views on current yields and capitalisation rates as well as making certain adjustments to assumed tenant arrangements and rental rates. Appendix E sets out our adjusted valuation results by property including a comparison to the most recent property valuations provided to us. Our analysis reflects Generation's current ownership interest in each asset.

It should be noted that consistent with the most recent independent property valuations, we have considered the value of each property as an individual standalone property which is normal practice in the industry. As noted above, there are a number of examples of sales of portfolios of properties which have realised a portfolio premium for the reasons set out in section 6.2.2. Given the subjectivity of this premium, which in part depends upon the nature of a purchaser, we consider whether Unitholders are receiving the benefit of such a premium by considering whether the premium the Offer Price implies over the Adjusted NTA determined by us is adequate to reflect such a portfolio premium. This analysis is undertaken in section 7.10.2.

7.3 Debt investments

7.3.1 Epping Medical Centre

7.3.1.1 Epping Medical Centre debt investment and put and call option[35]

In October 2016, Generation made its initial debt investment of $28.7 million comprised of a $22.25 million secured senior loan and a $6.375 million secured subordinated loan.

In conjunction with the debt investment, Generation also entered into a put and call option expiring September 2018 to acquire a 50% interest in the Epping Medical Centre building for $17.5 million and a three year option to acquire the adjacent 10,000 sqm site for $4.0 million.

We understand that the option fee of $17.5 million would be funded by partial repayment of the $28.7 million of loans.

We have discussed this investment with the Manager including the status and plans for the Epping Medical Centre. This included discussions around competitive dynamics, local market conditions, options being considered and the status of discussions with third parties who could be potential tenants and development partners. Based on these discussions and our analysis we note that there could be reasonable upside for this investment although there remain many uncertainties and risks as to what will proceed when and upon what terms.

Based on our discussions and analysis for the low end of our Adjusted NTA, we have assumed that the value of the investment is equal to the book value as at 31 March 2017 of $28.8 million.[36] For the high end of our Adjusted NTA, we have incorporated some upside such that we have uplifted the book value by circa $11.2 million.

7.3.2 Waratah Private Hospital

7.3.2.1 Waratah Private Hospital call option

In September 2013, Generation entered into an arrangement with Evolution Healthcare to acquire an interest (12.5% at Generation's ownership interest) in a first ranking secured mortgage over the land and building and other assets of Waratah Private Hospital for $6.15 million[37].

Generation also entered into a five year call option to acquire 65% of the building for an exercise price of $1.

We have had discussions with Generation in relation to the performance of Waratah Private Hospital, the status of proposals and discussions with potential tenants and local market conditions and have ultimately formed a view that at the present time, the likelihood of the exercise of the option is highly uncertain. We have adopted the book value for this asset of $8.3 million as at 31 March 2017 for the purposes of this Report.

7.4 Corporate costs

As the cash flows from properties underpinning Generation's NTA do not reflect the costs of management and administration of Generation, we have reduced the Adjusted NTA to reflect the ongoing overhead costs that are required to support the management of a portfolio such as Generation's. From a market participant perspective, we consider that it is likely that a potential buyer of Generation would be likely to have an existing property investment and management platform. As such, we have assumed that for the size and nature of a portfolio such as Generation's, only three to four staff and ancillary administrative/ back office support

35 Generation's half year results presentation for the six months to 31 December 2016
36 The book value as at 31 March 2017 was $28.8 million which compares to the initial debt investment of $28.7 million
37 Generations' ASX announcement dated 20 September 2013

functions would be required in addition to an existing investment management structure and required responsible entity services.

While difficult to quantify, we have assumed that ongoing corporate costs, inclusive of responsible entity fees, management and other administrative costs, would be approximately $1.3 million to $1.5 million per annum. We have capitalised this ongoing cost based on a multiple of 8.0x to 9.0x having regard to EV/EBITDA multiples of Australian listed fund managers.

On the above basis, we have incorporated within our assessment of the Adjusted NTA of Generation, negative value attributable to future corporate costs calculated as follows:

Generation –corporate costs		
Currency: $ million	Low	High
Ongoing corporate costs	1.50	1.25
Multiple adopted	9.0x	8.0x
Capitalised value of ongoing corporate costs	**13.5**	**10.0**

Based on the above, we have reduced the low end of our assessed Adjusted NTA by $13.5 million and at the high end, by $10.0 million.

7.5 Change of control and termination obligations

As set out in section 10.10 of the Target's Statement, certain payments are expected to be made by Generation for certain management, performance and termination fees as a result of the Offer causing a change in control of Generation. These costs would be incurred where any acquirer of Generation made the decision to change the RE and replace the Manager. We note that NorthWest has stated that while it will replace the RE it does not intend to replace the Manager. We note however that the Manager is owned by NorthWest and therefore NorthWest already in effect derives the profit margin that the Manager earns in accordance with the management arrangements. We have made the following deductions to the Adjusted NTA of Generation:

- Performance fees
  - Upon removal of APNFM as the responsible entity, an accelerated performance fee will become payable in cash from Generation to APNFM to the Manager
  - This is calculated in accordance with the current fee arrangement as described in section 4.2.6 of this Report having regard to Generation's performance in excess of the S&P/ASX 300 Property Accumulation Index
  - A deduction to the Adjusted NTA for accelerated performance fees of an estimated $4.8 million has been included in our analysis based on the Offer Price
- Outstanding performance fees
  - Upon the completion of a takeover or change in the responsible entity, the Manager is entitled to an immediate cash payment of any outstanding performance fees
  - As set out in the Target's Statement, the outstanding fee is $8.8 million related to fees accumulated since the relevant management arrangement was entered into on 1 July 2014[38]
  - The 31 March 2017 balance sheet included an amount of $7.5 million for these outstanding fees within current trade and other payables. As this amount has already been included

[38] As described in the Target's Statement, this amount has been estimated based on the Offer Price

within other assets and liabilities as set out in section 7.7, we have reduced the $8.8 million outstanding fee by this amount

- A deduction to the Adjusted NTA for outstanding performance fees of $1.3 million has been included in our analysis

In addition to the above, as described earlier, we have assumed that a typical acquirer would facilitate the termination the Investment Management Agreement, the formal management agreement currently in place between APNFM and the Manager, as cost savings could be achieved. In order to do this, the current terms of the Investment Management Agreement indicate a two year notice period of cancellation is required. We have assumed therefore that a termination payment equal to two years' management fee would be made to cancel the agreement. Having regard to historical management fees incurred by Generation and the terms of the arrangement which stipulate that the management fee is equal to 0.6% of the gross asset value[39] of the portfolio, we have deducted an assumed termination fee of $6.0 million. [40]

7.6 Net debt

As at 31 March 2017, Generation's net debt of $209.5 million consisted of $215.8 million in interest bearing debt and $6.3 million of cash as set out in section 4.2.9. However, the debt incorporated $9.8 million of current and non current finance lease liabilities, as set out in section 4.2.9 which have been incorporated within the individual property valuation for ARCBS in relation to the long term ground lease for the facility[41]. Accordingly, we have reduced the net debt figure by this amount to $199.7 million for the purposes of our Adjusted NTA calculation.

