10 ANNIVERSARY

2016 ANNUAL REPORT 2016

GENERATION HEALTHCARE REIT

Generation Healthcare REIT (ASX code: GHC) is Australia's only ASX-listed real estate investment trust that invests exclusively in healthcare property. The portfolio of eighteen[1] properties includes hospitals, medical centres, laboratories, residential aged care facilities and other purpose-built healthcare facilities. Generation Healthcare REIT™ (the 'Fund') partners with high quality healthcare tenants with well diversified income streams. The Fund has total assets under management of $516 million with investments located in Victoria, New South Wales and Queensland.

1 Includes debt interest in Waratah Private Hospital.
2 Excludes non-controlling interests.
3 Pro-forma values including acquisition of RSL Care RDNS Darlington which settled 25 June 2015, but remains subject to an interim structure prior to subdivision of the land.

$516m
TOTAL ASSETS

$1.38[2]
NET TANGIBLE ASSETS PER UNIT

98.6%[3]
PORTFOLIO OCCUPANCY

12.2years[3]
WEIGHTED AVERAGE LEASE EXPIRY

116
TENANTS

28.3%
NET DEBT TO TOTAL ASSETS

CONTENTS

ABOUT THE RESPONSIBLE ENTITY
APN FUNDS MANAGEMENT LIMITED

APN Funds Management Limited (APNFM) is the Responsible Entity of Generation Healthcare REIT. The Board of APNFM consists of four directors, of which three, including the Chairman are Independent Directors.

APNFM is a wholly owned subsidiary of APN Property Group (APNPG) Limited, a specialist real estate investment manager. APNPG is listed on the ASX (Code: APD).

Further information on APN can be found at **www.apngroup.com.au**

ABOUT THE MANAGER
GENERATION HEALTHCARE MANAGEMENT PTY LIMITED

Generation Healthcare REIT ("GHC", the "Fund")(ASX: GHC) benefits from the experience, proven track record, healthcare focus and global platform of its manager, Generation Healthcare Management Pty Ltd, a wholly-owned subsidiary of NorthWest Healthcare Properties REIT ("NWH REIT", the "REIT") (TSX: NWH.UN), a Canadian listed dedicated healthcare real estate investor. The REIT is also strategically aligned as the largest unitholder of GHC.

