APPENDIX 4E

Preliminary Final Report

Year ended 30 June 2016

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

Results for announcement to the market

	$'000	
Revenues from ordinary activities	up 23% to 39,880	
Profit from ordinary activities after tax attributable to members	up 64% to 51,412	
Net profit for the period attributable to members	up 64% to 51,412	
Underlying net operating income	up 27% to 21,795[2]	
Net tangible assets per unit attributable to members[1]	**30 June 2016** $1.38	**30 June 2015** $1.22

[1] Net tangible assets adjusted to exclude the amount attributable to non-controlling interests.

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

	2016 $'000	2015 $'000
Net profit attributable to unitholders	51,412	31,346
Adjusted for:		
- Straight line lease revenue recognition	(1,688)	(2,051)
- Net (gain)/loss on change in fair value of:		
Investment properties	(46,773)	(17,980)
Derivatives	5,130	1,654
Investment properties included in share of net profit of equity accounted investments	(962)	(1,614)
Derivatives included in share of net profit of equity accounted investments	266	(10)
- Net change in loans carried at amortised cost	3,714	1,774
- Manager's performance fee	10,787	4,024
- Lease surrender and new tenant incentives associated with change in significant tenant	(728)	-
- Gain arising on Divine Logistics Trust becoming a controlled entity	(35)	-
- Non-controlling interest attributable to the above adjustments	601	-
- Other	71	45
Underlying net operating income	**21,795**	**17,188**

Distributions	Amount per unit (cents)	$'000
Interim – 31 December 2015	4.42	9,492
Final – 30 June 2016	4.42	9,646
Total	**8.84**	**19,138**
Previous corresponding period	8.58	15,129
Record date for determining entitlements to the distribution	30 June 2016	
Details of any distribution reinvestment plan in operation	Refer ASX announcement on 17 June 2016	
Last date for receipt of an election notice for participation in any distribution reinvestment plan	1 July 2016	

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

22 August 2016

GENERATION
HEALTHCARE REIT

ARSN 118 712 584

Financial Report for the Financial Year Ended 30 June 2016

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 2016. 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 Group 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 2016 was $51,412,000 (2015: $31,346,000).

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

	2016	2015
Net profit attributable to unitholders of the Fund ($'000)	51,412	31,346
Underlying net operating income ($'000)	21,795	17,188
Underlying net operating income per unit (cents)	10.11	9.57
Distributions per unit (cents)	8.84	8.58
Basic and diluted earnings per unit (cents)	23.85	17.46

Underlying net operating income is an unaudited 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:

	2016 $'000	2015 $'000
Net profit attributable to unitholders of the parent	51,412	31,346
Adjusted for:		
- Straight line lease revenue recognition	(1,688)	(2,051)
- Net (gain)/loss on change in fair value of:		
Investment properties	(46,773)	(17,980)
Derivatives	5,130	1,654
Investment properties included in share of net profit of equity accounted investments	(962)	(1,614)
Derivatives included in share of net profit of equity accounted investments	266	(10)
- Net change in loans carried at amortised cost	3,714	1,774
- Manager's performance fee	10,787	4,024
- Lease surrender and new tenant incentives associated with change of significant tenant	(728)	-
- Gain arising on Divine Logistics Trust becoming a controlled entity	(35)	-
- Non-controlling interest attributable to the above adjustments	601	-
- Other	71	45
Underlying net operating income	**21,795**	**17,188**

Underlying net operating income increased by 27% to $21,795,000 for the twelve months to 30 June 2016 compared to $17,188,000 for the twelve months to 30 June 2015. The increase is largely attributable to higher net property income. There was portfolio rental growth from a combination of CPI, fixed and market rent reviews across the portfolio, twelve months rental income from the Casey Specialist Centre (completed in February 2015), twelve months income following the acquisition of the RSL Care portfolio of three aged care facilities in June 2015 and a decrease in ground rent expense following the purchase of the Victoria Parade land freehold. These increases to underlying net operating income were partially offset by higher management fees given the increased funds under management and higher fund operating expenses including the costs of an increased number of external valuations required given the movement in the property markets.

Underlying net operating income per unit for the 2016 financial year was up 5.6% to 10.11 cents, compared to 9.57 cents per unit for the 2015 year reflecting the higher operating performance of the Fund noted above. The distribution for the 2016 financial year was 8.84 cents per unit compared to 8.58 cents per unit paid for the 2015 year, an increase of 3.0%. The distribution paid or payable from underlying net operating income for the 2016 financial year amounted to $19,138,000 representing a payout ratio of 88%.

Earnings per unit as calculated under applicable accounting standards for the year was 23.85 cents, compared to 17.46 cents per unit for the 2015 financial year, an increase of 37%. In addition to the increase in underlying net operating income, there was a material increase in the net gain on the change in fair value of investment properties and a material surrender payment received from a tenant's early lease surrender partially offset by a rental incentive for the replacement tenant. Other factors influencing earnings were an increase in the Manager's performance fee entitlement with the Fund significantly outperforming the S&P/ASX 300 AREIT Accumulation Index by 17.0%, an increase in the net loss on the change in fair value of derivatives, and a reduction in the carrying value of loans.

Total assets increased by $108,238,000 or 27% to $515,728,000 over the year. This was mainly due to the acquisition of the freehold interest at Epworth Freemasons Victoria Parade, the acquisition of the ground floor suites at Waratah Private Hospital, material increases in the fair value of existing investment properties and further investment in construction projects. During December 2015 the Fund sold a share of the Casey Stage 2 & 3 development site to St John of God Health Care with whom the Fund has a joint venture arrangement for the development of a scale private hospital on the site which initiated construction in January 2016. Construction also commenced in December 2015 on the Frankston Private Hospital expansion in which the Fund has a 65% interest. With the contribution of additional equity to finance the Frankston Private Hospital expansion, the Fund from March 2016 accounts for its interest in the Frankston properties as a subsidiary, previously having been shown as a 50% interest in an equity accounted investment.

