# APPENDIX 4E

## Preliminary Final Report

## Year ended 30 June 2015

| | |
|---|---|
| **Name of entity:** | **Generation Healthcare REIT** |
| **ARSN:** | 118 712 584 |

**Results for announcement to the market**

| | **$'000** | |
|---|---|---|
| Revenues from ordinary activities | up 35% to 32,551 | |
| Profit from ordinary activities after tax attributable to members | up 164% to 31,346 | |
| Net profit for the period attributable to members | up 164% to 31,346 | |
| Underlying net operating income | up 66% to 17,188[1] | |
| Net tangible assets per unit | **30 June 2015** | **30 June 2014** |
| | $1.22 | $1.07 |

[1]Underlying net operating income for the financial year has been calculated as follows:

| | **2015 $'000** | **2014 $'000** |
|---|---|---|
| Net profit attributable to unitholders | 31,346 | 11,896 |
| Adjusted for: | | |
| - Straight line lease revenue recognition | (2,051) | (866) |
| - Net (gain)/loss on change in fair value of: | | |
| Investment properties | (17,980) | (4,705) |
| Derivatives | 1,654 | 1,431 |
| Investment properties included in share of net profit of equity accounted investments | (1,614) | (2,308) |
| Derivatives included in share of net profit of equity accounted investments | (10) | - |
| - Net change in loans carried at amortised cost | 1,774 | 433 |
| - Share of gain on change in fair value of investment property payable to lessee | - | 238 |
| - Manager's performance fee | 4,024 | 4,236 |
| - Other | 45 | 13 |
| **Underlying net operating income** | **17,188** | **10,368** |

| **Distributions** | **Amount per unit (cents)** | **$'000** |
|---|---|---|
| Interim – 31 December 2014 | 4.20 | 7,352 |
| Final – 30 June 2015 | 4.38 | 7,777 |
| **Total** | **8.58** | **15,129** |
| Previous corresponding period | 8.00 | 9,466 |
| Record date for determining entitlements to the distribution | 30 June 2015 | |
| Details of any distribution reinvestment plan in operation | Refer ASX announcement on 17 June 2015 | |
| Last date for receipt of an election notice for participation in any distribution reinvestment plan | 1 July 2015 | |

Note: Franked amount per unit is not applicable

**For further details, please refer to the following documents:**

- Full Year Results Announcement (attached)
- Directors' Report and Financial Statements (attached)
- Investor presentation (separate ASX release)

John Freemantle
Company Secretary

24 August 2015

GENERATION
HEALTHCARE REIT

ARSN 118 712 584

# Financial Report for the Financial Year Ended 30 June 2015

# Directors' report

The Directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit the annual financial report of Generation Healthcare REIT and its controlled funds (together "the Fund") for the year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of APN Funds Management Limited during or since the end of the financial year are:

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

## Principal activities

The principal activity of the Fund is investment in healthcare real estate. There was no significant change in the nature of the Fund's activities during the financial year.

The Fund is an externally managed fund and as such does not have any employees.

## Review of operations

The principal objective of the Fund is to deliver stable and growing returns from high quality healthcare properties.

### Results

The results of the operations of the Fund are disclosed in the consolidated statement of profit or loss and other comprehensive income. The net profit attributable to unitholders of the Fund for the year ended 30 June 2015 was $31,346,000 (2014: $11,896,000).

A summary of the Fund's results for the financial year is as follows:

| | **2015** | **2014** |
|---|---:|---:|
| Net profit attributable to unitholders of the Fund ($'000) | 31,346 | 11,896 |
| Underlying net operating income ($'000) | 17,188 | 10,368 |
| Underlying net operating income per unit (cents) | 9.57 | 9.18 |
| Distributions per unit (cents) | 8.58 | 8.00 |
| Basic and diluted earnings per unit (cents) | 17.46 | 10.53 |

Underlying net operating income is a measurement used by management as the key performance indicator of the operating performance of the Fund. Underlying net operating income does not take into account certain items recognised in the income statement including unrealised gains or losses on the revaluation of the Fund's investment properties and derivatives, and any performance fees paid or payable to the Manager.

Underlying net operating income for the financial year has been calculated as follows:

| | **2015 $'000** | **2014 $'000** |
|---|---:|---:|
| Net profit attributable to unitholders | 31,346 | 11,896 |
| Adjusted for: | | |
| - Straight line lease revenue recognition | (2,051) | (866) |
| - Net (gain)/loss on change in fair value of: | | |
| Investment properties | (17,980) | (4,705) |
| Derivatives | 1,654 | 1,431 |
| Investment properties included in share of net profit of equity accounted investments | (1,614) | (2,308) |
| Derivatives included in share of net profit of equity accounted investments | (10) | - |
| - Net change in loans carried at amortised cost | 1,774 | 433 |
| - Share of gain on change in fair value of investment property payable to lessee | - | 238 |
| - Manager's performance fee | 4,024 | 4,236 |
| - Other | 45 | 13 |
| **Underlying net operating income** | **17,188** | **10,368** |

Underlying net operating income increased by 66% to $17,188,000 for the twelve months to 30 June 2015 compared to $10,368,000 for the twelve months to 30 June 2014. The increase is largely attributable to higher net property income from acquisitions, completed developments and investments accompanied by portfolio rental growth, an increase in interest income and lower finance costs. Higher net property income resulted from a combination of CPI, fixed and market rent reviews and full year rental income contributions from 55 Little Edward Street, Brisbane (purchased June 2014) and from the additional investment in June 2014 in Epworth Freemasons Clarendon Street. In addition the completion of the Casey Specialist Centre in February 2015 contributed further net property income to the Fund for five months of this financial year. Interest income has increased with the recognition of a full year's interest from the Fund's minority secured debt investment made in September 2013 associated with the Waratah Private Hospital. Lower finance costs were due to negotiated reductions in line and margin fees on the Fund's debt facilities, lower hedged interest rates and lower floating interest rates.

Underlying net operating income per unit for the 2015 financial year was up 4.3% to 9.57 cents, compared to 9.18 cents per unit for the 2014 year reflecting the higher operating performance of the Fund noted above and the issue of new units. The distribution for the 2015 financial year was 8.58 cents per unit compared to 8.00 cents per unit paid for the 2014 year, an increase of 7.25%. The distribution paid or payable from underlying net operating income for the 2015 financial year amounted to $15,129,000 representing a payout ratio of 88%.

Earnings per unit as calculated under applicable accounting standards for the year was 17.46 cents, compared to 10.53 cents per unit for the 2014 financial year, an increase of 66%. In addition to the increase in underlying net operating income, there was a material net gain in the change in fair value of investment properties partially offset by a net loss on the change in fair value of derivatives, and a reduction in the carrying value of loans.

Total assets increased by $82,599,000 or 25% to $407,490,000 over the year as a result of the practical completion of the Casey Specialist Centre in February 2015, additional investment in the Divine Logistics Trust to purchase land adjacent to Frankston Private, the acquisition of the RSL Care portfolio of aged care facilities in June 2015 and a material increase in the value of the portfolio.

The Fund undertook an equity raising of $52,089,000 in May 2015 ($50,575,000 after costs) through a placement and entitlement offer, to fund the acquisition of the RSL Care portfolio of three aged care facilities and to provide balance sheet capacity for the Casey Stage 2 project. New equity of $2,871,000 was raised during the year under the Distribution Reinvestment Plan and $1,567,000 worth of units were issued in satisfaction of the Manager's performance fee due at December 2014. Overall, the total number of units on issue increased by 37,775,487 to 212,284,868. The net tangible asset backing of the Fund increased by 15 cents to $1.22.

### Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report no matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the Fund, and results of those operations, or the state of affairs of the Fund, in future financial years.

### Future projects and outlook

The Fund remains focused on providing unitholders with attractive, risk-adjusted returns generated by a quality, diversified portfolio of healthcare properties. The healthcare sector outlook is expected to remain favorable for the foreseeable future, driven by continued population growth, an ageing population, medical treatment innovation and rising health related expenditure. The Fund is well positioned to capitalise on this operating environment by partnering with healthcare operators to provide the necessary infrastructure to support the increased demand for health services.

The key strategy for the Fund over the short to medium term continues to be to proactively manage both the existing property portfolio and costs, and to grow operational earnings and distributions. In delivering this strategy, the key operational focus for the coming 12 months will be on the Fund's organic growth pipeline, including:

- Progressing the new $120,000,000 private hospital project in Casey Victoria, in conjunction with St John of God Health Care (SJGHC), having agreed commercial in-principle terms, with physical works forecast to start in late calendar year 2015 and with the project to be a joint venture with SJGHC, the Fund's investment is expected to be circa $45,000,000;
- Progressing the $45,000,000 (GHC share being 65%) expansion at Frankston Private following the agreement to lease with Healthscope Limited; and
- Advancing town planning approval for the $62,000,000 Epworth Freemasons Cancer Centre and Epworth Clarendon Albert Street carpark projects, in which the Fund will have a 50% interest.

Disclosure of additional information regarding likely prospects for the operations of the Fund in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Fund. Accordingly, additional information has not been disclosed in this report.

## Environmental regulation

The Fund's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

## Options granted

As the Fund is an externally managed vehicle, no options were:

- Granted over unissued units in the Fund during or since the end of the financial year; or
- Granted to the Responsible Entity.

No unissued units in the Fund were under option as at the date on which this Report is made. No units were issued in the Fund during or since the end of the financial year as a result of the exercise of an option over unissued units in the Fund.