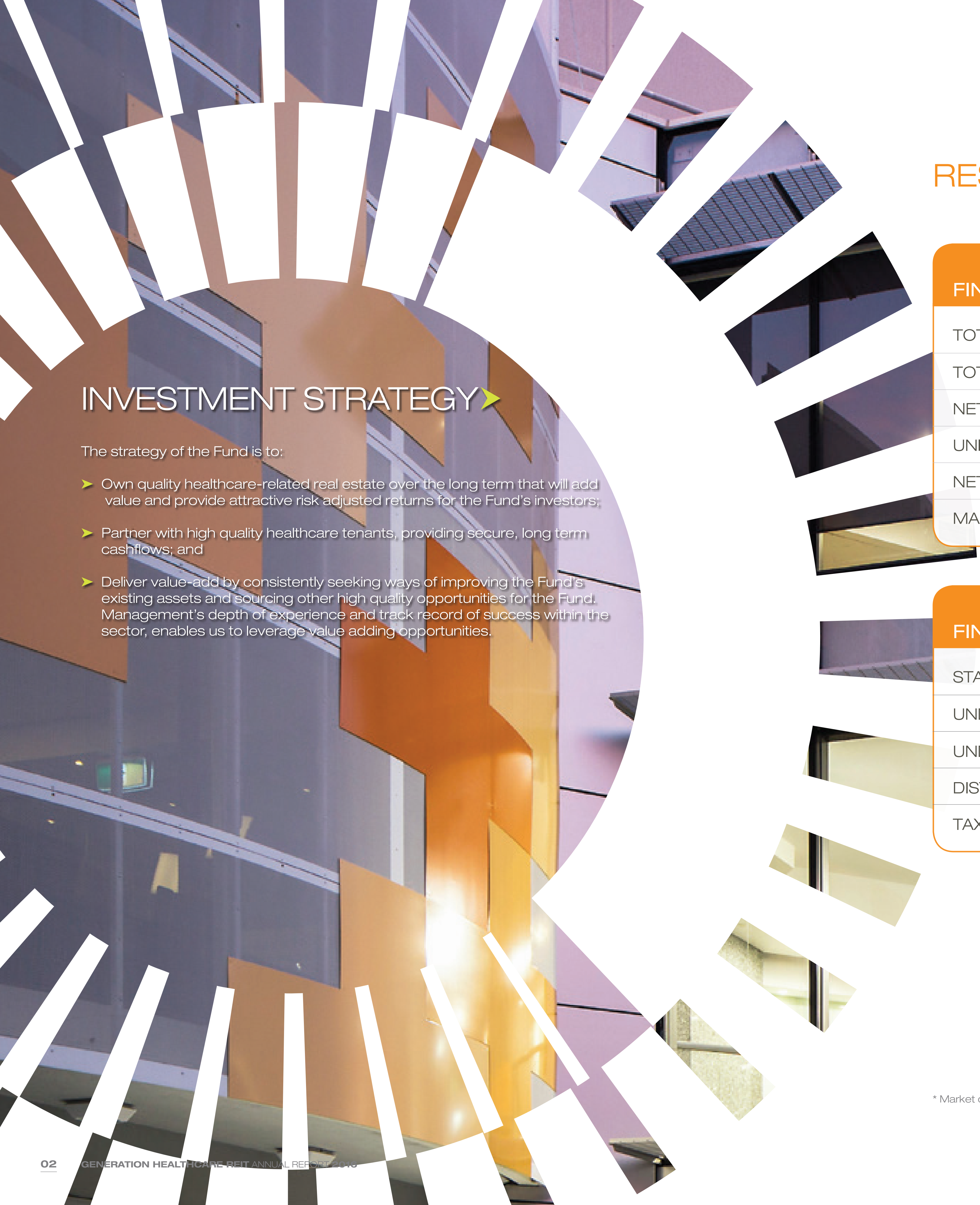
The Manager's primary responsibilities include the day to day administration of the Fund, portfolio management, sourcing new opportunities and conducting due diligence on potential acquisitions. The Manager is also responsible for providing specialist property, project and development management and leasing services to the Fund as and when required by the Responsible Entity.

NWH REIT is a Canadian listed real estate investment trust focused on providing investors with access to a portfolio of high quality international healthcare real estate infrastructure comprised of interests in a diversified portfolio of 139 income-producing properties and 864,000 square metres of gross leasable area located throughout major markets in Canada, Brazil, Germany, Australia and New Zealand. In Canada, the REIT is the largest non-government owner and manager of medical office buildings and healthcare facilities with 62 properties located from coast to coast, including major concentrations in Calgary, Edmonton, Toronto, Montreal, Quebec City and Halifax. In its international markets, the REIT partners with leading healthcare operators and has built leading management platforms in global gateway cities comprised of high quality healthcare real estate infrastructure assets characterised by long term indexed leases and stable occupancies.

NWH REIT is an expert in owning, managing and developing healthcare real estate with a dedicated and growing team of more than 180 professionals located in Auckland, Berlin, Melbourne, Sao Paulo and Toronto.

Further information can be found at **www.nwhreit.com**

NORTHWEST HEALTHCARE PROPERTIES



INVESTMENT STRATEGY

The strategy of the Fund is to:

- Own quality healthcare-related real estate over the long term that will add value and provide attractive risk adjusted returns for the Fund's investors;
- Partner with high quality healthcare tenants, providing secure, long term cashflows; and
- Deliver value-add by consistently seeking ways of improving the Fund's existing assets and sourcing other high quality opportunities for the Fund. Management's depth of experience and track record of success within the sector, enables us to leverage value adding opportunities.