7.7 Other assets and liabilities

As at 31 March 2017, Generation had other assets and liabilities of $1.6 million in addition to the property investments, debt investments and net debt described above. Other assets and liabilities comprise:

- Current accounts receivable of $4.2 million such as accounts receivable and prepayments.
- Non current accounts receivable of $20.9 million and derivatives of $0.3 million.
- Current accounts payable of $13.6 million and derivatives of $3.5 million.
- Non current accounts payable of $0.8 million and derivatives of $5.9 million.

However, we note that the $20.9 million non current accounts receivable item referred to above relates to the ARCBS property which involves a long term lease to a tenant and as such, was captured within the individual property valuation. Accordingly, for the purposes of our valuation, we have not included this balance but have adopted the book values for other assets and liabilities as a proxy for their fair value, being a net liability of $19.3 million.

[39] Gross asset value is defined in Generation's constitution as being equal to the value of the assets (cash, investments, rights and other property of Generation) and any other amounts which, in the opinion of the RE, should be included for the purposes of making a fair and reasonable determination of the value of Generation on an undiscounted basis, having regard to general accepted accounting principles. Accordingly, we consider gross asset value to include investment properties, debt investments and other assets as included in Generation's statement of financial position (at Generation's ownership interest)

[40] Based on our conclusions regarding the individual properties and the debt investments plus other assets recognised in Generation's statement of financial position as presented in Generation's 31 March 2017 results update

[41] See notes on page 15 of Generation's 31 December 2016 half year financial statements

7.8 One off transaction costs

APNFM has agreed, as set out in the Bid Implementation Deed, that it will use its best endeavours to limit one-off transaction costs to no more than $3.15 million in relation to the Offer. A significant proportion of these transaction costs will be payable by Generation regardless of whether the Offer results in NorthWest Australia acquiring all the outstanding Generation Units. We understand that these costs are expected to be incurred materially in full. Accordingly, we have included these one off transaction costs within the Adjusted NTA.

7.9 Number of Units on issue

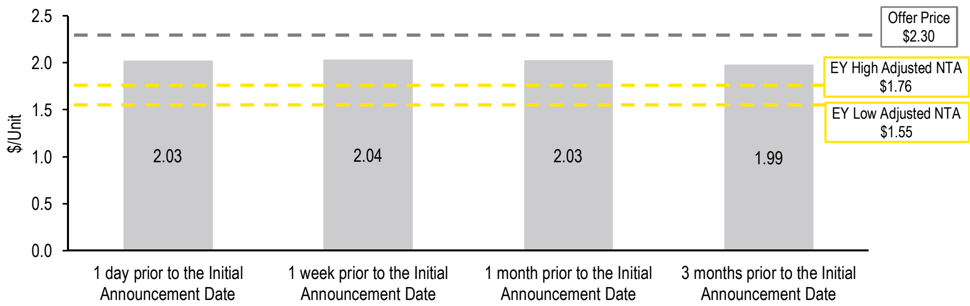
In order to determine a value per Generation Unit, we have divided the Adjusted NTA by the total number of Generation Units on issue being 220,742,347. This results in an Adjusted NTA per Generation Unit of $1.55 to $1.76.

7.10 Other valuation factors considered

7.10.1 Unit price

We have compared our Adjusted NTA per Generation Unit to Generation's price per Unit prior to the Initial Announcement Date.

VWAP of Generation Units prior to the Initial Announcement Date



Source: S&P Capital IQ, IRESS and EY Transaction Advisory Services analysis

In relation to the chart above, we note that Generation's price per Unit the day prior to the Initial Announcement Date and one week and one month prior to the Initial Announcement Date are below the Offer Price, and above our Adjusted NTA which includes the valuation of individual properties determined on a stand alone basis. This is consistent with our discussion in section 6.2.2 that it is common for a portfolio premium to apply to the sale of established portfolios of properties such as that owned by Generation. This is for the reasons outlined in that section.

Further reasons a premium to the Adjusted NTA may be implied by the Offer Price are the various change of control and termination obligations and one off transaction costs which have the effect of reducing the Adjusted NTA and thus increasing the implied premium.

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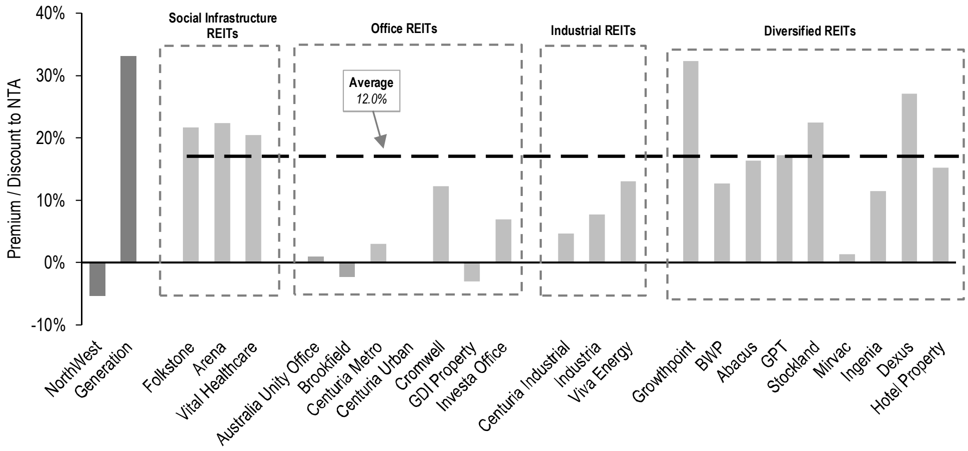
7.10.2 Premium over NTA

Often transactions involving the acquisition of portfolios of properties realise a premium over and above NTA. This is evidenced by analysis of both listed REIT peers and comparable transactions. The charts below present analysis of comparable Australian listed REITs plus Vital Healthcare (listed in New Zealand) and recent transactions involving similar businesses to Generation.

Australian Listed REITs – Trading Premium/Discount to 2016 Reported NTA at 21 April 2017



Source: EY Transaction Advisory Services analysis, S&P Capital IQ, company websites

Notes:

1 Excluded Goodman as an outlier for this analysis given a substantial portion of Goodman's business is related to other activities rather than pure-play investment property operations

2 Unit price of Centuria Urban as at 21 April 2017 was equal to its 31 December 2016 reported NTA/unit and hence a nil premium was observed

3 Average excludes Generation and NorthWest

Based on our analysis of the market value (as at 21 April 2017) and NTA as at December 2016 of listed REITs, we noted that REITs are currently generally trading at a premium to NTA. In aggregate, the average premium is approximately 12.0% above NTA (median: 12.5%).[42] However, Diversified REITs typically enjoy higher premiums relative to industrial and office REITs. The premium in respect of the other two healthcare REITs listed in Australia and New Zealand is 22.4% for Arena and 20.4% for Vital Healthcare.

We note that Generation had the highest trading premium over NTA in the above chart at 33%. This was based on NTA per Generation Unit as at 31 December 2016 of $1.54. On 10 May 2017 Generation disclosed NTA per Generation Unit of $1.66, an increase of 7%[43]. We also note that as a result of the acquisition of GHM (the manager of Generation) and its unitholding of 22.73% prior to the Initial Announcement Date (which had increased since its initial acquisition to a 40.40% interest as at 18 May 2017) it is possible that the market may have factored in some expectation of takeover activity for Generation.

Similarly, our analysis of recent transactions involving listed Australian REITs, as presented over the page, indicates that recent portfolios of property assets have transacted at a premium to NTA.