## Indemnification of officers of the responsible entity and auditors

APN Funds Management Limited ('the Company') has agreed to indemnify the directors and officers of the Company and its controlled entities, both past and present, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of unlawful conduct. The Company will meet the full amount of any such liabilities, including costs and expenses. The Company may also indemnify any employee by resolution of the Directors. In addition, the Company has paid a premium in respect of a contract insuring against a liability incurred by an officer of the Company. The Company has not indemnified or made a relevant agreement to indemnify the auditor of the Fund or of any related body (corporate) against a liability incurred by the auditor.

## Responsible Entity meetings

The following table sets out the number of meetings (including meetings of committees) held by the Responsible Entity during the financial year and the number of meetings attended by each Responsible Entity Director (while they were a director or committee member).

| | **APN FM Board** | | **Audit, Compliance and Risk Management committee** | | **Nomination and Remuneration committee** | |
|---|---|---|---|---|---|---|
| | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| Geoff Brunsdon | 11 | 9 | 10 | 8 | 2 | 2 |
| Michael Johnstone | 11 | 11 | 10 | 10 | 2 | 2 |
| Jennifer Horrigan | 11 | 11 | 10 | 10 | 2 | 2 |
| Howard Brenchley | 11 | 10 | N/A | N/A | N/A | N/A |
| Michael Groth (alternate Director for Howard Brenchley) | 11 | 11 | N/A | N/A | N/A | N/A |

## Directors' interests in the Fund

Directors of the Responsible Entity are not entitled to any interests in the Fund, or any rights or options over interests in the Fund. No Director has entered into contracts to which the Director is a party or under which the Director is entitled to a benefit that confers a right to call for or deliver an interest in the Fund.

## Interests of the Responsible Entity

### Responsible Entity's remuneration

Fees the Responsible Entity is entitled to receive and fees paid to the Responsible Entity out of Fund property during the financial year are disclosed in note 17 to the financial statements.

The number of units in the Fund held by the Responsible Entity and its related parties as at the end of the financial year is disclosed in note 17 to the financial statements.

### Total units on issue

The number of units in the Fund issued and/or disposed of during the financial year and the number of units in the Fund at the end of the financial year is disclosed in note 13 to the financial statements.

## Non-audit services

During the year, the auditor of the Fund performed certain other services in addition to their statutory duties. The board of the Responsible Entity has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of these non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Responsible Entity and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Fund, acting as advocate for the Fund or jointly sharing economic risks and rewards.

Non-audit services relating to audit of the compliance plan and other approved advisory services amounted to $3,120 (2014: $3,120).

### Auditor's independence declaration

The Auditor's Independence Declaration is included on page 6 of the financial report.

### Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

**Geoff Brunsdon**
Chairman
MELBOURNE, 24 August 2015

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The Board of Directors
APN Funds Management Limited
Level 30
101 Collins Street
Melbourne, Vic 3000

Dear Board Members

**INDEPENDENCE DECLARATION – GENERATION HEALTHCARE REIT**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the financial report for the Generation Healthcare REIT.

As lead audit partner for the audit of the financial statements of Generation Healthcare REIT for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

**Peter A. Caldwell**
Partner
Chartered Accountants
Melbourne, 24 August 2015

Deloitte.

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# Independent Auditor's Report to the Unitholders of Generation Healthcare REIT

We have audited the accompanying financial report of Generation Healthcare REIT, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 9 to 39.

*Directors' Responsibility for the Financial Report*

The directors of the fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Generation Healthcare REIT, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

(a) the financial report of Generation Healthcare REIT is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 24 August 2015

# Directors' declaration

The Directors of the Responsible Entity declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund;

c) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as referred to in Note 1 of the financial statements; and

d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

**Geoff Brunsdon**
Chairman
MELBOURNE, 24 August 2015

# Consolidated statement of profit or loss and other comprehensive income
## for the financial year ended 30 June 2015

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Rental income | | 26,556 | 19,028 |
| Other property income | | 3,165 | 3,021 |
| Interest | | 2,830 | 1,999 |
| | | 32,551 | 24,048 |
| **Other income** | | | |
| Net change in the fair value of investment properties and deposits | 5(c) | 17,980 | 4,705 |
| Net change in the fair value of derivatives | | (1,654) | (1,431) |
| Net change in loans carried at amortised cost | 6 | (1,774) | (433) |
| Share of change in fair value of investment property payable to lessee | | - | (238) |
| | | 14,552 | 2,603 |
| **Total income** | | **47,103** | **26,651** |
| **Expenses** | | | |
| Property expenses | | (5,754) | (4,761) |
| Finance costs | 15 | (6,907) | (7,722) |
| Responsible Entity's fees | 17 | (5,973) | (5,696) |
| Other | | (376) | (398) |
| **Total expenses** | | **(19,010)** | **(18,577)** |
| Share of net profit of equity accounted investment | 7 | 3,253 | 3,822 |
| **Net profit attributable to unitholders of the Fund** | | **31,346** | **11,896** |
| **Other comprehensive income** | | | |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | **31,346** | **11,896** |
| | | **Cents** | **Cents** |
| Distributions per unit | 9 | 8.58 | 8.00 |
| Basic and diluted earnings per unit | 10 | 17.46 | 10.53 |

Notes to the financial statements are included on pages 14 to 39.

# Consolidated statement of financial position
## as at 30 June 2015

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 3 | 1,618 | 3,219 |
| Trade and other receivables | 4 | 3,113 | 2,292 |
| | | 4,731 | 5,511 |
| **Non-current assets** | | | |
| Trade and other receivables | 4 | 19,962 | 19,439 |
| Loans carried at amortised cost | 6 | 9,270 | 8,541 |
| Investment properties | 5 | 303,642 | 270,775 |
| Deposit on investment properties | 5 | 45,750 | - |
| Equity accounted investments | 7 | 24,135 | 20,625 |
| | | 402,759 | 319,380 |
| **Total assets** | | **407,490** | **324,891** |
| **Current liabilities** | | | |
| Payables | 8 | 14,422 | 8,381 |
| Borrowings | 11 | 387 | 376 |
| Derivatives | 12 | 2,676 | 2,342 |
| Distribution payable | 9 | 7,777 | 4,821 |
| | | 25,262 | 15,920 |
| **Non-current liabilities** | | | |
| Payables | 8 | 680 | 7,359 |
| Borrowings | 11 | 116,055 | 108,651 |
| Derivatives | 12 | 6,920 | 5,600 |
| | | 123,655 | 121,610 |
| **Total liabilities** | | **148,917** | **137,530** |
| **Net assets** | | **258,573** | **187,361** |
| **Equity attributable to unitholders** | | | |
| Issued units | 13 | 231,129 | 176,134 |
| Retained earnings | | 27,444 | 11,227 |
| **Total equity** | | **258,573** | **187,361** |
| Net tangible assets per unit | | $1.22 | $1.07 |

Notes to the financial statements are included on pages 14 to 39.

# Consolidated statement of changes in equity
## for the financial year ended 30 June 2015

| | Issued units $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|
| **Balance at 1 July 2013** | **88,179** | **8,797** | **96,976** |
| Net profit for the year | - | 11,896 | 11,896 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the period** | | **11,896** | **11,896** |
| Issue of units | 87,955 | - | 87,955 |
| Distributions paid to unitholders | - | (9,466) | (9,466) |
| **Balance at 30 June 2014** | **176,134** | **11,227** | **187,361** |
| Net profit for the year | - | 31,346 | 31,346 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the period** | **-** | **31,346** | **31,346** |
| Issue of units | 54,995 | - | 54,995 |
| Distributions paid to unitholders | - | (15,129) | (15,129) |
| **Balance at 30 June 2015** | **231,129** | **27,444** | **258,573** |

Notes to the financial statements are included on pages 14 to 39.

# Consolidated statement of cash flows
## for the financial year ended 30 June 2015

| | Note | 2015 Inflows/ (Outflows) $'000 | 2014 Inflows/ (Outflows) $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Rental and other property receipts | | 31,573 | 24,281 |
| Property and other payments | | (10,090) | (8,634) |
| Distributions received from equity accounted investment | | 1,661 | 1,339 |
| Interest received | | 382 | 55 |
| Borrowing costs paid | | (7,234) | (7,569) |
| **Net cash provided by operating activities** | 18 | **16,292** | **9,472** |
| **Cash flows from investing activities** | | | |
| Purchase of investment properties | | (49,075) | (30,492) |
| Additions to investment properties and properties under construction | | (14,194) | (20,367) |
| Additions to equity accounted investment | | (1,875) | (92) |
| Loans advanced | | (1,137) | (8,271) |
| **Net cash used in investing activities** | | **(66,281)** | **(59,222)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of units | | 52,089 | 68,287 |
| Unit issue costs | | (1,669) | (1,937) |
| Distributions paid to unitholders | | (9,302) | (5,801) |
| Proceeds from borrowings | | 62,950 | 83,280 |
| Repayment of borrowings | | (55,680) | (92,800) |
| **Net cash provided by financing activities** | | **48,388** | **51,029** |
| Net (decrease) / increase in cash and cash equivalents held | | (1,601) | 1,279 |
| Cash and cash equivalents at beginning of the financial year | | 3,219 | 1,940 |
| **Cash and cash equivalents at end of the financial year** | 3 | **1,618** | **3,219** |

Notes to the financial statements are included on pages 14 to 39.