RESULTS

FINANCIAL POSITION	2016	2015
TOTAL ASSETS	**$515.7m**	$407.5m
TOTAL LIABILITIES	**$186.4m**	$148.9m
NET DEBT TO TOTAL ASSETS	**28.3%**	26.6%
UNITS ON ISSUE	**218.2m**	212.3m
NET TANGIBLE ASSETS PER UNIT	**$1.38**	$1.22
MARKET CAPITALISATION*	**$480.1m**	$347.1m

FINANCIAL PERFORMANCE	2016	2015
STATUTORY NET PROFIT	**$51.4m**	$31.3m
UNDERLYING NET OPERATING INCOME	**$21.8m**	$17.2m
UNDERLYING NET OPERATING INCOME PER UNIT	**10.11c**	9.57c
DISTRIBUTIONS PER UNIT	**8.84c**	8.58c
TAX DEFERRED COMPONENT	**34.8%**	68.6%

* Market capitalisation as at 30 June 2016 based on a closing unit price of $2.20.

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Miles Wentworth
Chief Executive Officer
Generation Healthcare REIT

Dear Investors,

It has been another busy year for the Fund.

This included the commencement of construction on two key organic growth projects, a couple of smaller but important acquisitions, strong leasing results and inclusion in the S&P/ASX 300 index. This culminated in a total return for the year of 41.6% significantly outperforming the S&P/ASX 300 A-REIT Accumulation Index by 17%.

Financial Performance and Position

Underlying net operating income increased by 27% to $21.8 million for the twelve months to 30 June 2016 compared to $17.2 million for the prior corresponding period. This increase is largely attributable to higher net property income from like-for-like rental growth, twelve months rental income from the Casey Specialist Centre (completed in February 2015), the June 2015 acquisition of the RSL Care portfolio of three aged care facilities and a decrease in ground rent following the purchase of the Epworth Freemasons Victoria Parade land freehold in December 2015.

Underlying net operating income per unit was up 5.6% to 10.11 cents, compared to 9.57 cents per unit for the 2015 year reflecting the higher operating performance.

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%. This represented a payout ratio of 88%.

Total assets increased by $108.2 million or 27% to $515.7 million, over the year. This was mainly due to the acquisition of the freehold interest at Epworth Freemasons Victoria Parade, the acquisition of six ground floor suites at Waratah Private Hospital, material increases in the fair value of existing investment properties and further investment in two projects that are currently under construction.

New equity of $4.8 million was raised during the year under the Distribution Reinvestment Plan and units to the value of $5.6 million were issued in satisfaction of the Manager's performance fee due. Overall, the total number of units on issue increased by 5.9 million to 218.2 million. The net tangible asset backing (excluding non-controlling interests) of the Fund increased by 16 cents (13%) to $1.38 and the net debt to total asset ratio was 28.3%.

Property Portfolio

With like-for-like rental growth of 2.9%, portfolio occupancy of 98.6%, a weighted average lease term of 12.2 years and a strong market appetite for high quality long dated and secure investment income, the capitalisation rate for the portfolio firmed by 81 basis points to 7.01%. This resulted in a material revaluation gain of $48.6 million for the year.

Significant leasing activity occurred during the year, which was assisted by some key asset management initiatives including upgrade, rebranding and signage works to assets and a proactive approach to tenant and industry relationships. The leasing resulted in $2.87 million of new and renewed leases. Tenant retention remained consistently high at 84.5%.

Transactions during the year

In September 2015, the Fund contracted to acquire 6 ground floor suites and 30 carparks at Waratah Private Hospital for $5 million plus costs. Settlement occurred in mid-January 2016 with the Fund having leased the suites and carparks to the hospital operator for a 20 year term at a circa 7% initial income yield.

The conditions for the acquisition of the Epworth Freemasons Victoria Parade freehold were satisfied in December 2015 and as such the land settled for $10.7 million plus costs. The contract to acquire the freehold interest was entered into at the inception of the Fund in 2006 when the Fund acquired the leasehold interest.

Organic Growth Projects

The Fund has three major organic growth projects. They are the Casey Stage 2 project in Berwick, Victoria, the Frankston Private expansion project in Frankston, Victoria and the Epworth Freemasons Clarendon Street project, in East Melbourne, Victoria.