[42] Average and median excludes Generation and NorthWest

[43] Generation's 31 March 2017 results update released on 10 May 2017

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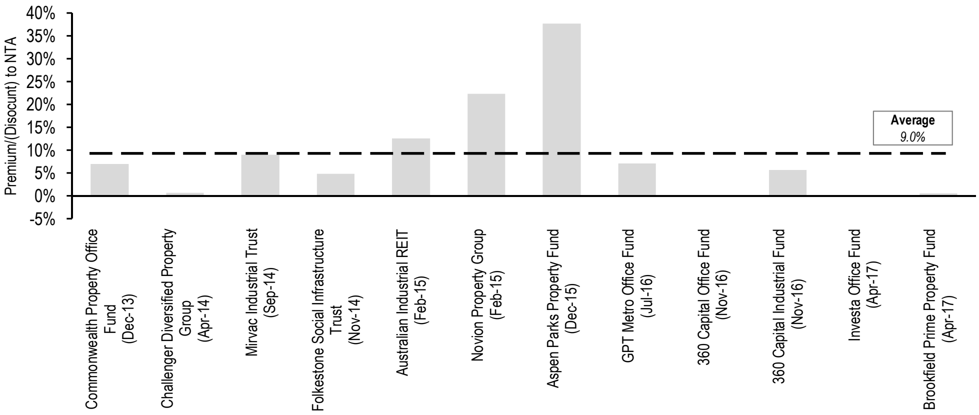
Recent transactions in Australian REITs - Premium/Discount to Reported NTA



Source: EY Transaction Advisory Services analysis, Mergermarket, company announcements

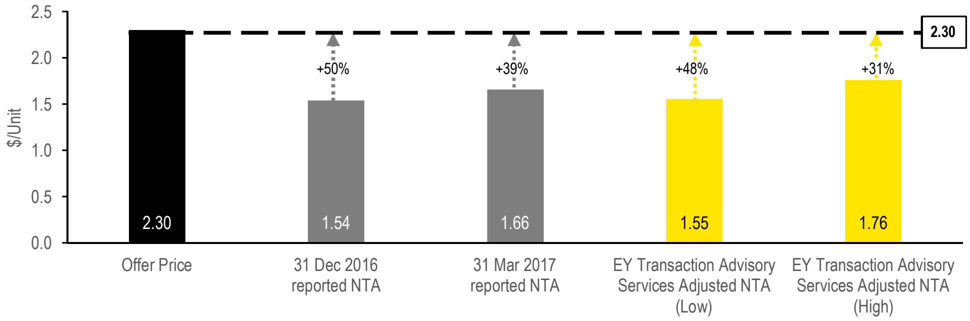
Notes:
[1] Challenger Diversified Property Group (Apr-14), 360 Capital Office Fund (Nov-16), Investa Office Fund (Apr-17) and Brookfield Fund (Apr-17) were transacted at less than a 1% discount to the last reported NTA

There are a number of reasons as to why such a premium to reported NTA may exist such as:

- Property portfolios of a substantial size may attract a premium due to the limited availability of such portfolios on the open market. The relatively low risk and long term nature of cash flows generated by these portfolios have become increasingly attractive to large financial investors.
- Value a specific acquirer may attribute to the acquisition of a portfolio in their hands for instance if they were to combine it with an existing property investment platform.
- Acquisition of property via investment in a REIT reduces the stamp duty costs which may otherwise apply if acquiring individual properties.
- Synergies (both revenue and cost savings) that may arise upon acquisition through integrating the target's operations with the acquirer's.
- The timing lag between the latest reported property valuations and the current market value of properties.
- Value attributable to development assets and the target's development pipeline.

The Offer Price implies a 50% premium to Generation's 31 December 2016 reported NTA, a premium of 39% to 31 March 2017 reported NTA and a 48% to 31% premium to our assessed Adjusted NTA range as shown in the chart above.

Offer Price versus key data points



Source: EY Transaction Advisory Services analysis, Bidder's Statement, Company Announcements

Notes:
[1] 31 Dec 2016 reported NTA/unit calculated based on 219,334,623 Units as at 31 December 2016
[2] 31 Mar 2017 reported NTA/unit calculated based on 220,742,347 Units as at 31 March 2017
[3] EY Transaction Advisory Services assessed Adjusted NTA calculated based on 220,742,347 Units

Taking into account the above factors and analysis, we consider the aforementioned premium of the Offer Price above our assessed Adjusted NTA to be more than adequate to reflect a premium that might be expected to be received in relation to a portfolio of properties such as that owned by Generation. This is particularly the case given our analysis above of observable market benchmarks which shows that premiums to NTA for listed peers and recent transactions are approximately 12.0% and 9.0% on average.

In considering whether the Offer Price reflects a premium over NTA and Adjusted NTA sufficient to reflect a portfolio premium we have also sensitised the Adjusted NTA to reflect a range of yields down to as low as 5.5%. This reflects where a number of transactions have recently occurred including the recent transaction involving Evolution Healthcare which involved a portfolio of properties as set out in Appendix C. While we do not consider it appropriate to adopt such a yield for Generation's properties overall, we note that such an approach would still result in the Offer Price reflecting a premium over Adjusted NTA.

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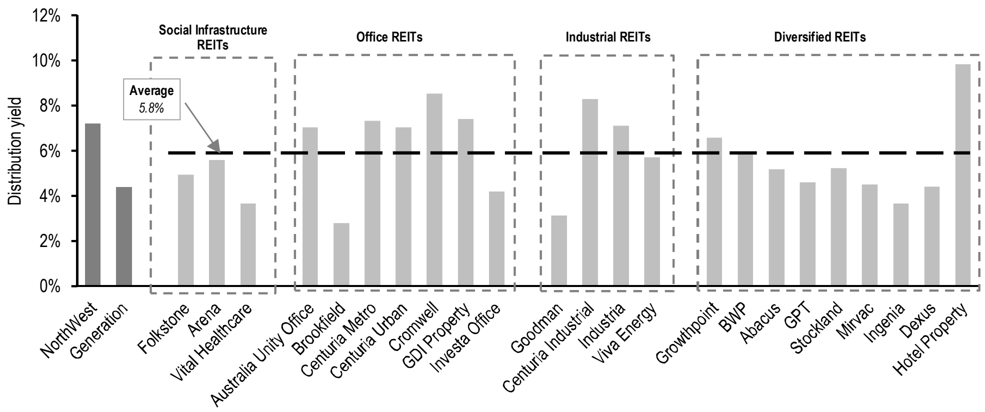
7.10.3 Distribution yield

Investors often consider value for REITs on a yield basis. In addition to the above, we have also considered Generation's distribution yield versus its peers to determine whether it falls within a range consistent with market benchmarks. This analysis may indicate whether any additional value, or conversely negative value, may be attributable to Generation based on this characteristic. The chart below presents Generation's yield versus selected peers.

Australian Listed REITs - FY17 Distribution Yield



Source: EY Transaction Advisory Services analysis, S&P Capital IQ, company websites

Notes:
1 FY17 Distributions based on consensus estimates provided by S&P Capital IQ, where available and unit prices as at 21 April 2017
2 Distribution yields for Brookfield were calculated based on FY16 actual distributions as FY17 forecasts were not available
3 Average excludes NorthWest and Generation

The forecast FY17 distribution yields of comparables presented above provides an average yield of approximately 5.8% (median: 5.6%).[44] The distribution yields are largely consistent across segments. Generation's distribution yield of 4.4% is within the range observed of between 2.8% and 9.8%. Accordingly, we consider Generation's yield to be consistent with market benchmarks.