# Notes to the financial statements

## 1. Summary of significant accounting policies

### Statement of compliance & basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Fund. For the purposes of preparing the consolidated financial statements, the Fund is a for profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 24 August 2015.

The financial report has been prepared on the basis of historical cost, except for the revaluation of investment properties and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented in these financial statements.

### Adoption of new and revised accounting Standards and Interpretations

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Except where noted, the adoption of these Standards and Interpretations has not had a material impact on the financial statements. These include:

| Standard | Explanation |
|---|---|
| AASB 2012-3 ‘Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities’ | The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.<br><br>The directors of the Fund have assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the Fund's consolidated financial statements. |
| AASB 2013-3 ‘Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets’ | The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 ‘Fair Value Measurements’.<br><br>The application of these amendments does not have any material impact on the disclosures in the Fund’s consolidated financial statements. |
| AASB 2013-4 ‘Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting’ | The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.<br><br>As the Fund does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Fund's consolidated financial statements. |

| | |
|---|---|
| AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities' | The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.<br><br>As the Fund is not an investment entity (assessment based on the criteria set out in AASB 10 as at 1 July 2014), the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Fund's consolidated financial statements. |
| AASB 2014-1 'Amendments to Australian Accounting Standards'<br>• Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles' | A number of pronouncements are amended as a result of the 2010-2012 and 2011-2013 annual improvements cycle.<br><br>The combination of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Fund's consolidated financial statements. |
| AASB 1031 'Materiality' (2013)<br><br>AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'<br><br>AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality) | The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Fund's consolidated financial statements. |

### AASB Accounting Standards not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective. These are not expected to have any material impact on the Fund's financial report in future reporting periods.

| Standard | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards | 1 January 2018 | 30 June 2019 |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' | 1 January 2017 | 30 June 2018 |
| AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations' | 1 January 2016 | 30 June 2017 |
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation' | 1 January 2016 | 30 June 2017 |
| AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements' | 1 January 2016 | 30 June 2017 |
| AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' | 1 January 2016 | 30 June 2017 |
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle' | 1 January 2016 | 30 June 2017 |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' | 1 January 2016 | 30 June 2017 |
| AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality' | 1 July 2015 | 30 June 2016 |
| AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception' | 1 January 2016 | 30 June 2017 |

At the date of authorisation of the financial statements, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective.

## Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

## Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the year end financial report:

### (a) Income recognition

Rental income arising in the ordinary course of activities is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax levied and is recognised on a straight-line basis over the lease term. Rental income not received at reporting date is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance.

Interest revenue is recognised as it accrues on a time proportionate basis taking into account the effective yield on the financial assets.

### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments or other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

### (c) Trade and other receivables

Trade receivables and other receivables are recorded at amortised cost less impairment. Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 1(a) above.

### (d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### (e) Leases

Finance leases, which transfer away from the Fund substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the inception of the lease. A finance lease receivable is recognised on inception at the amount of the Fund's investment in the lease. Finance lease receipts are apportioned between the interest income and reduction in the lease receivable to achieve a constant rate of interest on the remaining balance of the receivable. Interest is recognised as income in the statement of comprehensive income.

Assets held under finance leases where the Fund is the lessee are initially recognised as assets of the Fund at their fair value at the inception of the lease, or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the statement of profit or loss.

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. For operating leases for which the Fund is lessor, initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the term of the lease on the same basis as the lease income.

Leasing fees that are directly associated with the negotiation and execution of a lease agreement (including commissions, legal fees and costs of preparing and processing documentation) are amortised and recognised as an expense over the term of the lease.

### (f) Expenses

All expenses, including responsible entity fees are recognised in the statement of profit or loss on an accruals basis.

### (g) Distributions

A liability for any distribution declared on or before the end of the reporting period is recognised in the statement of financial position in the reporting period to which the distribution pertains.

### (h) Issued units

Issued and paid up units are recognised at the fair value of the consideration received by the Fund. Any transaction costs arising on issue of ordinary units are recognised directly in unitholders' interest as a reduction of the unit proceeds received.

### (i) Equity accounted investments

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Associates are those entities over which the Fund has significant influence, but not control. Joint ventures, associates, and investments in those entities, are referred to as "equity accounted investments".

Equity accounted investments are accounted for in the Parent's financial statements using the cost method and in the consolidated financial statements using the equity method. The Fund's share of net profit is recognised in the consolidated statement of profit or loss and its share of any movement in reserves is recognised in reserves in the consolidated statement of financial position. Distributions received or receivable are recognised in the Parent's income statement and reduce the carrying value of the investment in the consolidated financial statements.

### (j) Income tax

Under current income tax legislation the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Fund. There is no income of the Fund to which the unitholders are not presently entitled and additionally, the Fund Constitution requires the distribution of the total taxable net income of the Fund to the unitholders each period.

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

Realised capital losses are not distributed to unitholders but are retained within the Fund to be offset against any realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of unitholders in that period and is distributed to unitholders in accordance with the requirements of the Fund Constitution.

Tax allowances for building and fixtures depreciation are distributed to unitholders in the form of the tax deferred component of distributions.

### (k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (l) Financial assets and liabilities

Current and non-current financial assets and liabilities within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified at fair value through profit or loss; loans and receivables; held-to-maturity investments; or available-for-sale. The Fund determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued.

Financial assets and liabilities are initially recognised at fair value, plus directly attributable transaction costs unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. Changes in fair value of available-for-sale financial assets are recorded directly in equity. Changes in fair values of financial assets and liabilities classified as at fair value through profit or loss are recorded in the statement of profit or loss.

The fair values of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For those with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; a discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

**(i) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through the profit or loss.

**(ii) Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

## (m) Impairment of financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment can exist for example where there has been a significant or prolonged decline in the fair value below cost.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of a financial asset is reduced by its impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## (n) Payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid and are recognised when the Fund becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

The Fund has previously agreed to share, with a lessee, the gain on one of its investment properties. As the Fund has recognised an increase in the fair value of the relevant property, it has also recognised the related liability to the lessee, classified as a financial liability at fair value through profit and loss. Changes in the fair value of the liability are recognised in the statement of profit or loss as "share of investment property gain payable to lessee", whilst the liability is disclosed as a "payable" (see Note 8).

## (o) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums that are yield related are included as part of the carrying amount of the borrowing and amortised over its expected life.

Where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset they are capitalised as part of the acquisition cost of that asset.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (p) Derivative financial instruments

The Fund enters into derivative financial instruments such as interest rate swaps, to manage its exposure to interest rates.

Derivatives are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately.

### (q) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Fund has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

### (r) Earnings per unit

#### (i) Basic earnings per unit

Basic earnings per unit is calculated as net profit attributable to unitholders of the Fund for the year divided by the weighted average number of ordinary units outstanding during the year, adjusted for bonus elements in ordinary units issued during the year.

#### (ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the effect of interest and other financing costs associated with dilutive potential ordinary units and the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential ordinary units. As there are no potentially dilutive units on issue, diluted earnings per unit is the same as basic earnings per unit.

### (s) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and entities controlled by the Fund (the “Group”). Control is achieved where the Fund has power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## 2. Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Responsible Entity to exercise its judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below.

Estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### (a) Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Fund has investment properties and deposits on investment properties with a net carrying amount of $360,787,000 (2014: $281,876,000) (see note 5), representing estimated fair value. In addition, the carrying amount of the Fund's equity accounted investments of $24,135,000 (2014: $20,625,000) (see note 7) also includes investment properties carried at fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, and discount and capitalisation rates, for properties similar to those owned by the Fund, as well as independent valuations of the Fund's property.

The Fund has a loan with a net carrying amount of $9,270,000 (2014: $8,541,000) (see note 6) representing the current carrying amount less impairment losses. This carrying amount reflects the present value of the loan's forecast cashflows discounted at the original effective interest rate. The forecast cashflows are subject to a number of assumptions including the quantum and timing of any additional investments required or capital returns. In forming these assumptions the Responsible Entity was guided by an independent valuation.

**(b) Critical judgements in applying the entity's accounting policies**
There were no judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that had a significant effect on the amounts recognised in the financial report.

## 3. Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the statement of financial position as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Cash at bank and in hand | 939 | 1,160 |
| Cash held on escrow | - | 1,500 |
| Short term deposits | 679 | 559 |
| | **1,618** | **3,219** |

## 4. Trade and other receivables

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Current** | | |
| Rental and other amounts due | 528 | 511 |
| Finance lease receivable | 774 | 751 |
| Accrued interest, prepayments and deposits | 1,811 | 1,030 |
| | **3,113** | **2,292** |
| **Non-current** | | |
| Finance lease receivable | 19,962 | 19,439 |
| | **19,962** | **19,439** |

Rental and other amounts due are non-interest bearing and are generally on 0-30 day terms. An impairment loss would be recognised when there is objective evidence that an individual receivable is impaired.

As at 30 June 2015, no receivables were impaired (2014: Nil).