New equity of $4,825,000 was raised during the year under the Distribution Reinvestment Plan and $5,606,000 worth of units were issued in satisfaction of the Manager's performance fee due at December 2014, June 2015 and December 2015. Overall, the total number of units on issue increased by 5,944,980 to 218,229,848. The net tangible asset backing (excluding non-controlling interests) of the Fund increased by 16 cents (13%) to $1.38.

Change of ownership of Investment Manager

On 27 June 2016 the Responsible Entity noted the sale of 100% of Generation Healthcare Management Pty Ltd (GHM), the Investment Manager of the Fund, along with an option to sell approximately 27.1 million units in the Fund held by GHM, APN Property Group Limited, and interests associated with Miles Wentworth (CEO) and Chris Adams (Director of GHM), to Canadian listed NorthWest Healthcare Properties Real Estate Investment Trust. NorthWest has confirmed that the Fund's strategy will remain unchanged, APN Funds Management Limited will remain as the responsible entity of the Fund and any future change in responsible entity will require the approval of the Fund's unitholders. In addition APN has agreed to provide certain services to NorthWest for a transition period of up to two years and two months to ensure a successful transition. Miles Wentworth and Chris Adams will continue in their respective roles, having contracted with NorthWest for up to two years, and all other staff of the Investment Manager have been offered and accepted employment with NorthWest.

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 $114,000,000 private hospital project in Casey Victoria, in conjunction with St John of God Health Care, having reached financial close in December 2015 and commenced construction on site in January 2016, with the Fund's investment expected to be circa $45,000,000;
- Progressing the $45,000,000 expansion at Frankston Private having commenced construction in December 2015, with the Fund's investment at 65% expected to be circa $29,000,000; and
- Advancing the $69,000,000 Epworth Freemasons Clarendon Street, Grey Street Cancer Centre and Albert Street carpark projects in a 50/50 joint venture with Epworth Foundation, having received heritage planning consent in May 2016 and conditional town planning approval in July 2016.

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	18	18	9	9	2	2
Michael Johnstone	18	18	9	9	2	2
Jennifer Horrigan	18	18	9	9	2	2
Howard Brenchley	18	14(i)	N/A	N/A	N/A	N/A
Michael Groth (alternate Director for Howard Brenchley)	18	13(i)	N/A	N/A	N/A	N/A

(i) Abstained from attending four meetings due to conflict of interest

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 are 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 are 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 (2015: $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 Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument 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, 22 August 2016

Deloitte.

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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 2016, 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, 22 August 2016

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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 2016, 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 41.

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.

Deloitte.

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 2016 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, 22 August 2016

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, 22 August 2016

Consolidated statement of profit or loss and other comprehensive income
for the financial year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Revenue			
Rental income		29,841	26,556
Other property income		3,659	3,165
Interest		6,380	2,830
		39,880	32,551
Other income			
Net change in the fair value of investment properties and deposits	5(c)	46,773	17,980
Net change in the fair value of derivatives		(5,130)	(1,654)
Net change in loans carried at amortised cost	6	(3,714)	(1,774)
Gain arising on Divine Logistics Trust becoming a controlled entity	18	35	-
		37,964	14,552
Total income		**77,844**	**47,103**
Expenses			
Property expenses		(6,040)	(5,754)
Finance costs	15	(7,134)	(6,907)
Responsible Entity's fund management fee	17	(2,512)	(1,949)
Responsible Entity's performance fee	17	(10,787)	(4,024)
Other expenses		(608)	(376)
Total expenses		**(27,081)**	**(19,010)**
Share of net profit of equity accounted investment	7	1,762	3,253
Total net profit		**52,525**	**31,346**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		**52,525**	**31,346**
Net profit / total comprehensive income attributable to non-controlling interests		(1,113)	-
Net profit / comprehensive income attributable to unitholders of the Fund		**51,412**	**31,346**
			-
		Cents	**Cents**
Distributions per unit	9	8.84	8.58
Basic and diluted earnings per unit	10	23.85	17.46

Notes to the financial statements are included on pages 14 to 41.

Consolidated statement of financial position
as at 30 June 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	3	2,610	1,618
Trade and other receivables	4	3,267	3,113
		5,877	4,731
Non-current assets			
Trade and other receivables	4	20,497	19,962
Loans carried at amortised cost	6	7,430	9,270
Investment properties	5	467,624	303,642
Deposit on investment properties	5	14,300	45,750
Equity accounted investments	7	-	24,135
		509,851	402,759
Total assets		**515,728**	**407,490**
Current liabilities			
Trade and other payables	8	11,626	14,422
Borrowings	11	398	387
Derivatives	12	3,292	2,676
Distribution payable	9	9,646	7,777
		24,962	25,262
Non-current liabilities			
Trade and other payables	8	3,164	680
Borrowings	11	146,299	116,055
Derivatives	12	11,945	6,920
		161,408	123,655
Total liabilities		**186,370**	**148,917**
Net assets		**329,358**	**258,573**
Equity attributable to unitholders			
Issued units	13	241,578	231,129
Retained earnings		59,718	27,444
Equity attributable to unitholders of the parent		301,296	258,573
Non-controlling interests		28,062	-
Total equity		**329,358**	**258,573**
Net tangible assets per unit attributable to unitholders[1]		$1.38	$1.22

[1] Adjusts net tangible assets to exclude the amount attributable to non-controlling interests.

Notes to the financial statements are included on pages 14 to 41.