[44] Average and median exclude NorthWest and Generation

8. Evaluation of the Offer

8.1 Overview

In forming our opinion as to whether the Offer is fair and reasonable for Generation Unitholders, we have considered a number of factors including:

- Whether the Offer Price is in excess of our assessment of Generation's Adjusted NTA per Generation Unit.
- Whether any premium over Adjusted NTA per Generation Unit is adequate to reflect a premium that might be expected to be received in relation to a portfolio of properties such as that owned by Generation. The rationale for such a premium is set out in section 7.10.2 above.
- The price at which the Generation Units are proposed to be acquired relative to the listed market price of Generation Units prior to the announcement of the Offer (and the initial offer).
- The existence of alternatives to the Offer and the consequences for Generation Unitholders.
- The likelihood of an alternative superior proposal being received.
- The likely market price of Generation Units in the event that the Offer is not accepted.
- Other factors relevant to Generation Unitholders if the Offer is accepted such that over 50% or 90% of the outstanding Generation Units are acquired by NorthWest Australia compared to if it does not.

8.2 Fairness

We have determined whether the Offer is fair by comparing the assessed Adjusted NTA per Generation Unit, on a controlling interest basis, to the Offer Price that will be received by Generation Unitholders in the event that the Offer is accepted. The following table summarises this comparison:

Evaluation of the fairness of the Offer			
Currency: $/Unit	Ref	Low	High
Offer Price		2.30	2.30
Adjusted NTA per Generation Unit	*Section 7*	1.55	1.76
Premium to the Adjusted NTA per Generation Unit		0.75	0.54
% Premium		48%	31%
Adjusted NTA per Generation unit before deductions[1]		1.68	1.87
Premium to the Adjusted NTA per Generation Unit before deductions[1]		0.62	0.43
% Premium		37%	23%

Source: EY Transaction Advisory Services analysis

Notes:

[1] *Excludes deductions for corporate costs, change of control and termination obligations and one off transaction costs as a result of the Offer as set out in section 7.1. We have also performed this analysis without these deductions as the data used to analyse premiums in many comparable transactions does not include such items as they are not all recognised as balance sheet items for accounting purposes.*

The assessed Adjusted NTA per Generation Unit on a controlling interest basis is between $1.55 and $1.76 per Generation Unit. The Offer Price is $2.30 per Generation Unit. We have also considered the premium implied by the Offer Price versus Adjusted NTA. For the reasons set out in section 7.10.2, we consider this to be more than adequate to reflect a premium that might be expected to be received in relation to a portfolio of properties such as that owned by Generation.

We conclude that, as the Offer Price both exceeds our assessed Adjusted NTA and includes an adequate premium to reflect the additional value attaching to a portfolio of properties, such as that owned by Generation then the Offer Price exceeds our assessed Adjusted NTA per Generation Unit on a controlling basis and is therefore fair.

8.3 Reasonableness

As we consider the terms of the Offer to be fair as set out above, under the guidance provided by RG 111, we also consider the terms to be reasonable.

8.3.1 Other factors

Notwithstanding the above conclusion that the terms of the Offer are fair and reasonable, we have also considered other factors that Generation Unitholders should consider in forming their views as to whether or not to accept the Offer.

Individual Generation Unitholders may interpret these factors differently depending on their own circumstances. Listed below is a summary of these other factors.

8.3.1.1 Generation Unitholders are receiving a premium to the price of Generation Units prior to the announcement of the Offer

The last traded price of Generation Units on 21 April 2017, the day prior to the Initial Announcement Date, was $2.05 per Generation Unit. The Offer Price represents a 12.2% premium to the price of a Generation Unit on the day prior to the Initial Announcement Date and 13.3% over the previous one month's VWAP of $2.03 per Generation Unit prior to the Initial Announcement Date.

8.3.1.2 Generation Unitholders are receiving a premium to the reported and Adjusted NTA

As at 31 March 2017, the reported unaudited NTA for Generation was $365.8 million. Based on the number of units outstanding as at that date, this was equivalent to an NTA of $1.66 per Generation Unit. The Offer represents a 39% premium to the reported NTA of $1.66 per Generation Unit and a 31% to 48% premium to our assessed Adjusted NTA range per Generation Unit. As noted previously, we consider this premium more than adequate to reflect a portfolio premium that might be expected to be received.

8.3.1.3 The Offer provides liquidity

The Offer represents an opportunity for Generation Unitholders to achieve a ready sale of their Generation Units at a certain price. The historically low volumes of trading in Generation Units means that it may otherwise be difficult for Generation Unitholders to realise value in the open market for large volumes of Generation Units. Further, given NorthWest Australia, as at 18 May 2017, now owns in excess of 40% of total Generation Units, low levels of liquidity may persist or even worsen from historical levels if Generation remains listed after the close of the Offer.

8.3.1.4 Removal of exposure to near-term capital expenditure requirements

Generation currently has one significant property under development with a second pending construction subject to financing and construction tenders. Accordingly, significant expenditure is projected to be incurred over the next two years. As is typically the case with any such property developments, associated risks may include project execution, timing, cost and returns.

8.3.1.5 No participation in the future of Generation's business

By accepting the Offer, Generation Unitholders will receive the Offer Price but will not receive the benefit of any future increases in value of the portfolio or business as a result of operational and development success or market movements.

8.3.1.6 Potential for alternative superior proposals to emerge

While it is possible that an alternative proposal involving Generation may emerge, we note that since the announcement of the Offer, no superior proposals have been received and the APNFM Directors are not aware of any potential superior alternative proposal likely to emerge. NorthWest Australia's ownership of GHM (the Manager of Generation) and its existing interest in Generation of 40.40%[45], may limit the potential for superior proposals to emerge.

8.3.1.7 Intentions upon acquisition of 90% or more of Generation Units

If, as a result of the Offer, NorthWest Australia acquires 90% or more of the Generation Units, NorthWest Australia would have the right and has stated that it intends to compulsorily acquire the remaining Generation Units. Other stated intentions in this circumstance include:

- Arrangement of de-listing of Generation from the official list of the ASX.
- Seeking to change the responsible entity of Generation to a NorthWest responsible entity with a board nominated by NorthWest.
- If, as a result of the Offer, change of control or review events are triggered with respect to Generation's existing debt financing arrangements, NorthWest Australia expects that such facilities could be refinanced by Generation in the ordinary course of business.
- To review Generation's distribution and capital management policies to form views on the most effective and efficient capital structure for Generation, including whether Generation's leverage could be increased beyond its current levels and a review of Generation's distribution policies. Any changes to Generation's distribution and capital management policies would need to be approved and implemented by the responsible entity of Generation.
- To perform an operational and strategic review of Generation's assets and operations. This may lead to further acquisitions, disposals or developments in the future.
- No change to the existing manager of Generation which is wholly owned by NorthWest.