The ageing analysis of rental and other amounts due as at 30 June 2015 is as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Ageing analysis of receivables past due but not impaired | | |
| 0-30 days | 507 | 480 |
| 31-90 days | 10 | 7 |
| 91+ days | 11 | 24 |
| | **528** | **511** |

The Fund has leased part of its ARCBS Facility at Kelvin Grove, Queensland, under a long-term lease that is a finance lease. Minimum lease payments receivable at reporting date, their net present value, and finance income recognised were:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Minimum lease payments receivable: | | |
| Not later than one year | 802 | 778 |
| Later than one year and not later than five years | 3,454 | 3,354 |
| Later than five years | 199,073 | 199,975 |
| | 203,329 | 204,107 |
| Unearned finance income | (182,593) | (183,917) |
| **Net present value of minimum lease payments** | **20,736** | **20,190** |
| Net present value of minimum lease payments receivable: | | |
| Not later than one year | 774 | 751 |
| Later than one year and not later than five years | 2,837 | 2,754 |
| Later than five years | 17,125 | 16,685 |
| | **20,736** | **20,190** |
| **Finance income recognised and included in interest income in the statement of comprehensive income** | **1,324** | **1,289** |

## 5. Investment properties

### (a) Summary of carrying amounts

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Current assets** | | |
| Finance lease receivable[1] | 774 | 751 |
| **Non-current assets** | | |
| Finance lease receivable[1] | 19,962 | 19,439 |
| Investment properties | 303,642 | 270,775 |
| Deposits on investment properties[2] | 45,750 | - |
| | 369,354 | 290,214 |
| **Total assets** | 370,128 | 290,965 |
| **Current liabilities** | | |
| Finance lease payable[1] | 387 | 376 |
| **Non-current liabilities** | | |
| Finance lease payable[1] | 8,954 | 8,713 |
| **Total liabilities** | 9,341 | 9,089 |
| **Total property valuations** | **360,787** | **281,876** |

[1] See ARCBS Facility in note 5(b) on page 22.

[2] See RSL Care Portfolio in note 5(b) on page 22.

### (b) Individual valuations and carrying amounts

| Property | Date of purchase | Cost to date $'000 | Latest external valuation Date | Latest external valuation Valuation $'000 | Carrying amount[2] 2015 $'000 | Carrying amount[2] 2014 $'000 | Capitalisation rate 2015 % | Capitalisation rate 2014 % | Discount rate 2015 % | Discount rate 2014 % |
|---|---|---|---|---|---|---|---|---|---|---|
| **ARCBS Facility**[1]<br>Cnr Musk Avenue & Blarney Street<br>Kelvin Grove, Brisbane QLD | Apr 08[3] | 65,337 | Dec 14 | 71,500 | 72,290 | 72,500 | 7.85% | 8.00% | 9.50% | 9.50% |
| **Epworth Freemasons**<br>Private Hospital & Medical Centre<br>Victoria Parade, East Melbourne VIC | May 06 | 29,265 | Jun 15 | 51,800 | 51,800 | 45,000 | 7.50% | 8.25% | 8.25% | 9.50% |
| **Epworth Freemasons**<br>Private Hospital<br>Clarendon Street, East Melbourne VIC | May 06 | 22,101 | Jun 15 | 38,600 | 38,600 | 34,750 | 6.75% | 7.25% | 8.50% | 9.25% |
| **Harvester Centre**<br>Cnr Harvester & Devonshire Roads, Sunshine VIC | Feb 07 | 15,065 | Jun 15 | 14,100 | 14,100 | 13,600 | 8.50% | 9.25% | 8.75% | 10.00% |
| **Pacific Private Clinic**<br>119-123 Nerang Street, Southport QLD | Feb 07 | 34,594 | Dec 13 | 28,000 | 28,400 | 29,100 | 9.75% | 9.75% | 9.75% | 9.75% |
| **Leading Healthcare**<br>85 Mollison Street, Bendigo VIC | Sep 12[3] | 8,547 | Jun 15 | 9,950 | 9,950 | 9,000 | 7.50% | 8.00% | 7.75% | 9.00% |
| **Westmead Hospital**<br>Merrylands NSW | May 13 | 21,355 | Jun 14 | 22,200 | 23,000 | 22,200 | 8.10% | 8.25% | 9.25% | 9.50% |
| **Spring Hill**<br>55 Little Edward Street, Spring Hill QLD | Jun 14 | 47,926 | Jun 15 | 47,200 | 47,200 | 44,500 | 8.25% | 8.25% | 9.00% | 9.75% |
| **Casey Specialist Centre**[4]<br>Kangan Drive, Berwick VIC | Feb 15[3] | 17,020 | Jun 15 | 23,100 | 23,100 | 9,275 | 7.25% | - | 8.00% | - |
| | | **261,210** | | **306,450** | **308,440** | **279,925** | **7.88%** | **8.26%** | **8.89%** | **9.54%** |
| **Development land** | | | | | | | | | | |
| **Casey development land**<br>Kangan Drive, Berwick VIC | | 6,597 | | | 6,597 | 1,951 | | | | |
| **Deposits on investment properties** | | | | | | | | | | |
| **RSL Care Portfolio**[5]<br>(i) Pialba QLD<br>(ii) Alexandra Headland QLD<br>(ii) Banora Point NSW | | 46,288 | | | 45,750 | - | | | | |
| **Total all investment properties** | | **314,095** | | | **360,787** | **281,876** | | | | |

[1] The external valuation and carrying amounts shown for the ARCBS Facility include the related finance lease receivable (being a long term lease to a tenant of part of the Facility) and the related finance lease payable (being the long term ground lease for the Facility). These leases have been recorded separately in the statement of financial position; the amounts recognised are given in notes 4 and 11. See also note 1(e). The cost to date shown is the net of the total expenditure of $84,796,000 less the initial receipt under the finance lease receivable of $19,459,000 (excluding GST).

[2] Investment property that has not been valued by external valuers at reporting date is carried at the Responsible Entity's estimate of fair value in accordance with the accounting policy at note 1(d).

[3] Date of completion of construction.

[4] Classified as 'Property under construction' as at 30 June 2014.

[5] A full transaction amount of $45,750,000 (net of acquisition costs of $538,000) was deposited with RSL Care for the three RSL Care properties. Completion of the sale, including transfer of titles from RSL Care to the Fund, is conditional upon the town council approving the sub-division of each property from its co-located retirement village. Until the sale completion, interest income of 7.65% is recognised on the deposit as it accrues.

### (c) Movements in carrying amount

| | 2015 $'000 | 2014 $'000 |
|---|---:|---:|
| Carrying amount at beginning of year | 270,775 | 195,573 |
| Purchase of new properties | - | 47,756 |
| Additions to existing property | 108 | 13,787 |
| Deposits on investment properties | 46,288 | - |
| Expenditure on property under construction | 12,390 | 8,240 |
| Amortisation of tenant incentives and leasing commissions | (190) | (168) |
| Straight line lease revenue recognition | 2,041 | 882 |
| Change in fair value – unrealised | 17,980 | 4,705 |
| **Carrying amount at end of year** | **349,392** | **270,775** |

### (d) Fair value measurement, valuation techniques and inputs

In determining the appropriate classes of investment property, management has considered the nature, characteristics and risks of its investment properties as well as the level of fair value hierarchy within which the fair value measurements are categorised.

The adopted valuation for investment properties is generally the mid-point of the valuations determined using the discounted cash flow (DCF) method and the income capitalisation method. There has been no change to the valuation technique in the current year. The DCF and income capitalisation methods use unobservable inputs in determining fair value, as per the table below:

**Unobservable inputs**

| Fair value hierarchy | Fair value at 30 June 2015 $'000 | Valuation technique | Inputs used to measure fair value | Range of unobservable inputs 30 June 2015 |
|---|---:|---|---|---|
| Level 3 | 360,787 | DCF and income capitalisation method | Net passing rent - $/sqm<br>Net market rent - $/sqm<br>Adopted capitalisation rate<br>Adopted discount rate<br>Adopted terminal yield | $300 - $690<br>$293 - $690<br>6.75% - 9.75%<br>7.75% - 9.75%<br>7.25% - 9.75% |

**Definitions**

A definition is provided below for each of the inputs used to measure fair value:

| | |
|---|---|
| Discounted cash flow method (DCF) | Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets life including an exit or terminal value. The DCF method involves a projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the real property. |
| Income capitalisation approach | This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure, income reversions, periods of vacancy and tenant incentives. |
| Net passing rent | Net passing rent is the contracted amount for which a property or space within a property is leased. The owner recovers outgoings from the tenant on a pro-rata basis (where applicable). |
| Net market rent | A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. The owner recovers outgoings from the tenant on a pro-rata basis (where applicable). |
| Adopted capitalisation rate | The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence and the prior external valuation. |
| Adopted discount rate | The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the prior external valuation. |
| Adopted terminal yield | The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence and the prior external valuation. |

**Valuation process**
The purpose of the valuation process is to ensure that assets are held at fair value in the Fund's accounts and that the Fund is compliant with applicable regulations (Corporations Act, ASIC) and the relevant Accounting Standards. The Fund's investment properties are independently valued on a periodic basis.

The Fund's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties valued. Internal valuations have been performed by the Manager and reviewed and accepted by the Board of Directors of the Responsible Entity.

Appropriate capitalisation rates, discount rates and terminal yields based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation and discounted cash flow valuation. The adopted value is generally a mid-point of these two approaches.

**Sensitivity analysis**

| Significant inputs | Fair value measurement sensitivity to significant increase in input | Fair value measurement sensitivity to significant decrease in input |
|---|---|---|
| Net passing rent - $/sqm | Increase | Decrease |
| Net market rent - $/sqm | Increase | Decrease |
| Adopted capitalisation rate | Decrease | Increase |
| Adopted discount rate | Decrease | Increase |
| Adopted terminal yield | Decrease | Increase |

Generally, a change in the assumption made for the adopted capitalisation rates is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach. The midpoint of the two valuations is then generally adopted.