Casey Stage 2

This $114 million new 190 bed, 6 theatre private hospital project in Casey, Victoria is a joint venture with St John of God Health Care, Australia's largest private not-for-profit hospital operator. The joint ownership of the asset will see the Fund with an investment of circa $44.5 million. In December 2015 financial close was achieved and work started on site in January 2016.

The project is progressing well and is scheduled to be completed in the first half of FY18.

Frankston Private Expansion

The expansion of Frankston Private to accommodate its major tenant, Healthscope Limited, is a $45 million project. This will see the addition of 60 inpatient beds, 2 theatres, expanded recovery and 99 underground carparks. With the project being in a joint venture, the Fund's investment will be circa $29.5 million.

Construction started in December 2015 and is well advanced. The forecast for overall completion is for late FY17 and will be subject to delivery in stages.

Epworth Freemasons Clarendon Street

In December 2015, a town planning application was lodged for a 10 level, 6,805 sqm building to be known as the Grey Street Centre and a 309 bay below ground car park on the Albert Street side of the site. The forecast project cost is $69 million and is to be a 50/50 joint venture with Epworth Foundation. In August 2016 a planning permit was issue by Melbourne City Council. Design work is now being progressed towards construction start with outstanding conditions for commencement being finance and governance.

10 year anniversary

2016 marks ten years since the formation of the Fund in 2006 when it listed on the ASX with two seed assets and an initial public offering of $30.5 million. As at 30 June 2016, funds under management had grown to $516 million with an additional $109 million of organic growth in progress and 18 properties.

Performance over the 10 year period has delivered investors a total return (income and capital) of 17.6% per annum, outperforming the S&P/ASX300 A-REIT Accumulation index by 14.6% per annum. This is a very satisfying outcome for all stakeholders in the Fund.

Change of ownership of Investment Manager

On 27 June 2016 the sale of 100% of Generation Healthcare Management Pty Ltd (GHM), the Investment Manager of the Fund, occurred from APN Property Group Limited, and interests associated with myself and Chris Adams (Director of GHM) to Canadian listed NorthWest Healthcare Properties Real Estate Investment Trust (NWH). This transaction also included the sale of approximately 27.1 million units in the Fund which completed on 24 August 2016.

NWH is a Canadian listed real estate investment trust focused on providing investors with access to a portfolio of high quality international healthcare real estate infrastructure comprised of interests in a diversified portfolio of 139 income-producing properties and 864,000 square metres of gross leasable area located throughout major markets in Canada, Brazil, Germany, Australia and New Zealand. NWH is an expert in owning, managing and developing healthcare real estate with a dedicated and growing team of more than 180 professionals located in Auckland, Berlin, Melbourne, Sao Paulo and Toronto.

The Fund will now benefit from the experience, proven track record, healthcare focus and global platform of its new owner of the Investment Manager.

NWH has confirmed its support of the Fund's strategy, and APN Funds Management Limited continues as the responsible entity of the Fund. Chris Adams and myself will continue in our respective roles for up to two years, and all other staff of the Investment Manager have accepted employment with NWH.

Outlook

The Fund is well positioned in an attractive, growing and defensive sector.

A key focus for the 2017 financial year is the active management of the Casey Stage 2 and Frankston Private expansion projects, and progressing the Epworth Freemasons Clarendon Street projects to a construction start. These three projects represent a total of $228 million and given they are all in joint venture, the Fund's share is forecast at approximately $109 million. Having previously created the balance sheet capacity to fund the organic growth projects out of debt, the cost of which is at historical lows, the forecast future growth in earnings in the 2018 and 2019 financial years is material. In addition, there will be a continued focus on asset management initiatives and strategic acquisitions that add value to the Fund.

The earnings and distribution guidance for the 2017 financial year are:

- Underlying net operating income of 10.21 cents per unit
- Distributions of 8.973 cents per unit

On behalf of the Director's of APN Funds Management, NorthWest and myself, thank you for your continued and loyal support of Generation Healthcare REIT.