Consolidated statement of changes in equity
for the financial year ended 30 June 2016

	Issued units $'000	Retained earnings $'000	Total attributable to unit holders of the parent $'000	Non-controlling interests $'000	Total Interests $'000
Balance at 1 July 2014	**176,134**	**11,227**	**187,361**	**-**	**187,361**
Net profit for the year	-	31,346	31,346	-	31,346
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**31,346**	**31,346**	**-**	**31,346**
Issue of units	54,995	-	54,995	-	54,995
Distributions paid to unitholders	-	(15,129)	(15,129)	-	(15,129)
Balance at 30 June 2015	**231,129**	**27,444**	**258,573**	**-**	**258,573**
Net profit for the year	-	51,412	51,412	1,113	52,525
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**51,412**	**51,412**	**1,113**	**52,525**
Issue of units	10,449	-	10,449	-	10,449
Non-controlling interest on acquisition of Divine Logistics Trust	-	-	-	24,832	24,832
Non-controlling interest arising on additional investment in Divine Logistics Trust	-	-	-	2,629	2,629
Distributions paid to unitholders					
Unitholders of the parent (Note 9)	-	(19,138)	(19,138)	-	(19,138)
Non-controlling interests	-	-	-	(512)	(512)
Balance at 30 June 2016	**241,578**	**59,718**	**301,296**	**28,062**	**329,358**

Notes to the financial statements are included on pages 14 to 41.

Consolidated statement of cash flows
for the financial year ended 30 June 2016

	Note	2016 Inflows/ (Outflows) $'000	2015 Inflows/ (Outflows) $'000
Cash flows from operating activities			
Rental and other property receipts		34,891	31,573
Property and other payments		(10,421)	(10,090)
Distributions received from equity accounted investment		1,202	1,661
Interest received		3,389	382
Borrowing costs paid		(6,965)	(7,234)
Net cash provided by operating activities	18	**22,096**	**16,292**
Cash flows from investing activities			
Purchase of investment properties		(19,873)	(49,075)
Additions to investment properties and properties under construction		(18,386)	(14,194)
Additions to equity accounted investment		-	(1,875)
Share of gain on change in fair value of investment property paid to lessee		(5,833)	-
Sale of interest in land		3,505	-
Loans advanced		(365)	(1,137)
Net cash inflow arising from business combination	23	231	-
Net cash used in investing activities		**(40,721)**	**(66,281)**
Cash flows from financing activities			
Proceeds from issue of units		-	52,089
Proceeds from issue of units in subsidiary to non-controlling interests		2,664	-
Unit issue costs		(71)	(1,669)
Distributions paid to unitholders		(12,444)	(9,302)
Proceeds from borrowings		36,056	62,950
Repayment of borrowings		(6,200)	(55,680)
Distributions paid to non-controlling interests		(388)	-
Net cash provided by financing activities		**19,617**	**48,388**
Net increase / (decrease) in cash and cash equivalents held		992	(1,601)
Cash and cash equivalents at beginning of the financial year		1,618	3,219
Cash and cash equivalents at end of the financial year	3	**2,610**	**1,618**

Notes to the financial statements are included on pages 14 to 41.

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 22 August 2016.

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 2016 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 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	The amendments to AASB 128 align the relief available in AASB 10 and AASB 128 in respect of the financial reporting requirements for Australian groups with a foreign parent. The amendments require that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities. The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Fund's 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', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
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 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	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', AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
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 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019

Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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.

(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 (its subsidiaries) (referred to as 'the Fund' in these financial statements). Refer to note 22 for a list of controlled entities (subsidiaries) as at year-end. Control is achieved where the Fund:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Fund reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. Income and expenses of a subsidiary are included in the financial statements of the Fund for the period it is consolidated. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Fund are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Fund's accounting policies.

(t) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Fund, liabilities incurred by the Fund to the former owners of the acquiree and the equity instruments issued by the Fund in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where a business combination is achieved in stages, the Fund's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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 $493,620,000 (2015: $360,787,000) (see note 5), representing estimated fair value. In the 2015 financial year, the carrying amount of the Fund’s equity accounted investments of $24,135,000 (see note 7) included investment properties carried at fair value. In the current financial year, the equity accounted investment has been converted to a subsidiary and these properties are consolidated into the Fund. The Fund’s interest in the subsidiary is 52.05% at reporting date. 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 $7,430,000 (2015: $9,270,000) (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:

	2016 $’000	**2015 $’000**
Cash at bank and in hand	1,515	939
Short term deposits	1,095	679
	2,610	**1,618**

4. Trade and other receivables

	2016 $’000	**2015 $’000**
Current		
Rental and other amounts due	85	528
Finance lease receivable	797	774
Accrued interest, prepayments and deposits	2,385	1,811
	3,267	**3,113**
Non-current		
Finance lease receivable	20,497	19,962
	20,497	**19,962**

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 2016, no receivables were impaired (2015: Nil).

The ageing analysis of rental and other amounts due as at 30 June 2016 is as follows:

	2016 $'000	2015 $'000
Ageing analysis of receivables past due but not impaired		
0-30 days	-	507
31-90 days	63	10
91+ days	22	11
	85	**528**

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:

	2016 $'000	2015 $'000
Minimum lease payments receivable:		
Not later than one year	825	802
Later than one year and not later than five years	3,558	3,454
Later than five years	198,143	199,073
	202,526	203,329
Unearned finance income	(181,232)	(182,593)
Net present value of minimum lease payments	**21,294**	**20,736**
Net present value of minimum lease payments receivable:		
Not later than one year	797	774
Later than one year and not later than five years	2,922	2,837
Later than five years	17,575	17,125
	21,294	**20,736**
Finance income recognised and included in interest income in the statement of comprehensive income	**1,360**	**1,324**

5. Investment properties
(a) Summary of carrying amounts

	2016 $'000	2015 $'000
Current assets		
Finance lease receivable[1]	797	774
Non-current assets		
Finance lease receivable[1]	20,497	19,962
Investment properties	467,624	303,642
Deposits on investment properties[2]	14,300	45,750
	502,421	369,354
Total assets	503,218	370,128
Current liabilities		
Finance lease payable[1]	398	387
Non-current liabilities		
Finance lease payable[1]	9,200	8,954
Total liabilities	9,598	9,341
Total property valuations	**493,620**	**360,787**

[1] See ARCBS facility in note 5(b) on page 22.
[2] See RSL Care Portfolio in note 5(b) on page 23.