When calculating a valuation under the income capitalisation approach, the net market income has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalisating this in perpetuity to derive a capital value. In theory, an increase in the net market rent and increase (softening) in the adopted capitalisation rate could potentially offset the impact to fair value. The same can be said for decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When calculating a valuation under the discounted cash flow approach, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value. In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to fair value.

For all investment properties the current use equates to the highest and best use. During the financial year, the Fund received rental income and other property income totalling $29,721,000 (2014: $22,049,000) from its investment properties. Direct operating expenses arising from investment property that generated income during the year totalled $5,754,000 (2014: $4,761,000). Direct operating expenses arising from investment property that did not generate income during the year totalled Nil (2014: Nil).

## (e) Leases as lessor

The Fund leases out its investment property under long-term operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Within one year | 25,789 | 22,941 |
| Later than one year and not later than five years | 83,863 | 69,747 |
| Later than five years | 183,096 | 175,960 |
| | **292,748** | **268,648** |

## 6. Loans carried at amortised cost

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Opening balance | 8,541 | - |
| Purchase price including costs | - | 6,401 |
| Additional capital and other cost contributions | 1,100 | 1,864 |
| Capitalised interest income | 1,374 | 666 |
| Accrued costs | 29 | 43 |
| Impairment | (1,774) | (433) |
| | **9,270** | **8,541** |

The above balance represents the Fund's exposure to the assets and cashflows of Waratah Private Hospital via a secured loan acquired at a significant discount to its original face value. An impairment loss amounting to $1,774,000 (2014: $433,000) was recognised in the current period as a result of revisions to the quantum and timing of the loan's forecast cashflows, discounted at the original effective interest rate.

## 7. Equity accounted investments

The Fund accounts for investments in joint ventures using the equity method.

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Investments accounted for using the equity method** | | |
| Opening balance | 20,625 | 18,271 |
| Fund's share of joint venture profit | 3,253 | 3,822 |
| Distributions | (1,617) | (1,530) |
| Additional investment in joint venture | 1,874 | 62 |
| | **24,135** | **20,625** |

### (a) Interests in joint ventures

| | | Ownership interest | | | |
|---|---|---|---|---|---|
| **Name** | **Principal activity** | **2015** | **2014** | **Joint venture reporting date** | **Country** |
| Divine Logistics Trust | Real estate investment | 50.0% | 50.0% | 30 June | Australia |
| Divine Logistics Pty Limited* | Trustee | 50.0% | 50.0% | 30 June | Australia |

* Divine Logistics Pty Limited is a non-operating entity and its sole purpose is as trustee of the Divine Logistics Trust.

### (b) Summarised financial information of Divine Logistics Trust

| Financial position - 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Joint venture entity** | **Current assets $'000** | **Non current assets $'000** | **Total assets $'000** | **Current liabilities $'000** | **Non current liabilities $'000** | **Total liabilities $'000** | **Net assets $'000** | **Share of J.V. assets equity accounted $'000** |
| Divine Logistics Trust | 1,336 | 47,622 | 48,958 | 676 | 12 | 688 | 48,270 | 24,135 |
| | **1,336** | **47,622** | **48,958** | **676** | **12** | **688** | **48,270** | **24,135** |

**Financial position - 2014**

| Joint venture entity | Current assets $'000 | Non current assets $'000 | Total assets $'000 | Current liabilities $'000 | Non current liabilities $'000 | Total liabilities $'000 | Net assets $'000 | Share of J.V. assets equity accounted $'000 |
|---|---|---|---|---|---|---|---|---|
| Divine Logistics Trust | 582 | 41,084 | 41,666 | 416 | - | 416 | 41,250 | 20,625 |
| | **582** | **41,084** | **41,666** | **416** | **-** | **416** | **41,250** | **20,625** |

The above amounts of assets and liabilities include the following:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Cash and cash equivalents | 325 | 374 |
| Current financial assets (excluding trade and other receivables and provisions) | 42 | - |
| Non-current financial assets (excluding trade and other receivables and provisions) | 88 | - |
| Current financial liabilities (excluding trade and other payables and provisions) | 97 | - |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 12 | - |

**Financial performance**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Revenue | 3,926 | 3,696 |
| Gain on change in fair value of investment properties | 3,229 | 4,616 |
| Gain on change in fair value of derivatives | 21 | - |
| Expenses | (670) | (668) |
| **Profit for the year** | **6,506** | **7,644** |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **6,506** | **7,644** |
| Fund's share of profits of joint venture | 3,253 | 3,822 |

The above profit for the year includes the following:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Depreciation | - | - |
| Interest income | 11 | 6 |
| Interest expense | (42) | - |
| Income tax Income / (expense) | - | - |

**Distributions received from joint ventures**
During the financial year, the Fund received distributions totaling $1,617,000 (2014: $1,530,000) from the joint venture.

The Fund has imposed no significant restrictions on its joint ventures. Further to this the Fund has no unrecognised losses from its joint ventures. As at 30 June 2015, the Fund's share of commitments from its joint venture is included in Note 21.

## 8. Payables

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Trade and other payables | 8,109 | 7,558 |
| Rent in advance | 1,010 | 823 |
| Amounts payable to lessee | 5,303 | - |
| | **14,422** | **8,381** |
| **Non-current liabilities** | | |
| Trade and other payables | 680 | 2,056 |
| Amounts payable to lessee | - | 5,303 |
| | **680** | **7,359** |

## 9. Distributions paid and payable

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Cents per unit | $'000 | Cents per unit | $'000 |
| Distribution paid during the year | 4.20 | 7,352 | 4.00 | 4,645 |
| Distribution payable | 4.38 | 7,777 | 4.00 | 4,821 |
| | **8.58** | **15,129** | **8.00** | **9,466** |

The distribution payable for the half year ended 30 June 2015 was recognised in the 2015 financial year and will be paid on 31 August 2015. The distribution payable for the half year ended 30 June 2014 was recognised in the 2014 financial year and was paid on 29 August 2014.

## 10. Earnings per unit

| | 2015 | 2014 |
|---|---|---|
| Profit attributable to unitholders ($'000) | 31,346 | 11,896 |
| Weighted average number of units outstanding (thousands) | 179,565 | 112,971 |
| Basic and diluted earnings per unit (cents) | 17.46 | 10.53 |

## 11. Borrowings

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Finance lease | 387 | 376 |
| | **387** | **376** |
| **Non-current liabilities** | | |
| Bank debt | 107,101 | 99,938 |
| Finance lease | 8,954 | 8,713 |
| | **116,055** | **108,651** |

**(a) Bank debt**
The Fund has three bank facilities:

i. The first is a revolving cash advance facility with a limit of $77,800,000 drawn to $57,800,000 at reporting date with $38,900,000 (from a limit of $38,900,000) repayable on 30 September 2017 and $18,900,000 (from a limit of $38,900,000) repayable on 30 September 2019;
ii. The second is a revolving cash advance facility with a limit of $8,537,500 fully drawn at reporting date, repayable on 30 September 2019; and
iii. The third is a revolving cash advance facility with a limit of $41,200,000 fully drawn at reporting date, repayable on 15 July 2018.

Unamortised borrowing costs of $437,000 (2014: $329,000) reduce the amounts drawn to the reported carrying amounts in the statement of financial position.

With the exception of Spring Hill, the RSL Care property portfolio, and the secured debt position associated with Waratah Private Hospital, all of the Fund's assets and the assets of its equity accounted investment (excluding the property at 5-9 Foot Street) are pledged as security for these loans in the three different security pools. The facilities are also secured by a negative pledge that imposes certain covenants with respect to the particular security pool for each facility. These covenants include maintenance of the following financial ratios at reporting date:

a) The ratio of net rental income (EBITDA for facility 3) to interest costs under the facility will not fall below 1.5;
b) The ratio of outstanding principal under the facilities to the external bank accepted valuation of the properties will not exceed 60% for the first and second facilities and 65% for the third facility.

**(b) Finance leases**
The lease of land on which one of the Fund's investment properties is built is accounted for as a finance lease. The remaining term of the lease at 30 June 2015 was 73 years. There is no purchase option. Minimum payments under the lease and their present values are as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Minimum lease payments payable: | | |
| Not later than one year | 402 | 390 |
| Later than one year and not later than five years | 1,731 | 1,681 |
| Later than five years | 99,776 | 100,228 |
| | 101,909 | 102,299 |
| Future finance charges | (92,568) | (93,210) |
| **Present value of minimum lease payments** | **9,341** | **9,089** |
| Present value of minimum lease payments: | | |
| Not later than one year | 387 | 376 |
| Later than one year and not later than five years | 1,401 | 1,360 |
| Later than five years | 7,553 | 7,353 |
| | **9,341** | **9,089** |

## 12. Derivatives

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Interest rate swap contracts | **2,676** | **2,342** |
| **Non-current liabilities** | | |
| Interest rate swap contracts | **6,920** | **5,600** |

## 13. Issued units

### (a) Carrying amounts

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| At beginning of the year | 176,134 | 88,179 |
| Issue of new units | 52,089 | 82,787 |
| Distribution reinvestment plan | 2,871 | 2,463 |
| Manager's performance fee | 1,567 | 4,675 |
| Unit issue costs | (1,532) | (1,970) |
| **At end of year** | **231,129** | **176,134** |

### (b) Number of issued units

| | 2015 Units | 2014 Units |
|---|---|---|
| On issue at beginning of the year | 174,509,381 | 98,640,857 |
| Issue of new units | 34,725,672 | 69,778,993 |
| Distribution reinvestment plan | 2,009,671 | 2,225,185 |
| Manager's performance fee | 1,040,144 | 3,864,346 |
| **On issue at end of year** | **212,284,868** | **174,509,381** |

### (c) Terms of units

All units are fully paid and rank equally with each other for all purposes (except for the new units of 34,725,672 issued in May 2015 as these were not entitled to the distribution payable for the half year ended 30 June 2015, but will have equal ranking from 1 July 2015). Each unit entitles the holder to one vote, in person or by proxy, at a meeting of unitholders.