Yours sincerely,

MILES WENTWORTH
Chief Executive Officer
Generation Healthcare REIT™

ANNIVERSARY

10 YEARS OF VALUE CREATION

GHC TOTAL RETURN VERSUS BENCHMARK INDEX

GHC	S&P/ASX 300 AREIT AI	Outperformance
17.6% pa	3.1% pa	14.6% pa

IPO
$30.5m

Properties from left to right:
1 IPO Epworth Freemasons Private Hospital, East Melbourne, Victoria
2 Australian Red Cross Blood Facility (ARCBS), Brisbane QLD
3 St John of God Specialist Centre, Berwick, Victoria

$480m
MARKET CAPITALISATION
18 PROPERTIES

NORTHWEST ACQUIRE MANAGER

FUTURE

NORTHWEST HEALTHCARE PROPERTIES

FUND UPDATE

$21.8m
UNDERLYING NET OPERATING INCOME

28.3%
NET DEBT TO TOTAL ASSETS

8.84cents
DISTRIBUTIONS PER UNIT

Financial performance

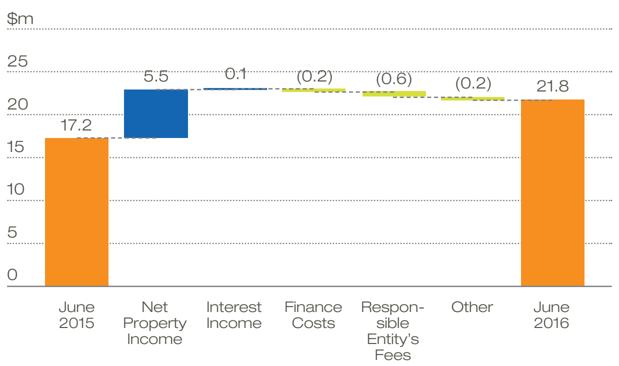
Underlying net operating income was up 27% to $21.8 million for the 2016 financial year primarily due to a combination of:

- like-for-like property rental growth of 2.9%;
- a 12 month contribution following the acquisition of three aged care facilities from RSL Care in June 2015;
- a 12 month contribution following the February 2015 completion of the Casey Specialist Centre project;
- a reduction in ground rent expense following the purchase of the Epworth Freemasons Victoria Parade land freehold, and
- partially offset by higher management fees and general fund expenses given the increased funds under management.

Statutory profit of $51.4 million was 64% higher than the prior corresponding year's profit of $31.3 million, principally as a result of the 27% increase in underlying net operating income and a material revaluation gain for investment properties, partially offset by an increase in the performance fee to the Manager, increased loss on fair value of derivatives and a reduction in the carrying value of loans.

UNDERLYING NET OPERATING INCOME COMPARISON TO PRIOR YEAR

The portfolio continues to generate a secure and growing income stream



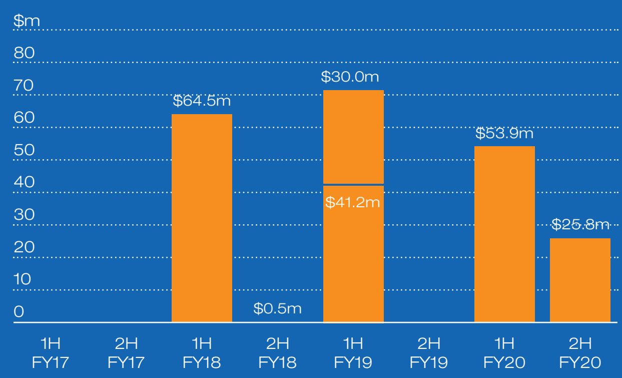
From top:
Epworth Freemasons Private Hospital and Medical Centre, Victoria Parade, East Melbourne, VIC
Epworth Freemasons Private Hospital, Clarendon Street, East Melbourne, VIC

Capital management

New equity of $4.83 million was raised during the year under the Distribution Reinvestment Plan and $5.61 million worth of units were issued in satisfaction of the Manager's performance fee due. Overall the total number of units on issue increased by 5.94 million to 218.23 million.