(b) Individual valuations and carrying amounts

Property	Date of purchase	Cost to date	Latest external valuation		Carrying amount		Capitalisation rate		Discount rate	
		$'000	Date	Valuation $'000	2016 $'000	2015 $'000	2016 %	2015 %	2016 %	2015 %
ARCBS Facility[1] Cnr Musk Avenue & Blarney Street Kelvin Grove, Brisbane QLD	Apr 08[3]	66,445	Jun 16	79,000	79,000	72,290	7.05%	7.85%	8.25%	9.50%
Epworth Freemasons Private Hospital & Medical Centre Victoria Parade, East Melbourne VIC	May 06	40,922	Jun 16	72,300	72,300	51,800	6.75%	7.50%	7.25%	8.25%
Epworth Freemasons Private Hospital Clarendon Street, East Melbourne VIC	May 06	22,101	Jun 16	44,650	44,650	38,600	6.00%	6.75%	7.50%	8.50%
Harvester Centre Cnr Harvester & Devonshire Roads, Sunshine VIC	Feb 07	15,613	Jun 16	17,200	17,200	14,100	7.50%	8.50%	8.50%	8.75%
Pacific Private Clinic 119-123 Nerang Street, Southport QLD	Feb 07	34,853	Dec 15	34,000	33,200	28,400	8.25%	9.75%	8.50%	9.75%
Leading Healthcare 85 Mollison Street, Bendigo VIC	Sep 12[3]	8,610	Jun 16	10,450	10,450	9,950	7.25%	7.50%	7.75%	7.75%
Westmead Hospital Merrylands NSW	May 13	21,355	Dec 15	25,900	26,700	23,000	7.25%	8.10%	8.75%	9.25%
Spring Hill 55 Little Edward Street, Spring Hill QLD	Jun 14	48,441	Jun 16	58,000	58,000	47,200	7.25%	8.25%	8.75%	9.00%
Casey Specialist Centre Kangan Drive, Berwick VIC	Feb 15[3]	17,912	Jun 16	28,000	28,000	23,100	6.50%	7.25%	8.00%	8.00%
Waratah Private Hospital Ground Floor Suites[2] 31 Dora Street, Hurstville VIC	Jan 16	5,475	-	-	5,472	-	-	-	-	-
RSL Care Baycrest Aged Care Facility[5] Pialba, QLD	Jun 16	15,401	Jun 16	15,300	15,300	14,380	7.25%	-	8.75%	-
RSL Care Tantula Rise Aged Care Facility[5] Alexandra Headland, QLD	Jun 16	19,179	Jun 16	19,000	19,000	17,910	7.25%	-	8.75%	-
Frankston Private Hospital[6] 26 Frankston Flinders Road, Frankston VIC	Mar 16[4]	31,453	Jun 16	43,800	43,800	-	6.75%	-	7.75%	-
Frankston Specialist Centre[6] 5-9 Foot Street, Frankston VIC	Mar 16[4]	3,202	Jun 16	3,100	3,100	-	5.75%	-	6.50%	-
		350,962		**450,700**	**456,172**	**340,730**	**6.99%**	**7.88%**	**8.09%**	**8.89%**

	Date of purchase	Cost to date	Latest external valuation		Carrying amount		Capitalisation rate		Discount rate	
Property		**$'000**	**Date**	**Valuation $'000**	**2016 $'000**	**2015 $'000**	**2016 %**	**2015 %**	**2016 %**	**2015 %**
Properties under construction										
Casey Stage 2/3 Kangan Drive, Berwick VIC		9,907			9,907	6,597	-	-	-	-
Frankston Private expansion[6] 30-36 Frankston Flinders Road, Frankston VIC		13,241			13,241	-	-	-	-	-
Deposits on investment properties[5]										
RSL Care Darlington Aged Care Facility Banora Point, NSW		14,384	Jun 16	14,300	14,300	13,460	7.25%	-	8.75%	-
Total all investment properties		**388,494**		**465,000**	**493,620**	**360,787**	**7.00%**	**7.88%**	**8.11%**	**8.89%**

[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 $85,904,000 less the initial receipt under the finance lease receivable of $19,459,000 (excluding GST).

[2] Investment property carried at acquisition cost (including associated transaction costs).

[3] Date of completion of construction.

[4] Date control was obtained over the Divine Logistics Trust (previously this trust and the interest in investment property it held were reflected as an equity accounted investment – refer note 7).

[5] The acquisition of two of the three RSL Care properties (Baycrest and Tantula Rise) was completed in June 2016. The carrying amounts of these assets at 30 June 2015 were classified as deposits on investment properties. The settlement of RSL Care Darlington is expected to be completed in the first half of the 2017 financial year and the cost to date includes accrued stamp duty and registration on settlement.

[6] The Frankston properties are owned via the Fund's non-wholly owned subsidiary, Divine Logistics Trust. The total cost to date, valuation and carrying amounts are shown for each property on a 100% interest basis.

(c) Movements in carrying amount

	2016 $'000	2015 $'000
Carrying amount at beginning of year	349,392	270,775
Purchase of new properties	18,805	-
Acquisition of properties on conversion of equity accounted investment to subsidiary	52,639	-
Additions to existing property	3,600	108
Deposits on investment properties	735	46,288
Expenditure on property under construction	12,277	12,390
Disposals of existing property	(3,186)	-
Amortisation of tenant incentives and leasing commissions	(800)	(190)
Straight line lease revenue recognition	1,689	2,041
Change in fair value – unrealised	46,773	17,980
Carrying amount at end of year	**481,924**	**349,392**

(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 2016 $'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs 30 June 2016
Level 3	493,620	DCF and income capitalisation method	Net passing rent - $/sqm Net market rent - $/sqm Adopted capitalisation rate Adopted discount rate Adopted terminal yield	$166 - $1,378 $166 - $1,363 5.75% - 8.25% 6.50% - 8.75% 6.00% - 9.25%

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 core value of a property, being the value prior to the allowances for capital expenditure, income reversions, periods of vacancy and tenant incentives. 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 of income 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, capitalisating this in perpetuity and then making a series of allowances (capital expenditure, income reversions, periods of vacancy and tenant incentives), 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 $33,500,000 (2015: $29,721,000) from its investment properties. Direct operating expenses arising from investment property that generated income during the year totalled $6,040,000 (2015: $5,754,000). Direct operating expenses arising from investment property that did not generate income during the year totalled Nil (2015: 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:

	2016 $'000	2015 $'000
Within one year	28,441	25,789
Later than one year and not later than five years	105,142	83,863
Later than five years	229,832	183,096
	363,415	**292,748**

6. Loans carried at amortised cost

	2016 $'000	2015 $'000
Opening balance	9,270	8,541
Purchase price including costs	-	-
Additional capital and other cost contributions	361	1,100
Capitalised interest income	1,493	1,374
Accrued costs	20	29
Impairment	(3,714)	(1,774)
	7,430	**9,270**

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 $3,714,000 (2015: $1,774,000) 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.