## 14. Remuneration of auditors

| | 2015 $ | 2014 $ |
|---|---|---|
| Auditing or reviewing the Financial Report | 34,250 | 34,250 |
| Other non-audit services | 3,120 | 3,120 |
| | **37,370** | **37,370** |

The auditor of the Fund is Deloitte Touche Tohmatsu. Non-audit services relate to the audit of the compliance plan and other approved advisory services.

## 15. Finance costs

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Interest paid or payable | 6,995 | 7,580 |
| Finance lease interest | 642 | 625 |
| Less interest capitalised | (730) | (483) |
| | **6,907** | **7,722** |

## 16. Segment information

**(a) Description of segments**

The Fund invests in healthcare property located in Australia, where it leases the properties it owns. The Fund has identified its sole operating segments as being this activity, based on internal reporting to the chief operating decision maker. The Fund distinguishes only this activity in its internal reporting.

**(b) Major customers**

The Fund has a number of customers from whom it receives rental revenue. The amounts received from major customers of the Fund, which are greater than 10% of the Fund's total revenues, are set out below:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Customer 1 | 6,305 | 4,587 |
| Customer 2 | 3,366 | 3,400 |
| Customer 3 | - | 2,440 |

## 17. Related party disclosures

The Responsible Entity of Generation Healthcare REIT is APN Funds Management Limited (ACN 080 674 479) whose immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). In addition, Generation Healthcare Management Pty Limited (GHM) and Generation Healthcare Management (Hurstville) Pty Limited (GHMH), subsidiaries of APN Property Group Limited, are companies in which a related party of the Fund's Chief Executive Officer has a financial interest, and which provide management services.

**Fees of the Responsible Entity and its related parties**

In accordance with the Fund's constitution the Responsible Entity (including GHM) is entitled to receive:

- a fund management fee of up to 0.6% of the gross asset value of the Fund and the consolidated entities, payable monthly in arrears; GHM also receives property management fees at commercial rates;
- a performance fee being 5% of the dollar amount by which the Fund's actual performance exceeds the S&P/ASX300 Property Accumulation Index, plus 15% of outperformance above 2% per annum, calculated on 31 December and 30 June. The amount paid in a period is subject to a cap (fund management fee plus performance fee) of 1.5% of the monthly average gross assets, with amounts in excess of the cap being rolled forward to future periods and payable subject to GHC's total return for that period being positive. Amounts rolled forward are also payable immediately in limited circumstances;
- a project management services fee of up to 2% of the project cost for each project in respect of which project management services are provided;
- an acquisition fee of up to 2% of the total amount paid for each acquisition (including transaction costs);
- a development management services fee of up to 3% of the project cost for each project in respect of which development management services are provided; and
- reimbursement of fund expenses incurred on behalf of the Fund.

GHMH is entitled to property/asset management fees in relation to services provided to Cortez Enterprises Pty Ltd (Cortez). Cortez is a special purpose entity established to hold, amongst other assets, the debt and other rights associated with Waratah Private Hospital. The Fund has a 12.5% interest in the debt and other rights associated with Waratah Private Hospital.

The following fees were paid to APN FM as Responsible Entity and related parties in relation to the above:

| | 2015 $ | 2014 $ |
|---|---|---|
| Fund management fee | 1,949,188 | 1,460,061 |
| Performance fee | 4,024,258 | 4,236,137 |
| | 5,973,446 | 5,696,198 |
| **Other** | | |
| Property management fees | 578,289 | 421,520 |
| Property acquisition fees[1] | 303,484 | 479,093 |
| Development management fees | 429,698 | 100,000 |
| Property/asset management fees[2] | 306,335 | 388,699 |
| Other services | 900 | 26,140 |
| | 1,618,706 | 1,415,452 |
| | **7,592,152** | **7,111,650** |

[1] Net of third party acquisition costs totalling $180,634 (2014: $90,907) that were incurred by the Responsible Entity and its related party on behalf of the Fund.
[2] Services provided to Cortez Enterprises Pty Ltd.

**Key management personnel**

The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund.

The names of the key management personnel of the Responsible Entity and related entities during the period were:

- Miles Wentworth (Fund Chief Executive Officer)
- Chris Adams (Director, GHM)
- Geoff Brunsdon (Chairman and Independent Non-Executive Director)
- Michael Johnstone (Independent Non-Executive Director)
- Jennifer Horrigan (Independent Non-Executive Director)
- Howard Brenchley (Non-Executive Director)
- John Freemantle (Company Secretary)
- Michael Groth (APN Chief Financial Officer and alternate Director for Howard Brenchley)

**Key management personnel compensation**

Key management personnel are paid by the parent of the Responsible Entity for their services. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of the Responsible Entity's key management personnel in respect of services rendered to the Fund itself.

Units held directly, indirectly or beneficially in the Fund by each key management person of the Responsible Entity, including their related parties and distributions received or receivable from the Fund were as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of units held | Distributions $ | Number of units held | Distributions $ |
| Miles Wentworth | 170,755 | 14,651 | 221,982 | 13,440 |
| Chris Adams | 311,270 | 27,723 | 354,385 | 28,167 |

**Holdings of units by related parties**

Related parties may purchase and sell units in the Fund in accordance with their respective Constitution and product disclosure statements, subject to the APN Property Group Securities Trading Policy. Details of units held in the Fund by related parties (including managed investment schemes for which a related party is the Responsible Entity) and distributions received or receivable are set out below.

Related parties of APN Funds Management Limited:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of units held | Distributions $ | Number of units held | Distributions $ |
| Generation Healthcare Management Pty Limited | 14,103,184 | 984,859 | 10,947,562 | 461,547 |
| APN Property Group Limited | 5,811,765 | 423,852 | 4,940,000 | 221,600 |
| APN Funds Management Limited | 6,452,732 | 470,598 | 5,484,822 | 345,093 |
| APN Property For Income Fund No.2 | 1,176,471 | 85,800 | 1,558,330 | 124,666 |
| APN AREIT Fund | 7,308,963 | 493,013 | 5,663,847 | 336,208 |
| APN Property For Income Fund | 2,141,984 | 156,215 | 1,820,686 | 145,655 |

## 18. Notes to the cash flow statement

### (a) Reconciliation of profit for the period to net cash provided by operating activities

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Net profit for the year | 31,346 | 11,896 |
| **Adjustments for:** | | |
| Straight line lease revenue recognition | (2,051) | (866) |
| Change in fair value of investment properties | (17,980) | (4,705) |
| Change in fair value of derivatives | 1,654 | 1,431 |
| Net change in loans carried at amortised cost | 1,774 | 433 |
| Shortfall of distributions received from equity accounted investments over share of profits | (1,591) | (2,482) |
| Interest income from loans carried at amortised cost | (1,374) | (666) |
| Other non-cash items | 3,231 | 4,180 |
| Operating profit for the year before changes in working capital | 15,009 | 9,221 |
| **Changes in working capital:** | | |
| Decrease in receivables | (921) | (942) |
| Decrease in interest payable | (132) | (144) |
| Increase in other payables | 2,336 | 1,337 |
| **Net cash provided by operating activities** | **16,292** | **9,472** |

### (b) Non-cash financing and investing activities

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Reinvestment of distributions pursuant to the Distribution Investment Plan | 2,871 | 2,463 |

## 19. Capital management

The Group aims to meet its strategic objectives and operational needs and to maximise returns to unitholders through the appropriate use of debt and equity, while taking account the additional financial risks of higher debt levels.

In determining the optimal capital structure the Group takes into account the relative security of its income flows, the predictability of its expenses, its debt profile, the degree of hedging and the overall level of debt as measured by gearing. The Group also takes into account a number of factors, including the views of investors and the market in general, the capital needs of its portfolio, the relative cost of debt versus equity, the execution risk of raising equity or debt, and the additional financial risks of debt including increased volatility of earnings due to exposure to interest rate movements, the liquidity risk of maturing debt facilities and the potential for acceleration prior to maturity.

The actual capital structure at a point in time is the product of a number of factors, many of which are market driven and to various degrees outside the control of the Group. These include the impact of revaluations on gearing levels, the availability of new equity and the liquidity in real estate markets. While the Group periodically determines the optimal capital structure, the ability to achieve the optimal structure may be impacted by market conditions and the actual position may often differ from the optimal position.