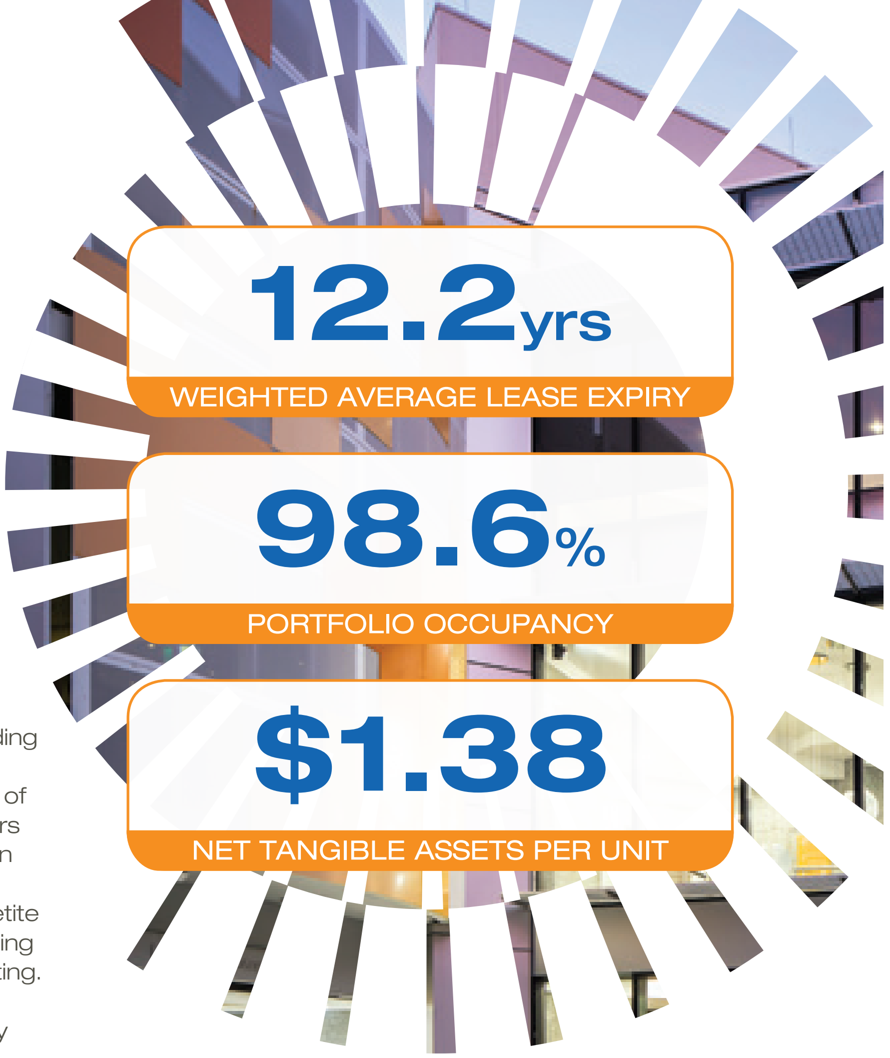
Net debt to total assets was 28.3%, up 1.7 percentage points from 26.6% at 30 June 2015. The increase was principally as a result of debt funding being used to settle the acquisition of the freehold interest at Epworth Freemasons Victoria Parade, acquisition of the Waratah ground floor suites, payment of a margin share to a lessee and expenditure on development projects partially reduced by a material increase in the value of the property portfolio.

DEBT MATURITY PROFILE*



*Excludes the restatement of the ground lease at Australian Red Cross Blood Service as it is a finance lease.