Divine Logistics Trust (Divine) was recorded as an equity accounted investment for the period 1 July 2015 to 29 February 2016. On 1 March 2016, the Fund gained control of Divine following the contribution of additional equity to finance the Frankston Private expansion project and Divine ceased to be classified as an equity accounted investment. Upon the Fund gaining control of Divine (i.e. becoming a non-wholly owned subsidiary), 100% of Divine's revenues, expenses, assets and liabilities have been recognised in the applicable disclosure line items from this date. The minority unitholder's share of net profit and net assets for the period 1 March 2016 to 30 June 2016 has been recognised separately in the consolidated statement of profit or loss and statement of financial position under the classification of 'non-controlling interests'.

	2016 $'000	2015 $'000
Investments accounted for using the equity method		
Opening balance	24,135	20,625
Fund's share of joint venture profit	1,762	3,253
Distributions	(1,065)	(1,617)
Additional investment in joint venture	-	1,874
Conversion of equity accounted investment to subsidiary	(24,832)	-
	-	**24,135**

(a) Interests in joint ventures

		Ownership interest			
Name	**Principal activity**	**2016**	**2015**	**Joint venture reporting date**	**Country**
Divine Logistics Trust	Real estate investment	-	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 - 2016

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	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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**

The above amounts of assets and liabilities include the following:

	2016 $'000	2015 $'000
Cash and cash equivalents	-	325
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

	1 Jul 15 to 29 Feb 16 $'000	2015 $'000
Revenue	2,510	3,926
Gain on change in fair value of investment properties	1,924	3,229
Gain on change in fair value of derivatives	(531)	21
Expenses	(379)	(670)
Profit for the year	**3,524**	**6,506**
Other comprehensive income	-	-
Total comprehensive income	**3,524**	**6,506**
Fund's share of profits of joint venture	1,762	3,253

The above profit for the year includes the following:

	2016 $'000	2015 $'000
Depreciation	-	-
Interest income	5	11
Interest expense	(87)	(42)
Income tax income / (expense)	-	-

Distributions received from joint ventures
During the financial year, the Fund received distributions totalling $1,065,000 (2015: $1,617,000) 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.

8. Trade and other payables

	2016 $'000	2015 $'000
Current liabilities		
Trade and other payables	10,576	8,109
Rent in advance	1,050	1,010
Amounts payable to lessee	-	5,303
	11,626	**14,422**
Non-current liabilities		
Trade and other payables	3,164	680
Amounts payable to lessee	-	-
	3,164	**680**

9. Distributions paid and payable

	2016		2015	
	Cents per unit	$'000	Cents per unit	$'000
Distribution paid during the year	4.42	9,492	4.20	7,352
Distribution payable	4.42	9,646	4.38	7,777
	8.84	**19,138**	**8.58**	**15,129**

The distribution payable for the half year ended 30 June 2016 was recognised in the 2016 financial year and will be paid on 31 August 2016. The distribution payable for the half year ended 30 June 2015 was recognised in the 2015 financial year and was paid on 31 August 2015.

10. Earnings per unit

	2016	2015
Profit attributable to unitholders ($'000)	51,412	31,346
Weighted average number of units outstanding (thousands)	215,542	179,565
Basic and diluted earnings per unit (cents)	23.85	17.46

11. Borrowings

	2016 $'000	2015 $'000
Current liabilities		
Finance lease	398	387
	398	**387**
Non-current liabilities		
Bank debt	137,099	107,101
Finance lease	9,200	8,954
	146,299	**116,055**

(a) Bank debt

The Fund has four bank facilities:

i. The first is a revolving cash advance facility with a total limit of $118,400,000 drawn to $86,649,517 at reporting date. Of the drawn amount, $48,900,000 (from a limit of $53,900,000) is repayable on 30 September 2017, $2,549,517 (from a limit of $10,600,000) is repayable on the earlier of 31 October 2017 or six months post completion of the Frankston Hospital expansion and $35,200,000 (from a limit of $53,900,000) is repayable on 30 September 2019;

ii. The second is a revolving cash advance facility with a term facility limit of $10,113,750 drawn to $9,544,138 at reporting date and repayable on 23 May 2020, and a construction facility limit of the lesser of $15,665,000 or 55% of the Fund's share of the Frankston expansion costs with nil drawn at reporting date and expiring on 23 May 2020;

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; and

iv. The fourth is a joint and several facility with St John of God HealthCare for the construction costs of the Casey Private Hospital with a limit of the lesser of $60,000,000 or 65% of project costs with nil drawn at reporting date and expiring on the earlier of 42 months post first drawing under the facility or 14 months post completion of the project, and a limit of $1,050,000 with nil drawn at reporting date and expiring on the earlier of 36 months post first drawing or six months post completion of the project.

Unamortised borrowing costs of $295,000 (2015: $437,000) 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 of three assets, the Waratah Private Hospital ground floor suites and the secured debt position associated with Waratah Private Hospital, all of the Fund's assets (excluding the non-controlling interest of the Frankston properties) are pledged as security for these loans in the four 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 for the first and second facilities, or EBITDA for the third and fourth facilities, to interest costs under the facilities will not fall below 1.5:1 (2:1 for the fourth facility);
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 and fourth facilities.