8.3.1.8 Possible minority ownership consequences

In the event that NorthWest Australia acquires greater than 50% but less than 90% of all Generation Units, there are potential adverse consequences of remaining as minority interest Unitholder in Generation. In these circumstances, Generation Unitholders who do not accept the Offer or otherwise dispose of their Units will remain minority Unitholders in Generation. This has a number of implications, including:

- NorthWest Australia may seek to de-list Generation if it acquires greater than 50% of the Generation Units, subject to complying with ASX guidance on this matter. If this occurs, Generation Unitholders who do not accept the Offer may be left with units in an unlisted entity. If Generation was de-listed, the marketability of units in Generation would be significantly reduced which may also have an adverse impact on the price at which Generation Unitholders could arrange to sell their Units.
- If Generation remains listed:
  - The Generation Unit price would be expected to decrease immediately following the end of the Offer Period. This would reflect the fact that at that stage, the attraction of Generation as a takeover target will be diminished should NorthWest Australia be a controlling Unitholder. Any prospect of ongoing Unitholders realising a control value for their shares would depend upon NorthWest Australia or another buyer proposing another transaction involving a control premium in the future.

[45] As at 18 May 2017

- The reduced free float of Generation Units is likely to reduce the Company's weighting or even inclusion in key stock market indices. Generation is currently included within the S&P/ASX 300 and S&P/ASX 300 A-REIT indices. This, together with the reduced number of available units and potentially reduced institutional support, is likely to reduce liquidity in Generation's Units and potentially suppress its traded price.
- Generation would be entitled to acquire additional Generation Units under the 'creeping' acquisition provisions of the Corporations Act which allow for up to 3% of Generation Units to be acquired every six months. Such an approach would not provide minority Generation Unitholders with the opportunity of realising a control value for their Units.

► NorthWest Australia intends to seek to change the responsible entity of Generation to a NorthWest controlled responsible entity with a board nominated by NorthWest. Currently, any change to Generation's distribution and capital management policies requires approval and implementation by the RE.

8.3.1.9 Intentions upon acquisition of less than 50% of Generation Units

In the event that NorthWest Australia acquires less than 50% of Generation Units, NorthWest Australia intends to assess its position with respect to Generation. This may include seeking the implementation of some or all of its intentions set out above and in section 6 of the Replacement Bidder's Statement. Any such implementation would be subject to the Corporations Act.

8.3.1.10 If the Offer does not result in NorthWest Australia acquiring all of the outstanding Generation Units, the price of a Generation Unit is likely to fall below current trading levels

If the Offer does not result in the acquisition of 100% of Generation Units, and in the absence of an alternative transaction, Generation will continue to operate in its current form and be listed on the ASX unless delisted in accordance with the discussion above. As a consequence, Generation Unitholders who do not accept the Offer will maintain ownership of Generation Units but will not receive any cash consideration. Further, in these circumstances there is a risk that the price of Generation Units will fall, possibly, back towards levels experienced prior to the Initial Announcement Date closing price of $2.05 per Generation Unit albeit noting the relative illiquidity of Generation Units may persist or worsen as described above.

8.3.1.11 Tax consequences

EY Transaction Advisory Services has not considered the specific taxation implications that may be relevant for individual Generation Unitholders in connection with the Offer. The exact nature and impact of any tax consequences are uncertain and will depend upon the profile of each Generation Unitholder. These specific consequences need to be borne in mind by each Generation Unitholder in weighing up the merits of the Offer. Generation Unitholders should consider the information contained in section 9 of the Target's Statement and section 9 of the Replacement Bidder's Statement.

As set out in these documents, Generation Unitholders should consider to what extent they may realise revenue or capital gains or losses on the disposal of their Generation Units if they accept the Offer, whether they may be impacted if Generation ceases to qualify as a Managed Investment Trust under Australian tax legislation and whether there are any Australian stamp duty and goods and services tax implications.

8.3.1.12 Costs associated with the Offer

APNFM has agreed, as set out in the Bid Implementation Deed, that it will use its best endeavours to limit one-off transaction costs to no more than $3.15 million in relation to the Offer. We understand that these costs are expected to be incurred materially in full. A significant proportion of these transaction costs will be payable by Generation regardless of whether the Offer results in NorthWest Australia acquiring all the outstanding Generation Units.

8.4 Conclusion

Taking into consideration the matters detailed in this IER, in the opinion of EY Transaction Advisory Services, the absence of a superior offer, the Offer by NorthWest Australia is fair and reasonable.

This IER has been prepared to assist Generation Unitholders in assessing the merits of the Offer. In doing so, the Report provides general information only and does not consider the individual situation, objectives and needs of each Generation Unitholder. On this basis, Generation Unitholders should consider whether this Report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this Report. If there is any doubt, Generation Unitholders should seek their own professional advice.

Appendix A Statement of qualifications and declarations

EY Transaction Advisory Services, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Act and its representatives are qualified to provide this report. The directors of EY Transaction Advisory Services responsible for this report have not provided financial advice to Generation or APNFM.

Prior to accepting this engagement, EY considered its independence with respect to APNFM, NorthWest and Generation with reference to Regulatory Guide 112: *Independence of experts*.

This report has been prepared specifically for Generation Unitholders in relation to the Offer. Neither EY Transaction Advisory Services, Ernst & Young and any employee thereof undertakes responsibility to any person, other than Generation Unitholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report we have relied upon and considered information believed after due inquiry to be reliable and accurate. EY has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. We have evaluated the information provided to it by APNFM and Generation, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base this report. We do not imply and it should not be construed that it has audited or in any way verified any of the information provided to us, or that our inquiries could have verified any matter which a more extensive examination might disclose.

The information relied upon in the preparation of this report is set out in Appendix F to this Report.

EY Transaction Advisory Services provided draft copies of this report to APNFM and Generation for comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Changes made to this report as a result of this review by the Directors and management of APNFM and Generation had not changed the methodology or conclusions reached by us.

EY Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this report estimated at approximately $210,000 (exclusive of GST). We will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Stuart Bright, a director and representative of EY Transaction Advisory Services and a partner of Ernst & Young and Ms Julie Wolstenholme, a director and representative of EY Transaction Advisory Services and a partner of Ernst & Young have assumed overall responsibility for this report. Both have the necessary experience and professional qualifications appropriate to the advice being offered. Real estate input was provided by Mr Marcus Willison, a director and representative of EY Transaction Advisory Services and a partner of Ernst & Young, who is a Fellow of the Australian Property Institute and a registered property valuer in Australia. Marcus has the necessary experience and professional qualifications appropriate to the advice being offered. Other staff have been consulted in the preparation of this report where appropriate.

It is not intended that the report should be used for any other purpose other than to be included in the Target's Statement to be sent to Generation Unitholders with respect to the Offer. In particular, it is not intended that this report should be used for any other purpose other than as an expression of our opinion as to whether or not the Offer is fair and reasonable to the Generation Unitholders.

EY Transaction Advisory Services consents to the issue of this report in the form and context in which it is included in the Target's Statement.

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Appendix B Valuation methodologies

RG 111 provides guidance on the valuation methods that an independent expert should consider when valuing a company. These methods include the:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount that would be available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale.
- Recent genuine offers, if any, received by the target for any business units or assets as a basis for valuation of those business units or assets.
- Amount that any alternative acquirer might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly adopted in valuing such an asset and the availability of appropriate information.