FUND UPDATE



Portfolio update

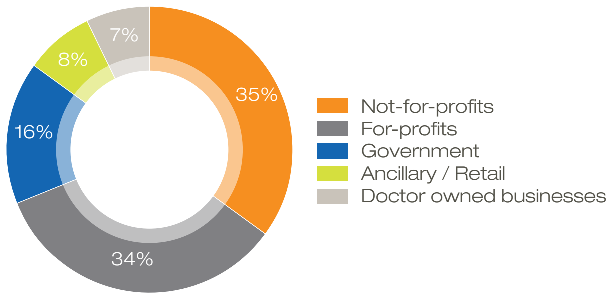
The property portfolio as at 30 June 2016 (excluding minority interests) was $465 million having increased by $80 million over the year as a result of a combination of independent valuations, directors valuations, acquisitions and capital expenditure on the Fund's organic growth pipeline. The valuation increase in part reflects investors continued appetite for yield but also the markets greater understanding of healthcare real estate and its associated re-rating. All properties (other than the two properties held as properties under construction and the recently acquired Waratah Private Hospital Ground Floor suites) have been independently valued in the 12 months to 30 June 2016.

Key portfolio metrics for the period include:

- Like-for-like rental growth of 2.9%;
- Continued high occupancy of 98.6%;
- A weighted average lease term to expiry (WALTE) of 12.2 years;
- 84.5% of expiring tenants (by income) were either renewed or relet within the year; and
- An active approach to leasing has delivered 11 new leases and 11 lease renewals representing $2.87 million of rent.

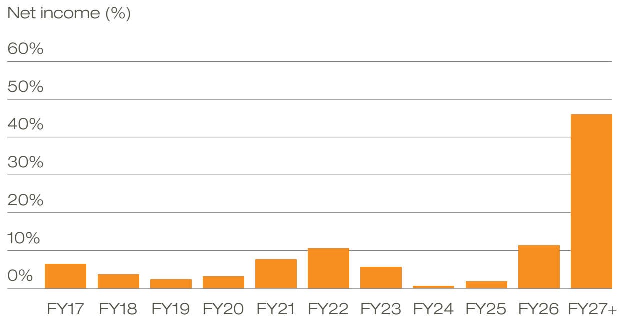
HEALTHCARE PROVIDER TYPE BY NET INCOME

Portfolio income supported by a diverse range of operating businesses



LEASE EXPIRY PROFILE

The Fund demonstrates security of income with 46% of expiring leases more than 10 years away



Valuations

The Fund's property portfolio has a total value of $465.2 million as at 30 June 2016.

Over the year, the values of the Fund's properties increased by $48.6 million. This growth was due to a combination of lower capitalisation rates reflecting a stronger property market and solid rental growth. The weighted average capitalisation rate compressed from 7.82% as at 30 June 2015 to 7.01%[1] as at 30 June 2016.

Independent valuations undertaken at 30 June 2016 totalled 86.4%[2] of the property portfolio. Over the past 12 months, 100%[2] of the property portfolio (by value), has been independently valued.

Movement in NTA per unit

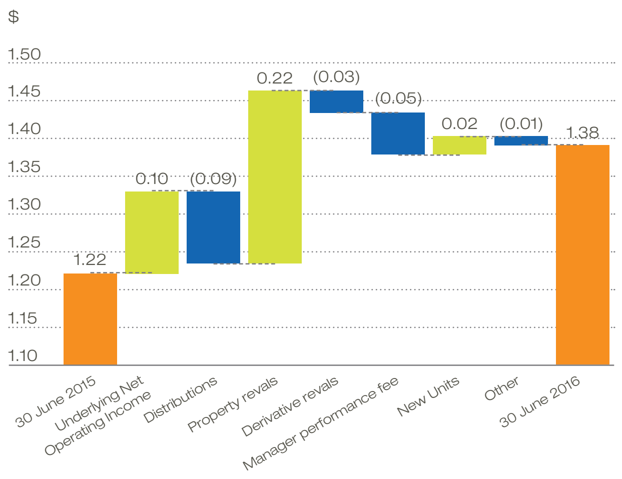
Net tangible asset (NTA) backing per unit was $1.38 (excluding minority interests) as at 30 June 2016, an increase of 13% ($0.16) from $1.22 in the prior corresponding period. The increase is largely attributable to the revaluation gains of investment properties, partially reduced by an increase in the performance fee payable to the Manager, increased loss on fair value of derivatives and a reduction in the carrying value of loans.