(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 2016 was 72 years. There is no purchase option. Minimum payments under the lease and their present values are as follows:

	2016 $'000	2015 $'000
Minimum lease payments payable:		
Not later than one year	414	402
Later than one year and not later than five years	1,783	1,731
Later than five years	99,309	99,776
	101,506	101,909
Future finance charges	(91,908)	(92,568)
Present value of minimum lease payments	**9,598**	**9,341**
Present value of minimum lease payments:		
Not later than one year	398	387
Later than one year and not later than five years	1,443	1,401
Later than five years	7,757	7,553
	9,598	**9,341**

12. Derivatives

	2016 $'000	2015 $'000
Current liabilities		
Interest rate swap contracts	**3,292**	**2,676**
Non-current liabilities		
Interest rate swap contracts	**11,945**	**6,920**

13. Issued units

(a) Carrying amounts

	2016 $'000	2015 $'000
At beginning of the year	231,129	176,134
Issue of new units	-	52,089
Distribution reinvestment plan	4,825	2,871
Manager's performance fee	5,606	1,567
Unit issue costs	18	(1,532)
At end of year	**241,578**	**231,129**

(b) Number of issued units

	2016 Units	2015 Units
On issue at beginning of the year	212,284,868	174,509,381
Issue of new units	-	34,725,672
Distribution reinvestment plan	2,806,177	2,009,671
Manager's performance fee	3,138,803	1,040,144
On issue at end of year	**218,229,848**	**212,284,868**

(c) Terms of units

All units are fully paid and rank equally with each other for all purposes. Each unit entitles the holder to one vote, in person or by proxy, at a meeting of unitholders.

14. Remuneration of auditors

	2016 $	2015 $
Auditing or reviewing the Financial Report	37,000	34,250
Other non-audit services	3,120	3,120
	40,120	**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

	2016 $'000	2015 $'000
Interest paid or payable	7,119	6,995
Finance lease interest	660	642
Less interest capitalised	(645)	(730)
	7,134	**6,907**

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:

	2016 $'000	2015 $'000
Customer 1	6,424	6,305
Customer 2	4,945	3,366
Customer 3	-	-

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) (collectively referred to as the Investment Manager), were subsidiaries of APN Property Group Limited and companies in which a related party of the Fund's Chief Executive Officer had a financial interest for the period 1 July 2015 to 26 June 2016 inclusive. Effective 27 June 2016, NorthWest Healthcare Australia Investments Pty Limited (NorthWest), a wholly owned subsidiary of the Canadian listed NorthWest Healthcare Properties REIT acquired 100% of the Investment Manager.

Management and other fees

In accordance with the Fund's constitution the Responsible Entity 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;
- 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.

In accordance with the Investment Management Agreement between the Responsible Entity and GHM, GHM has been retained to provide management services (as agent for performing / supervising the performance) to the Fund, including the day to day Fund administration, the management of the investment portfolio (including dispersing and collecting the Fund's funds), retaining on behalf of the Fund professional advisors and/or other service providers, operating the Fund's bank accounts and maintaining the financial records of the Fund, together with any additional services requested by the Fund and agreed to by GHM.

In addition to the services provided under the Investment Management Agreement, GHM also provides property management, leasing, development management and acquisition due diligence services to the Fund for agreed fees and GHMH is also 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 following fees were paid in relation to the above:

	2016		2015	
	Responsible Entity and related parties $	**NorthWest and related parties[3] $**	**Responsible Entity and related parties $**	**NorthWest and related parties[3] $**
Fund management fee	2,489,523	21,988	1,949,188	-
Performance fee	10,787,375	-	4,024,258	-
	13,276,898	21,988	5,973,446	-
Other				
Property management/leasing fees	1,165,008	2,329	578,289	-
Property acquisition fees[1]	180,087	-	303,484	-
Development management fees	1,158,853	6,677	429,698	-
Property/asset management fees[2]	247,222	2,778	306,335	-
Other services	-	-	900	-
	2,751,170	11,784	1,618,706	-
	16,028,068	**33,772**	**7,592,152**	**-**

[1] Net of third party acquisition costs totalling nil (2015: $180,634) that were incurred by the Responsible Entity and its related party on behalf of the Fund.

[2] Services provided to Cortez Enterprises Pty Ltd.

[3] Reflects the fees paid by the Fund to GHM and GHMH from 27 June 2016 following the acquisition by NorthWest of 100% of the Investment Manager.

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) – transferred to NorthWest on 27 June 2016
- Chris Adams (Director, GHM) – transferred to NorthWest on 27 June 2016
- 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 Group 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. NorthWest is responsible for the compensation paid to personnel of the Investment Manager from 27 June 2016. 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:

	2016		2015	
	Number of units held	Distributions $	Number of units held	Distributions $
Miles Wentworth	428,259	20,033	170,755	14,651
Chris Adams	484,471	31,446	311,270	27,723

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:

	2016		2015	
	Number of units held	Distributions $	Number of units held	Distributions $
Generation Healthcare Management Pty Limited	-	670,089	14,103,184	984,859
APN Property Group Limited	22,853,598	1,267,009	5,811,765	423,852
APN Funds Management Limited	5,778,180	510,791	6,452,732	470,598
APN Property For Income Fund No.2	1,232,769	107,712	1,176,471	85,800
APN AREIT Fund	7,647,742	668,213	7,308,963	493,013
APN Property For Income Fund	2,244,488	196,110	2,141,984	156,215
APN CFS AREIT Fund	141,049	6,234	-	-

18. Notes to the cash flow statement

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

	2016 $'000	2015 $'000
Net profit for the year	51,412	31,346
Adjustments for:		
Straight line lease revenue recognition	(1,688)	(2,051)
Change in fair value of investment properties	(46,773)	(17,980)
Change in fair value of derivatives	5,130	1,654
Net change in loans carried at amortised cost	3,714	1,774
Shortfall of distributions received from equity accounted investments over share of profits	(561)	(1,591)
Interest income from loans carried at amortised cost	(1,493)	(1,374)
Performance fee	10,787	4,024
Other non-cash items	(1,607)	(793)
Non-controlling interests	1,113	-
Gain on acquisition of a subsidiary	(35)	-
Operating profit for the year before changes in working capital	19,999	15,009
Changes in working capital:		
Decrease in receivables	(803)	(921)
Increase / (Decrease) in interest payable	16	(132)
Increase in other payables	2,884	2,336
Net cash provided by operating activities	**22,096**	**16,292**

(b) Non-cash financing and investing activities

	2016 $'000	2015 $'000
Reinvestment of distributions pursuant to the Distribution Investment Plan	4,825	2,871
Issue of units in settlement of performance fee	5,606	1,567

19. Capital management

The Fund 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 into account the additional financial risks of higher debt levels.