The DCF methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in the cash flows. This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life (such as oil and gas projects). The utilisation of this methodology generally requires that the asset be sufficiently advanced to enable management to provide long term cash flows with some degree of robustness.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This methodology is theoretically most appropriate where a company or business is expected to generate a relatively stable level of earnings but in practice, is also frequently used in a range of other circumstances.

The net asset backing methodology involves consideration of the net realisable value of the assets of a business or company on a going concern basis, assuming an orderly realisation of those assets. This value includes a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their fair value.

Market based assessments relate to the valuation of companies, the shares of which are traded on a stock exchange. While the relevant share price would, prima facie, constitute the market value of the shares, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

Appendix C Market evidence

Hospital and healthcare recent transaction evidence

- As reported by the Australian Financial Review in May 2017, hospital operator Healthe Care has finalised the purchase of a portfolio of hospitals, 12 Australian and 1 New Zealand based, from Pulse Healthcare. The 13 hospitals reportedly transacted for $155 million, increasing the total number of hospitals operated by the group to 35 facilities.

- We understand Vital Healthcare is in the process of acquiring the remaining New Zealand based assets which form part of the Evolution Healthcare portfolio, the facilities forming part of the transaction include Bowen Hospital and Wakefield Hospital located in Wellington and the Royston Hospital located in Hastings. We understand the transaction is to be struck on a 5.75% yield[46].

- As reported in the Australian Financial Review during April 2017 the Australian based Evolution Healthcare portfolio which included the Shellharbour Private Hospital, South Coast Private Hospital and Wollongong Day Surgery have been purchased for $76.5 million on a yield of circa 5.50% by wholesale healthcare fund Barwon Investment Partners. We note these facilities are subject to long terms Healthe Care lease covenants.

- During February 2017 Evolution Healthcare agreed to sell the operation of the Shellharbour Private Hospital, South Coast Private and the Wollongong Day Surgery for $53 million[47]. The acquisition now positions Healthe Care as Australia's 3rd largest private hospital operator.

- In February 2017 Vital Healthcare announced the acquisition of the 30 bed Abbotsford Private mental health hospital in Western Australia via an off market transaction for circa $20 million. Due to confidentially we cannot disclose the yield for the sale however we note it was in line with the current level of yields being achieved in the market for metropolitan healthcare assets. Vital Healthcare also acquired the 31 bed Orimiston Hospital in Auckland NZ at the same time for AUD $30.9 million ($996,774 per bed). The combined average yield for the two facilities was 6.65%.

- Barwon Investment Partners has purchased a Melbourne pathology facility in December 2016 via a sale and leaseback transaction for $20.5 million. The Australian Clinical Labs facility is located on Dandenong Road at Clayton within Melbourne's south east. The deal is believed to have been struck on yield of below 6.0%. The facility comprises 8,623 square metres on a 27,180 land plot. The property is the seed asset for Barwon Investment Partners' new wholesale healthcare fund.

- The GP Plus Health Care Centre, located at 16 Playford Boulevard, Elizabeth, South Australia, approximately 25 kilometres from the Adelaide CBD, was sold during November 2016 for $42 million on a 5.4% yield. The property was sold to Dexus Property Group, a new entrant to the healthcare market. The facility has 14 years remaining on the current lease term and is fully let to Adelaide Health Service Incorporated.

- A medical centre located at 7-9 Park Terrace, Salisbury in South Australia, transacted in early 2017 for $11,400,000 on a 6.23% yield[48]. The building comprises a net lettable area of 1,929 square metres. The building is fully leased for 15 + 5 + 5 years the Minister for Health and Substance Abuse, providing an approximate net income of $710,361 per annum. The property was purchased by Perth based investment group, Ascot Capital Limited.

- During August 2016 a private investor has purchased a recently completed medical centre in Adelaide's Trinity Gardens for $5.85 million. This site was sold with a 7 year lease in place to IPN, a major medical

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[46] Australian Financial Review article *"Barwon bags Evolution hospital portfolio"* dated 27 April 2017
[47] Healthe Care media release dated 18 April 2017
[48] Australian Financial Review article *"Ascot Capital Limited buys Adelaide mental health centre.."* dated 8 February 2017

centre operator in Australia with the lease guaranteed by incoming tenant Sonic Healthcare and offers a net income of approximately of $335,000 per annum.

- Australian Unity Healthcare Property Trust in June 2016 completed the acquisition and settlement of two pathology laboratories from Sonic Healthcare located in Victoria and Western Australia. The assets were purchased for $45 million and $36 million respectively and the combined forecast income yield for the properties is expected to be 6.03%[49].

- In December 2015 Healthe Care Australia Pty Ltd was conditionally acquired subject to FIRB approval by the China based Luye Group from private equity group Archer Capital for a reported enterprise value of $938 million comprising the leasehold of 17 private hospitals across Australia accommodating approximately 1,800 beds. The transaction was completed based on a normalised LTM EBITDA to December 2015 of $59.8 million after corporate charges, reflecting a yield of circa 6.38% or 15.69 times and circa $520,000 per bed.

- The Gold Coast Surgical Hospital and medical centre in Varsity Lakes, QLD was sold during November 2015. The completed (mid 2015) facility comprises 6,476sqm with 24 beds and 6 theatres along with consulting suites, medical retail and 83 car spaces. There is a 15 year lease to Pulse Health and 10 year leases to both QML and QDI with the facility having a WALE of 12.65 years by income. Based on the estimated fully leased income of circa $3.2m the initial yield is reportedly circa 7.0%, which involves a two year rental guarantee on current vacant areas. Ignoring the rental guarantee, the existing lease rent of circa $2.8m reflects an initial yield of approximately 6.50%.

- In 2016 Vital Healthcare paid $41 million for 4 aged care facilities leased by Hall and Prior at a yield of 8%.

[49] Australian Unity Healthcare Property Trust announcement dated 20 June 2016

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Appendix D Comparable companies