The Group's capital position is primarily monitored through its ratio of net bank debt to total assets ("Gearing Ratio"). The Group's medium term strategy is to maintain the Gearing Ratio in the range of 40% to 50%. At 30 June 2015 the Gearing Ratio was 26.6% (2014: 31.3%). This is calculated as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Total consolidated borrowings | 116,442 | 109,027 |
| Less cash & cash equivalents | (1,618) | (1,719) |
| Less finance lease liabilities | (9,341) | (9,089) |
| Net consolidated debt | 105,483 | 98,219 |
| Plus share of debt of equity accounted investments | - | - |
| **Net look-through debt** | 105,483 | 98,219 |
| | | |
| Total consolidated assets | 407,490 | 324,891 |
| Less cash & cash equivalents | (1,618) | (1,719) |
| Less finance lease liabilities | (9,341) | (9,089) |
| Less equity accounted investments | (24,135) | (20,625) |
| Plus share of assets of equity accounted investments | 24,479 | 20,833 |
| **Total look-through assets** | **396,875** | **314,291** |
| | | |
| **Gearing ratio** | **26.6%** | **31.3%** |

## 20. Financial instruments

The Group's principal financial instruments comprise receivables, financial assets, payables, interest bearing liabilities, other financial liabilities, cash and short-term deposits and derivative financial instruments.

**Categories of financial instruments**

The Fund has the following categories of financial assets and liabilities:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Financial assets at fair value through profit or loss | 71,503 | 23,844 |
| Loans and receivables | 32,345 | 30,272 |
| Financial liabilities at fair value through profit or loss | (9,596) | (7,942) |
| Financial liabilities measured at amortised cost | (139,321) | (129,588) |

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group manages its exposure to these risks primarily through its Treasury Policy. The policy sets out various targets aimed at restricting the financial risk taken by the Group. Management reviews actual positions of the Group against these targets on a regular basis. If the target is not achieved, or forecast not to be achieved, a plan of action is, where appropriate, put in place with the aim of meeting the target within an agreed timeframe. Depending on the circumstances of the Group at a point in time, it may be that positions outside of the Treasury Policy are accepted and no plan of action is put in place to meet the Treasury targets, because, for example, the risks associated with bringing the Group into compliance outweigh the benefits. The adequacy of the Treasury Policy in addressing the risks arising from the Group's financial instruments is reviewed on a regular basis.

While the Group aims to meet its Treasury Policy targets, many factors influence its performance and it is probable that at any one time it will not meet all its targets. For example, the Group may be unable to negotiate the extension of bank facilities sufficiently ahead of time so that it fails to achieve its liquidity target. When refinancing loans, it may be unable to achieve the desired maturity profile or the desired level of flexibility of financial covenants, because of the cost of such terms or their unavailability. Hedging instruments may not be available, or their cost may outweigh the benefits of risk reduction. Other risks may be introduced such as mark to market valuation risk. Changes in market conditions may limit the Group's ability to raise capital through the issue of units or sale of properties.

### (a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates arises primarily from its use of borrowings. The main consequence of adverse changes in market interest rates is higher interest costs, reducing the Group's profit. In addition, one or more of the Group's loan agreements include minimum interest cover covenants. Higher interest costs resulting from increases in market interest rates may result in these covenants being breached, providing the lender the right to call in the loan or to increase the interest rate applied to the loan.

The Group manages the risk of changes in market interest rates by maintaining an appropriate mix of fixed and floating rate borrowings. Fixed rate debt is achieved either through fixed rate debt funding or through derivative financial instruments permitted under the Treasury Policy. The policy sets minimum and maximum levels of fixed rate exposure over a ten year time horizon.

At 30 June 2015, after taking into account the effect of interest rate swaps, 75% of the Group's (excluding interest rate swaps entered into by joint ventures) borrowings are at a fixed rate of interest (2014: 75%).

Exposure to changes in market rates also arises from financial assets such as cash deposits and loan receivables subject to floating interest rate terms. Changes in market interest rates will also change the fair value of any interest rate hedges.

### (b) Interest rate risk exposure

The Group's exposure to interest rate risk (excluding line, margin and establishment fees) and the effective interest rates on financial instruments at reporting date was as follows:

| | **Floating interest rate** | **Fixed interest maturing in:** | | | |
|---|---|---|---|---|---|
| **2015** | | **Less than 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | | |
| Cash at bank | 939 | - | - | - | 939 |
| Short term deposits | 59 | 620 | - | - | 679 |
| Loan receivable | - | - | 9,270 | - | 9,270 |
| Finance lease receivable | - | 774 | 2,837 | 17,125 | 20,736 |
| **Financial liabilities** | | | | | |
| Bank debt | 107,101 | - | - | - | 107,101 |
| Finance lease payable | - | 387 | 1,401 | 7,553 | 9,341 |
| Interest rate swaps: | | | | | |
| - Fund pays/(receives) | | | | | |
| - Current[1] | (80,600) | 50,000 | 30,600 | - | - |
| - Forward start | (80,000) | - | 30,000 | 50,000 | - |
| **Weighted average interest rates** | **%** | **%** | **%** | **%** | **%** |
| **Financial assets** | | | | | |
| Cash at bank | 1.5 | - | - | - | N/A |
| Short term deposits | 1.4 | 2.9 | - | - | N/A |
| Loan receivable | - | - | 14.9 | - | N/A |
| Finance lease receivable | - | 6.5 | 6.5 | 6.5 | N/A |
| **Financial liabilities** | | | | | |
| Bank debt | 2.2 | - | - | - | N/A |
| Finance lease payable | - | 7.0 | 7.0 | 7.0 | N/A |
| Interest rate swaps: | | | | | |
| - Fund pays/(receives) | | | | | |
| - Current | (2.2) | 4.9 | 6.2 | - | N/A |
| - Forward start | (2.2) | - | 3.6 | 4.8 | N/A |

[1] The amounts presented represent the notional principle values of interest rate swaps that have a contractual maturity date falling due in the timeframe indicated.

| | **Floating interest rate** | **Fixed interest maturing in:** | | | |
|---|---|---|---|---|---|
| **2014** | | **Less than 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | | |
| Cash at bank | 2,660 | - | - | - | 2,660 |
| Short term deposits | 3 | 556 | - | - | 559 |
| Loan receivable | - | - | 8,541 | - | 8,541 |
| Finance lease receivable | - | 751 | 2,754 | 16,685 | 20,190 |
| **Financial liabilities** | | | | | |
| Bank debt | 99,938 | - | - | - | 99,938 |
| Finance lease payable | - | 376 | 1,360 | 7,353 | 9,089 |
| Interest rate swaps: | | | | | |
| - Fund pays/(receives) | | | | | |
| - Current[1] | (75,025) | 29,425 | 20,600 | 25,000 | - |
| - Forward start | (44,269) | - | 19,269 | 25,000 | - |

| 2014 | Floating interest rate | Fixed interest maturing in: Less than 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Weighted average interest rates** | % | % | % | % | % |
| **Financial assets** | | | | | |
| Cash at bank | 0.9 | - | - | - | N/A |
| Short term deposits | 2.5 | 3.6 | - | - | N/A |
| Loan receivable | - | - | 14.9 | - | N/A |
| Finance lease receivable | - | 6.5 | 6.5 | 6.5 | N/A |
| **Financial liabilities** | | | | | |
| Bank debt | 2.8 | - | - | - | N/A |
| Finance lease payable | - | 7.0 | 7.0 | 7.0 | N/A |
| Interest rate swaps: | | | | | |
| - Fund pays/(receives) | | | | | |
| - Current | (2.8) | 5.0 | 7.1 | 5.5 | N/A |
| - Forward start | (2.8) | - | 3.9 | 4.6 | N/A |

[1] The amounts presented represent the notional principle values of interest rate swaps that have a contractual maturity date falling due in the timeframe indicated.

Other financial instruments of the Group not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

### (c) Interest rate sensitivity analysis

The impact of an increase or decrease in average interest rates of 1% (100 basis points) at reporting date, with all other variables held constant, is illustrated in the tables below. This analysis is based on the interest rate risk exposures in existence at reporting date. As the Group has no derivatives that meet the documentation requirements to qualify for hedge accounting, there would be no impact on unitholders' interest (apart from the effect on profit).

| Increase in average interest rates of 1% | Effect on profit after tax Higher/(lower) 2015 $'000 | 2014 $'000 |
|---|---|---|
| The effect on net interest expense for one year would have been: | | |
| Variable interest rate instruments | (268) | (78) |
| The effect on change in fair value of derivatives would have been: | | |
| Variable interest rate instruments | 4,406 | 4,065 |

| Decrease in average interest rates of 1% | Effect on profit after tax Higher/(lower) 2015 $'000 | 2014 $'000 |
|---|---|---|
| The effect on net interest expense for one year would have been: | | |
| Variable interest rate instruments | 268 | 78 |
| The effect on change in fair value of derivatives would have been: | | |
| Variable interest rate instruments | (4,410) | (4,278) |

### (d) Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in a financial loss to the Group.

The major credit risk for the Group is default by tenants resulting in a loss of rental income while a replacement tenant is secured. Added risk is a further loss if the rent level agreed with the replacement tenant is below that previously paid by the defaulting tenant. In addition, a default of one of the Group's major tenants may trigger the right for one or more of the lenders to the Group to review or call in its loan.

The Group assesses the credit risk of prospective tenants, the credit risk of in-place tenants when acquiring properties, and the credit risk of existing tenants renewing upon expiry of their leases. Factors taken into consideration when making this assessment include the following:

- aggregate exposure the Group may have to the prospective tenant if the counterparty is already a tenant in the Group's portfolio;
- the strength of the prospective tenant's business;
- the level of its commitment to occupying the Group's property; and
- any form of security, for example a rental bond, to be provided by the tenant.

The decision to accept the credit risk associated with leasing space to a particular tenant is balanced against the risk of the potential financial loss of not leasing up vacant space.