In determining the optimal capital structure the Fund 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 Fund 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 Fund. These include the impact of revaluations on gearing levels, the availability of new equity and the liquidity in real estate markets. While the Fund 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 Fund's capital position is primarily monitored through its ratio of net bank debt to total assets ("Gearing Ratio"). The Fund's medium term strategy is to maintain the Gearing Ratio in the range of 40% to 50%. At 30 June 2016 the Gearing Ratio was 28.3% (2015: 26.6%). This is calculated as follows:

	2016 $'000	2015 $'000
Total consolidated borrowings	146,697	116,442
Less cash & cash equivalents	(2,610)	(1,618)
Less finance lease liabilities	(9,598)	(9,341)
Net consolidated debt	134,489	105,483
Plus share of debt of equity accounted investments	-	-
Net look-through debt	134,489	105,483
Total consolidated assets	515,728	407,490
Less cash & cash equivalents	(2,610)	(1,618)
Less finance lease liabilities	(9,598)	(9,341)
Less equity accounted investments	-	(24,135)
Plus share of assets of equity accounted investments	-	24,479
Less non-controlling interests	(28,430)	-
Total look-through assets	**475,090**	**396,875**
Gearing ratio	**28.3%**	**26.6%**

20. Financial instruments

The Fund'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:

	2016 $'000	2015 $'000
Financial assets at fair value through profit or loss	14,300	69,885
Loans and receivables	31,194	32,345
Financial liabilities at fair value through profit or loss	(15,237)	(9,596)
Financial liabilities measured at amortised cost	(171,133)	(139,321)

The main risks arising from the Fund's financial instruments are interest rate risk, credit risk and liquidity risk. The Fund 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 Fund. Management reviews actual positions of the Fund 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 Fund 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 Fund into compliance outweigh the benefits. The adequacy of the Treasury Policy in addressing the risks arising from the Fund's financial instruments is reviewed on a regular basis.

While the Fund 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 Fund 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 Fund's ability to raise capital through the issue of units or sale of properties.

(a) Interest rate risk

The Fund'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 Fund's profit. In addition, one or more of the Fund'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 Fund 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 2016, after taking into account the effect of interest rate swaps, 84% of the Fund's borrowings are at a fixed rate of interest (2015: 75%, excluding interest rate swaps entered into by joint ventures).

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 Fund's (excluding non-controlling interests) 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:			
2016		**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Cash at bank	1,477	-	-	-	1,477
Short term deposits	228	704	-	-	932
Loan receivable	-	-	7,430	-	7,430
Finance lease receivable	-	797	2,922	17,575	21,294
Financial liabilities					
Bank debt	137,099	-	-	-	137,099
Finance lease payable	-	398	1,443	7,757	9,598
Interest rate swaps:					
- Fund pays/(receives)					
- Current[1]	(115,424)	10,380	65,600	39,444	-
- Forward start	(77,804)	-	41,298	36,506	-
Weighted average interest rates	**%**	**%**	**%**	**%**	**%**
Financial assets					
Cash at bank	1.0	-	-	-	N/A
Short term deposits	1.0	3.0	-	-	N/A
Loan receivable	-	-	14.9	-	N/A
Finance lease receivable	-	6.5	6.5	6.5	N/A
Financial liabilities					
Bank debt	2.0	-	-	-	N/A
Finance lease payable	-	7.0	7.0	7.0	N/A
Interest rate swaps:					
- Fund pays/(receives)					
- Current	(2.0)	3.4	5.0	4.3	N/A
- Forward start	(2.0)	-	2.3	2.4	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:			
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	-

2015	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	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.

Other financial instruments of the Fund 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 (excluding non-controlling interests), 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 Fund 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) 2016 $'000	2015 $'000
The effect on net interest expense for one year would have been:		
Variable interest rate instruments	(178)	(268)
The effect on change in fair value of derivatives would have been:		
Variable interest rate instruments	7,279	4,406

Decrease in average interest rates of 1%	Effect on profit after tax Higher/(lower) 2016 $'000	2015 $'000
The effect on net interest expense for one year would have been:		
Variable interest rate instruments	178	268
The effect on change in fair value of derivatives would have been:		
Variable interest rate instruments	(7,308)	(4,410)

(d) Credit risk

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

The major credit risk for the Fund 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 Fund's major tenants may trigger the right for one or more of the lenders to the Fund to review or call in its loan.

The Fund 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 Fund may have to the prospective tenant if the counterparty is already a tenant in the Fund's portfolio;
- the strength of the prospective tenant's business;
- the level of its commitment to occupying the Fund'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 Fund'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 Fund. The Fund'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 Fund, after allowing for appropriate set offs which are legally enforceable.

The Fund'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 Fund does not have the resources available to meet its financial obligations as well as working capital and committed capital expenditure requirements. The Fund'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 Fund 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 Fund 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 Fund 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 Fund'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**
2016				
Liabilities				
Trade & other payables	11,626	3,164	-	14,790
Borrowings	5,056	144,495	98,830	248,381
	16,682	**147,659**	**98,830**	**263,171**
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**

The contractual maturities of the Fund's derivative financial liabilities at reporting date (excluding non-controlling interests) 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
2016				
Liabilities				
Derivative liabilities – net settled	2,785	10,702	2,201	15,688
2015				
Liabilities				
Derivative liabilities – net settled	2,346	7,585	53	9,984

(f) Fair value of financial instruments

The Fund 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.