D1. Comparable company descriptions

Comparable company descriptions		
Company	Description	Market cap ($ million)[1]
Abacus Property Group	Abacus Property Group engages in the management and investment of property based assets in Australia.	1,968
Arena REIT	Arena REIT is a real estate investment trust. It invests in the real estate markets of Australia.	499
Australian Unity Office Property Fund	Australian Unity Office Property Fund specializes in making real estate investments.	295
Brookfield Prime Property Fund	Brookfield Prime Property Fund is a Managed Investment Trust specializing in investments in property assets using a combination of debt and equity financing.	423
BWP Trust	BWP Trust is a real estate investment trust externally managed by BWP Management Limited.	1,882
Centuria Industrial REIT	Centuria Industrial REIT is a real estate investment trust externally managed by Centuria Property Funds No. 2 Limited	524
Centuria Metropolitan REIT	Centuria Metropolitan REIT is a real estate investment trust externally managed by Centuria Property Funds Limited.	285
Centuria Urban REIT	Centuria Urban REIT is a real estate investment trust externally managed by Centuria Property Funds No. 2 Limited	166
Cromwell Property Group	Cromwell Group is a real estate investment firm specializing in direct and fund of funds investments.	1,699
Dexus Property Group	DEXUS Property Group owns, manages, and develops office, industrial, and retail properties in Australia, New Zealand, the United States, France, Germany, and Canada.	9,902
Folkestone Education Trust	Folkestone Education Trust is a real estate investment trust externally managed by Folkestone Investment Management Limited.	717
GDI Property Group	GDI Property Group is based in Sydney, Australia.	559
Goodman Group	Goodman Group engages in the ownership, development, and management of industrial properties and business space in Australia, the Asia-Pacific region, japan, Europe, and the United Kingdom.	14,796
GPT Group	GPT Group operates as a diversified real estate investment property trust. It invests in retail, commercial, hotel, industrial, and office park properties.	9,693
Growthpoint Properties Australia	Growthpoint Properties Australia is a real estate investment trust launched and managed by Growthpoint Properties Australia Limited.	2,176
Hotel Property Investments Limited	Hotel Property Investments Limited owns and leases various properties in Australia.	431
Industria REIT	Industria REIT is a real estate investment trust externally managed by APN Funds Management Ltd. It invests in real estate markets of Australia.	365
Ingenia Communities Group	Ingenia Communities Group is an independent real estate investment trust. The firm invests in the real estate markets of Australia, Canada, New Zealand, and the United States.	484
Investa Office Fund	Investa Office Fund is a real estate investment trust externally managed by Investa Listed Funds Management Limited.	2,947
Mirvac Group	Mirvac Group engages in real estate investment and development, funds management, and hotel management primarily in Australia.	8,443
NorthWest Healthcare Properties REIT	NorthWest Healthcare Properties Real Estate Investment Trust is Canadian based and operates as an unincorporated, open-ended real estate investment trust that invests in healthcare real estate.	1,129
Stockland Corporation Limited	Stockland Corporation Limited engages in the development and management of real estate projects in mainland Australia, the United Kingdom, and New Zealand.	11,820
Vital Healthcare	Vital Healthcare Property Trust is a real estate investment trust externally managed by Vital Healthcare Management Limited.	860
Growthpoint Properties Australia	Growthpoint Properties Australia is a real estate investment trust launched and managed by Growthpoint Properties Australia Limited.	2,176
Viva Energy REIT Trust	VER Manager Pty Ltd is a real estate investment trust externally managed by VER Manager Pty Ltd. The firm invests in real estate markets of Australia.	1,615

Source: S&P Capital IQ

Notes:

[1] Market capitalisation as at 21 April 2017

D2. Comparable company liquidity analysis

Liquidity analysis - 2016		
Companies	Liquidity (Outstanding units)[1]	Liquidity (Free float units)[2]
Generation Healthcare REIT	18%	22%
Abacus Property Group	41%	75%
Arena REIT	30%	31%
Australian Unity Office Property Fund[3]	15%	n/a
Brookfield Prime Property Fund	1%	1%
BWP Trust	55%	75%
Centuria Industrial REIT	38%	47%
Centuria Metropolitan REIT	19%	22%
Centuria Urban REIT	27%	41%
Cromwell Property Group	50%	71%
Dexus	86%	92%
GDI Property Group	26%	30%
Folkestone Education Trust	30%	38%
Goodman Group	62%	72%
GPT Group	77%	77%
Growthpoint Properties Australia	18%	51%
Hotel Property Investments Limited	30%	31%
Industria REIT	27%	50%
Ingenia Communities Group	41%	43%
Investa Office Fund	74%	75%
Mirvac Group	93%	93%
NorthWest Healthcare Properties REIT	46%	53%
Stockland Corporation Limited	74%	79%
Vital Healthcare Property Trust	17%	34%
Viva Energy REIT Trust	47%	47%
Average (ex-Generation)	43%	53%
Median (ex-Generation)	40%	50%

Source: S&P Capital IQ, Bloomberg, EY Transaction Advisory Services analysis

Notes:
1 Liquidity (Outstanding units) calculated based on volume of units traded from 1 January 2016 to 31 December 2016 and the average units outstanding during that period
2 Liquidity (Free float) calculated based on volume of units traded from 1 January 2016 to 31 December 2016 and the average free float units outstanding during that period
3 Liquidity (Free float) for Australian Unity Office Property Fund was not available as free float information was not available

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Appendix E Adjusted property valuations by property

Presented below is the summary of our adjusted valuation results by property for Generation's portfolio on a 100% 'as if complete' basis except in relation to Epworth Freemasons Private Hospital (Clarendon Street) including Grey Street Centre and Albert Street car park as set out in section 6.1.1. The nature of the adjustments made is discussed in section 7.2.

Property Currency: $ 000s	Last independent valuation date	Capitalisation rate at last independent valuation	Last independent valuation	EY adopted capitalisation rate (High)	EY adopted capitalisation rate (Low)	EY valuation (Low)	EY valuation (High)
ARCBS (Australian Red Cross Blood Service) Facility	30-Jun-16	7.05%	79,000	7.00%	7.25%	81,700	84,600
Casey Specialist Centre	31-Dec-16	6.00%	31,750	5.75%	6.00%	31,900	33,200
Epworth Freemasons Private Hospital (Clarendon Street) incl Grey St Ctr & Albert St car park	31-Dec-16	5.50%	97,400	5.50%	5.75%	93,300	97,500
Epworth Freemasons Private Hospital and Medical Centre	31-Dec-16	6.25%	77,800	6.00%	6.25%	75,800	79,000
Frankston Private including the expansion	31-Mar-17	5.75%	118,500	5.50%	5.75%	120,500	126,000
Frankston Specialist Centre	7-May-14	7.00%	2,380	6.00%	6.50%	2,900	3,200
Harvester Centre	31-Dec-16	7.00%	19,000	6.75%	7.00%	19,600	20,300
Pacific Private Clinic[1]	31-Dec-15	8.25%	34,000	6.65%	7.36%	29,650	32,800
RSL Care RDNS Baycrest Aged Care Facility	30-Jun-16	8.25%	15,300	7.00%	7.25%	15,400	15,900
RSL Care RDNS Darlington Aged Care Facility	30-Jun-16	7.25%	14,300	7.00%	7.25%	14,400	14,900
RSL Care RDNS Tantula Rise Aged Care Facility	30-Jun-16	7.25%	19,000	7.00%	7.25%	19,100	19,800
Spring Hill	31-Dec-16	6.75%	64,000	6.50%	6.75%	64,200	66,700
St John of God Berwick Hospital Development (Casey Stage 2) – hospital and car park	31-Mar-17	6.00%	93,200	5.75%	6.00%	93,400	97,500
Waratah Private Hospital Ground Floor Suites	18-Aug-16	6.75%	7,300	6.75%	7.00%	7,200	7,500
Westmead Rehabilitation Hospital	31-Mar-17	6.25%	31,700	6.00%	6.25%	31,600	33,000
Total value (100% basis)			**704,630**	**6.09%[2]**	**6.36%[2]**	**700,650**	**731,900**

Source: Property Valuation Reports, EY Transaction Advisory Services analysis

Notes:

[1] *Generation is in advanced discussions that will result in changes to the tenancy profile such that the average WALE will be extended. Due to confidentiality we are unable to disclose the nature of these arrangements however we have reflected an associated rental adjustment within our assessment*

[2] *Average calculated on a property value weighted basis*

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Presented below is the summary of our adjusted valuation results by property reflecting Generation's ownership interest and adjustments for costs to complete. It also includes a premium of $10 million to $15 million (at Generation's 50% ownership interest) in relation to the proposed construction works with respect to Grey Street Centre and Albert Street car park at Epworth Freemasons Private Hospital (Clarendon Street) as discussed in section 0.