Rent receivable balances are monitored on an ongoing basis and arrears are actively followed up in order to reduce, where possible, the extent of any losses should the tenant subsequently default. The Responsible Entity believes that the Group's receivables that are neither past due nor impaired do not give rise to any significant credit risk.

Credit risk also arises from deposits placed with financial institutions and derivative contracts that may have a positive value to the Group. The Group's Treasury Policy sets target limits for credit risk exposure with financial institutions and minimum counterparty credit ratings. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable.

The Group's maximum exposure to credit risk at reporting date in relation to each class of financial instrument is its carrying amount as reported in the statement of financial position.

### (e) Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations as well as working capital and committed capital expenditure requirements. The Group's Treasury Policy sets a target for the level of cash and available undrawn debt facilities to cover future committed expenditure in the next year, loan maturities within the next year and an allowance for unforeseen events such as tenant default.

The Group may also be exposed to contingent liquidity risk under its term loan facilities where term loan facilities include covenants. If such covenants are breached it may give the lender the right to call in the loan thereby accelerating a cash flow which otherwise was scheduled for the loan maturity. The Group monitors adherence to loan covenants on a regular basis, and the Treasury Policy sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

The Group monitors its debt expiry profile and aims to achieve debt maturities below a target level of total committed debt facilities, where possible, to reduce refinance risk in any one year.

The contractual maturities of the Group's non-derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates.

| | **Less than 1 year $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
|---|---|---|---|---|
| **2015** | | | | |
| **Liabilities** | | | | |
| Trade & other payables | 14,422 | 680 | - | 15,102 |
| Borrowings | 4,223 | 118,304 | 99,309 | 221,836 |
| | **18,645** | **118,984** | **99,309** | **236,938** |
| **2014** | | | | |
| **Liabilities** | | | | |
| Trade & other payables | 8,381 | 7,359 | - | 15,740 |
| Borrowings | 5,380 | 112,106 | 99,778 | 217,264 |
| | **13,761** | **119,465** | **99,778** | **233,004** |

The contractual maturities of the Group's derivative financial liabilities at reporting date are reflected in the following table. It shows the undiscounted contractual cash flows required to discharge the liabilities including interest at market rates.

| | **Less than 1 year $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
|---|---|---|---|---|
| **2015** | | | | |
| **Liabilities** | | | | |
| Derivative liabilities – net settled | 2,346 | 7,585 | 53 | 9,984 |
| **2014** | | | | |
| **Liabilities** | | | | |
| Derivative liabilities – net settled | 1,967 | 7,046 | 259 | 9,272 |

### (f) Fair value of financial instruments

The Group uses the following fair value measurement hierarchy:

Level 1: fair value is calculated using quoted prices in active markets;

Level 2: fair value is calculated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: fair value is calculated using inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date, without any deduction for transaction costs.

The amount payable to a lessee was calculated by reference to the contractual obligation. For further disclosure on the unobservable Level 3 inputs see note 1(l) and note 5.

Financial instruments that trade in markets that are not considered active but values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include financial derivatives whose fair values have been determined using dealer quotations. The fair values of the interest rate swaps held by the Fund have been determined using dealer quotations.

The following tables present the Group's financial instruments that were measured and recognised at fair value at each reporting date:

| | Fair value measurement as at 30 June 2015 | | | |
|---|---|---|---|---|
| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Financial liabilities measured at fair value through profit or loss** | | | | |
| Amounts payable to lessee | - | - | - | - |
| Derivatives – interest rate swaps | - | 9,596 | - | 9,596 |
| **Total** | **-** | **9,596** | **-** | **9,596** |

| | Fair value measurement as at 30 June 2014 | | | |
|---|---|---|---|---|
| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **Financial liabilities measured at fair value through profit or loss** | | | | |
| Amounts payable to lessee | - | - | 5,303 | 5,303 |
| Derivatives – interest rate swaps | - | 7,942 | - | 7,942 |
| **Total** | **-** | **7,942** | **5,303** | **13,245** |

The following tables present the changes in level 3 instruments for each year:

| **2015** | **Amount payable to lessee $'000** | **Total $'000** |
|---|---|---|
| Opening balance | 5,303 | 5,303 |
| Additions | - | - |
| (Gains)/losses recognised in profit or loss | - | - |
| Transfers out of level 3 | (5,303) | (5,303) |
| **Closing balance** | **-** | **-** |
| (Gains)/losses for the year included in profit or loss that relate to assets held at the end of the year | - | - |

| **2014** | **Amount payable to lessee $'000** | **Total $'000** |
|---|---|---|
| Opening balance | 5,065 | 5,065 |
| Additions | - | - |
| (Gains)/losses recognised in profit or loss | 238 | 238 |
| Transfers out of level 3 | - | - |
| **Closing balance** | **5,303** | **5,303** |
| (Gains)/losses for the year included in profit or loss that relate to assets held at the end of the year | 238 | 238 |

The Directors consider the carrying amounts of the Group's other financial instruments approximate their fair values.

## 21. Commitments and contingencies

Commitments for capital expenditure on investment property contracted but not provided for at reporting date is $1,051,912 all of which is payable within one year (2014: $8,571,000 all of which is payable within one year).

The Fund entered into an agreement to acquire the freehold interest in the Epworth Freemasons Private Hospital & Medical Centre, East Melbourne. The contracted purchase price is $10,700,000 plus stamp duty of $647,000 and GST and is payable on the latter of the date 18 months (or earlier as agreed between the parties) after the vendor gives notice to the purchaser of completion of the plan of subdivision of the land, provided that the plan of subdivision has been registered by the Registrar, and the date 14 days after the registration of the plan by the Registrar. In addition, stamp duty of $1,422,000 on the building purchase, which is accrued in current payables in the statement of financial position, is payable at the same time. The seller has until 22 December 2015 (or, at the Group's discretion, until 22 December 2020) to procure the registration of the plan. If the plan is not registered by the expiry of that period, either party may terminate the contract. If the lease is terminated, the parties must enter into a 99 year lease with the Group paying 90% of the contracted purchase price.

The Fund signed a conditional (on town planning) agreement for lease in July 2014 to build Epworth Foundation a Cancer Centre on the Clarendon Street site. At the time, the project cost was estimated at $25,000,000 with GHC to fund 100% up to this amount. Post balance date, the Fund entered into a Heads of Agreement to restructure its agreement. The project is to now include a significant underground carpark and additional operating theatres in addition to the cancer centre. The estimated total project cost is now $62,000,000 and is to be undertaken on a 50:50 joint venture basis and is subject to town planning and finance.

The Fund's 50% owned joint venture entity, Divine Logistics Trust, has entered into a series of contracts with Healthscope Limited that will see the construction of a circa $45,000,000 extension to the existing private hospital. GHC is to have a 65% interest in this project, representing a commitment of approximately $29,300,000. This commitment is expected to be funded via debt utilising existing balance sheet capacity, with construction to commence following debt funding being contracted, town planning approval and appointment of a builder.

The purchase of the three RSL Care properties includes a contingent amount payable of $2,661,874 in respect of stamp duty that will become due and payable on acquisition of the properties.

## 22. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(s):

| | Country of incorporation | Ownership interest | |
|---|---|---|---|
| | | **2015** | **2014** |
| **Parent entity** | | | |
| Generation Healthcare REIT | Australia | | |
| **Subsidiaries** | | | |
| Generation Healthcare Subsidiary Trust No.1 | Australia | 100% | 100% |
| Generation Healthcare RSL Care Subsidiary Trust | Australia | 100% | - |

The Fund has no significant restrictions on its ability to access or use the assets and settle the liabilities of the group.

During the financial year, the Fund did not enter into any contractual arrangements that could require the parent or its subsidiaries to provide financial support to one of the consolidated entities (2014: Nil). Furthermore, neither the parent nor its subsidiaries have provided non-contractual financial or other support to one of the consolidated entities during the financial year (2014: Nil). The Group is in the process of negotiating the financial arrangements in respect of the Casey Stage 2 project, which may include contractual or non-contractual financial or other support to one of the consolidated entities going forward.

## 23. Parent entity disclosures

| Financial position | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **Assets** | | |
| Current assets | 10,097 | 11,372 |
| Non-current assets | 341,006 | 257,967 |
| **Total assets** | **351,103** | **269,339** |
| **Liabilities** | | |
| Current liabilities | 26,560 | 13,199 |
| Non-current liabilities | 65,970 | 68,779 |
| **Total liabilities** | **92,530** | **81,978** |
| **Net assets** | **258,573** | **187,361** |
| **Equity attributable to unitholders** | | |
| Contributed equity | 231,129 | 176,134 |
| Retained earnings | 27,444 | 11,227 |
| **Total equity** | **258,573** | **187,361** |

| Financial performance | Year ended<br>30 June 2015<br>$'000 | Year ended<br>30 June 2014<br>$'000 |
|---|---|---|
| Net profit attributable to unitholders of the Fund | 31,346 | 11,896 |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **31,346** | **11,896** |

During the financial year ended 30 June 2015, the parent entity did not enter into any guarantees in relation to debts of its subsidiaries (2014: Nil).

Other than as referred to in Note 21, there are no contingent liabilities or contractual commitments for acquisitions of property, plant or equipment or developments as at 30 June 2015 in the parent entity (2014: Nil).

## 24. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the operations of the Fund, and results of those operations, or the state of affairs of the Fund, in future financial years.

## 25. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of Generation Healthcare REIT.

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