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 Fund's financial instruments that were measured and recognised at fair value at each reporting date:

	Fair value measurement as at 30 June 2016			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities measured at fair value through profit or loss				
Derivatives – interest rate swaps	-	15,237	-	15,237
Total	**-**	**15,237**	**-**	**15,237**

	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				
Derivatives – interest rate swaps	-	9,596	-	9,596
Total	**-**	**9,596**	**-**	**9,596**

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

2016	Amount payable to lessee $'000	Total $'000
Opening balance	-	-
Additions	-	-
(Gains)/losses recognised in profit or loss	-	-
Transfers out of level 3	-	-
Closing balance	**-**	**-**
(Gains)/losses for the year included in profit or loss that relate to assets held at the end of the 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	-	-

The Directors consider the carrying amounts of the Fund'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 $1,129,014 of which $1,004,014 is payable within one year and the balance within two years (2015: $1,051,912 all of which is payable within one year).

The Fund's share of Casey Stage 2 development project costs is circa $46.3 million including contingencies. The project reached financial close in December 2015 and construction commenced in January 2016. The Fund's expenditure to date on Stage 2 is $8.5 million, with circa $37.8 million committed to the completion of the project expected to be late in the first half of FY18.

The Frankston Private Hospital expansion project is being undertaken by the Fund's subsidiary, Divine Logistics Trust with the Fund's share being 65%. Construction commenced in December 2015 and the Fund's contribution to project costs to reporting date is $8.3 million with a further circa $21 million committed to the completion of the project which is expected to be late in the second half of FY17.

The Fund's expansion project at Epworth Freemasons Clarendon Street includes a 10 level specialist centre and a significant underground carpark both to be head leased by the Epworth Foundation. The estimated total cost is $69,000,000 and the project is proposed be undertaken on a 50:50 joint venture basis with the Epworth Foundation. A heritage permit was issued in May 2016 and conditional town planning approvals received in July 2016. The project is subject to final town planning approval, finance and governance processes.

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 2016	Ownership interest 2015
Parent entity			
Generation Healthcare REIT	Australia		
Subsidiaries			
Generation Healthcare Subsidiary Trust No.1	Australia	100%	100%
Generation Healthcare RSL Care Subsidiary Trust	Australia	100%	100%
Generation Healthcare Casey Subsidiary Trust No. 1	Australia	100%	-
Generation Healthcare Casey Subsidiary Trust No. 2	Australia	100%	-
Divine Logistics Trust	Australia	52.05%	-

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 subscribed for 13,102,209 Class A units in the Divine Logistics Trust at an issue price of $2.1188 (initially paid to $0.01) as part of the financing arrangements for the Frankston Private Hospital expansion project. As at 30 June 2016, these units have been paid to $0.3776 per unit. Accordingly, the Fund has committed to funding future calls on these partly paid units amounting to $22,814,000 which will be financed from undrawn debt facilities specifically established to fund this project.

Other than described above, 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 (2015: 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 (2015: Nil).

23. Acquisition of a business combination

On 1 March 2016, the Fund gained control of Divine Logistics Trust (Divine). Prior to this date Divine was recognised as an equity accounted investment (refer note 7). The principal activity of Divine is to own the Frankston Private Hospital and related expansion and the Frankston Specialist Centre in conjunction with its joint venture partners. Control was achieved following the establishment of equity funding arrangements to finance the Frankston Private Hospital expansion. No cash consideration was exchanged on gaining control of Divine.

From 1 March 2016, the Fund has contributed additional equity to Divine of $4,947,000 to increase its ownership interest to 52.05% as at 30 June 2016, resulting in a gain arising on Divine becoming a controlled entity amounting to $35,000 (representing the excess of the fair value of the assets of Divine over the fair value of the additional equity contributed).

Consideration transferred	**$'000**
Cash	-

Assets acquired and liabilities assumed at acquisition

	Acquiree's carrying amount before business combination $'000	**Fair value at acquisition $'000**
Cash and cash equivalents	231	231
Trade and other receivables	3,244	3,244
Investment properties	49,464	49,464
Trade and other payables	(2,764)	(2,764)
Derivatives	(511)	(511)
Non-controlling interests	-	(24,832)
	49,664	**24,832**
Net cash inflow on acquisition		
Total consideration satisfied by cash		-
Less: cash and cash equivalent balances acquired		(231)
Net cash flow on acquisition		**(231)**

Included in net profit for the period since acquisition is revenue of $1,330,000 and net profit attributable to unitholders of $1,157,000.

Had the business combination been effected at 1 July 2015, the revenue and net profit attributable to unitholders of the Fund would not have been materially different to that currently reported in these financial statements as Divine was previously recognised as an equity accounted investment (refer note 7) for the period 1 July 2015 until acquisition date.

Non-controlling interest

The non-controlling interest (50%) in Divine recognised at the acquisition date was measured by reference to fair value of the non-controlling interest and amounted to $24,832,000. This fair value was estimated by applying a proportionate interest in the net assets of Divine.

24. Parent entity disclosures

Financial position	**2016 $'000**	**2015 $'000**
Assets		
Current assets	16,475	10,097
Non-current assets	410,727	341,006
Total assets	**427,202**	**351,103**
Liabilities		
Current liabilities	21,334	21,818
Non-current liabilities	105,253	70,712
Total liabilities	**126,587**	**92,530**
Net assets	**300,615**	**258,573**
Equity attributable to unitholders		
Contributed equity	241,578	231,129
Retained earnings	59,037	27,444
Total equity	**300,615**	**258,573**

Financial performance	**Year ended 30 June 2016 $'000**	**Year ended 30 June 2015 $'000**
Net profit attributable to unitholders of the Fund	50,733	31,346
Other comprehensive income	-	-
Total comprehensive income	**50,733**	**31,346**

During the financial year ended 30 June 2016, the parent entity did not enter into any guarantees in relation to debts of its subsidiaries (2015: 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 2016 in the parent entity (2015: Nil).

25. 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.

26. 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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