Property Currency: $ 000s	Costs to complete (100% basis)	Generation's ownership	EY Low	EY High
ARCBS (Australian Red Cross Blood Service) Facility		100%	81,700	84,600
Casey Specialist Centre		100%	31,900	33,200
Epworth Freemasons Private Hospital (Clarendon Street) incl Grey St Ctr & Albert St car park		50%	56,650	63,750
Epworth Freemasons Private Hospital and Medical Centre		100%	75,800	79,000
Frankston Private including the expansion	1,800	57%	67,101	70,210
Frankston Specialist Centre		57%	1,639	1,809
Harvester Centre		100%	19,600	20,300
Pacific Private Clinic		100%	29,650	32,800
RSL Care RDNS Baycrest Aged Care Facility		100%	15,400	15,900
RSL Care RDNS Darlington Aged Care Facility		100%	14,400	14,900
RSL Care RDNS Tantula Rise Aged Care Facility		100%	19,100	19,800
Spring Hill		100%	64,200	66,700
St John of God Berwick Hospital Development (Casey Stage 2) – hospital and car park	13,974[1]	50%/90%[2]	37,686	39,976
Waratah Private Hospital Ground Floor Suites		100%	7,200	7,500
Westmead Rehabilitation Hospital		100%	31,600	33,000
Total value of Generation's portfolio			**553,626**	**583,445**

Source: EY Transaction Advisory Services analysis

Notes:
[1] Costs to complete for Casey Stage 2 are presented at Generation's ownership level as these were not available on a 100% basis split by hospital and car park
[2] Generation owns 50% of the hospital and 90% of the car park

The values ascribed to Generation's properties by us in this Report should not be regarded as being a substitute for the values ascribed to such properties by the RE for the purposes of preparing Generation's financial statements, which are determined in accordance with Generation's valuation policy and following a process, which includes the RE obtaining external valuations from independent professionally qualified valuers and internal valuations that are performed by the Manager and reviewed and accepted by the Board of Directors of the RE.

Appendix F Sources of information

In the preparation of this Report, we have had regard to the following sources of information:

- Original and Replacement Bidder's Statements
- Target's Statement
- Audited annual financial statements and half yearly reports of Generation
- Management accounts of Generation for FY15, FY16, the half year ended 31 December 2016 and the nine months to 31 March 2017
- External Property Valuation Reports for each of the investment properties
- Details of Generation Unitholders as provided by Generation management
- ASX announcements for Generation and comparable companies
- Company websites for Generation, APNFM, NorthWest and comparable companies
- Market data obtained from sources including ThomsonOne, S&P Capital IQ, Mergermarket, Bloomberg, IRESS, Morningstar Datanalysis, Factiva and Australian Bureau of Statistics
- Reports on the healthcare industry published by IBISWorld and the Australian Institute of Health and Welfare
- News articles from the Australian Financial Review and Financial Times

In addition we held discussions with various members of senior management of Generation and APNFM.

Appendix G Glossary

Glossary	
Abbreviation	**Full Title / Description**
$	Australian dollars
ACGB	Australian Commonwealth Government Bond
Adjusted NTA	Ernst & Young Transaction Advisory Services' assessment of Generation's adjusted net tangible assets
Announcement Date	5 May 2017
APN Group	APN Property Group Limited
APNFM or RE	APN Funds Management Limited, the responsible entity of Generation
A-REIT	Australian REIT
A-REIT 200 TR	S&P/ASX A-REIT 200 Index
Arena	Arena REIT
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX 200	S&P/ASX 200 Index
Bid Implementation Deed	Bid implementation deed entered into by APNFM and NorthWest Australia, executed on 5 May 2017
Bidder's Statement	Interchangeably used for Original and Replacement Bidder's Statements
CAD$	Canadian dollars
Corporations Act	Corporations Act 2001
CPI	Consumer price index
DCF	Discounted cash flow
Dec16A	Six months financial period ending 31 December 2016
Directors or APNFM Directors	Directors of APNFM
Divine	Divine Logistics Trust
EBITDA	Earnings before interest, tax, depreciation and amortisation
EV	Enterprise value
Evolution Healthcare	Evolution Healthcare Pty Limited
EY Transaction Advisory Services	Ernst & Young Transaction Advisory Services Limited
Federal Government	Federal Government of Australia
FYXX	Financial year ended 31 June 20XX
GDP	Gross domestic product
Generation or the Company	Generation Healthcare REIT
Generation Unitholders	Holders of Generation Units
Generation Units or Units	Units in Generation
GHM or the Manager	Generation Healthcare Management Pty Limited, the manager of Generation, 100% owned by NorthWest
Healthcare 200	S&P/ASX Healthcare 200 Index
IER or Report	Independent Expert's Report
Initial Announcement Date	24 April 2017, that day that NorthWest Australia announced its unconditional offer of $2.24 per Generation Unit
Investment Management Agreement	Investment Management Agreement between GHM and the APNFM
Mar17A	31 March 2017
NorthWest	NorthWest Healthcare Properties Real Estate Investment Trust
NorthWest Australia	NWH Australia AssetCo Pty Ltd, as trustee for NWH Australia Asset Trust
NSW	New South Wales
NTA	Net tangible assets
NWI	NorthWest International Healthcare Properties REIT
NWI LP	NWI Healthcare Properties LP
Offer	NorthWest Australia's offer to acquire 100% of the units in Generation
Offer Period	The Offer is scheduled to close on 8 June 2017 unless extended or withdrawn by NorthWest Australia as permitted by the Corporations Act
Offer Price	$2.30 per Generation Unit
Original Bidder's Statement	Bidder's statement released by NorthWest Australia and lodged with ASIC and ASX on 24 April 2017
PR	Price return
Property Valuation Reports	External property valuation reports prepared by independent professionally qualified valuers engaged by Generation
QLD	State of Queensland
QUT	Queensland University of Technology
Regulations	Corporations Regulations 2001
REIT	Real estate investment trust
Replacement Bidder's Statement	Subsequent bidder's statement released by NorthWest Australia and lodged with ASIC and ASX on 8 May 2017

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Glossary

Abbreviation	Full Title / Description
RG 111	ASIC Regulatory Guide 111: *Content of expert reports*
RG 112	ASIC Regulatory Guide 112 *Independence of experts*
Rights	All accretions, rights and benefits of whatever kind attaching to or arising from or in respect of the Generation Units directly or indirectly at or after the date of the Bidder's Statement (including all distributions and all rights to receive them and rights to receive or subscribe for units, shares, notes, bonds, options, other securities, distributions, capital returns or entitlements declared, made, paid or issued by Generation or any controlled entity of Generation (and where applicable the trustee of such entity))
RSL Care	RSL Care Limited
S&P	Standard & Poor's
sqm	Square metres
Target's Statement	Generation's target statement in relation to the Offer to be dispatched to Generation Unitholders on or around 23 May 2017
TR	Total return
TSX	Toronto Stock Exchange
VIC	State of Victoria
Vital Healthcare	Vital Healthcare Property Trust
VWAP	Volume weighted average price

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Part 2 – Financial Services Guide

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

19 May 2017

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("EY Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- Financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- Arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $221,000 (inclusive of GST).

EY Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

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Except for the fees and benefits referred to above, EY Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

EY Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of EY Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.

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HEALTHCARE REIT