1 Pro-forma value includes acquisition of RSL Care RDNS Darlington aged care facility.

2 This metric excludes the Casey and Frankston development projects as these are held at cost during development, and the acquisition of the Waratah Private Hospital ground floor suites.

MOVEMENT IN NTA PER UNIT

Solid rental growth provided an uplift in the fair value of investment properties



Strategy

Generation Healthcare REIT™ is Australia's only listed real estate investment trust that invests exclusively in healthcare properties. By investing in a diversified portfolio of high quality healthcare properties, the Fund aims to deliver attractive risk adjusted returns.

There are six key pillars to our strategy:

1. Resolute focus on healthcare

Generation Healthcare REIT™ has an unwavering focus on investing exclusively in healthcare properties.

The demand for non-discretionary health services continues to grow, underpinned by strong demographic trends (a growing and ageing population), advances in technology and rising consumer expectations. These factors provide an attractive backdrop for an investment that is relatively immune to economic cycles and therefore less volatile than other asset classes.

Healthcare real estate is a unique category of property that is defined by long leases and financially secure tenants operating in a highly regulated sector which provides high barriers to entry.

2. Optimising value

The high quality assets held within the Fund are diversified by location, tenant and service type. We actively manage the portfolio to ensure maximum income and capital growth is derived throughout the cycle, whilst minimising risk.

3. Acquisition and development

In order to generate attractive risk-adjusted returns for investors, we continually seek value adding opportunities through acquisitions, developments and improving existing facilities over time.

4. Specialist expertise

The Manager offers a depth of health specific investment expertise. By bringing together experienced healthcare property specialists, the Fund's assets are strategically managed for long-term performance.

5. Comprehensive investment approach

A comprehensive top down and bottom up investment approach is undertaken. Analysing the broader industry and macroeconomic factors as well as the individual properties provides a rigorous decision making framework.

6. Alignment of interests

The ownership and reward structure of Management is closely aligned to the interests of investors. The Manager is a material unitholder in the Fund with a strong incentive to out-perform benchmarks.

FUND UPDATE

Tenant overview

Fund healthcare tenants

Income generated by the property portfolio is secured via a diversity of tenants including Government, market leading for-profit and not-for-profit operators including Healthscope Ltd (for-profit hospital operator), Epworth Foundation (not-for-profit hospital operator) and RSL Care RDNS (not-for-profit aged care approved provider) as well as doctor owned businesses. The strength of the Fund's tenant covenants provides stable, long dated, low risk cash flows with sound growth prospects.

GHC TOP 10 TENANTS

1. Epworth Foundation	19%
2. RSL Care RDNS	16%
3. Australian Red Cross Blood Service	10%
4. Healthscope	7%
5. Pulse Health	6%
6. Secure Parking	4%
7. Virtus Health	3%
8. Cura Day Hospitals	3%
9. Queensland University of Technology	3%
10. Genesis Care	2%
	73%

Epworth HealthCare
Epworth HealthCare is one of Australia's largest private not-for-profit hospital operators with eight hospitals and three specialist centres. In 2016, Epworth opened a new teaching hospital, Epworth Geelong, in partnership with Deakin University.

During the FY15 year, Epworth HealthCare provided acute medical and surgical services, sub-acute care, diagnostics and rehabilitation to more than 141,000 in-patients. Additionally Epworth HealthCare provided for over 25,000 emergency attendances and more than 90,000 operations. Epworth is the hospital operator at two of the Fund's properties.

RSL Care RDNS
RSL Care RDNS is one of Australia's largest providers of services for older people including HomeCare, Transitional and Residential Aged Care and Retirement Living. RSL Care RDNS has a rich history spanning over 75 years and is the trustee of the RSL QLD War Veterans' Homes Trust which supports the ex-Service community. RSL Care RDNS provides services to older Australians in metropolitan, rural and remote areas of Queensland and New South Wales. The RSL Care RDNS portfolio includes 24 residential aged care facilities and over 2,300 operational beds.

Australian Red Cross Blood Service (ARCBS)
The Australian Red Cross Blood Service is an operating division of the Fund's tenant, the Australian Red Cross Society. They are the national organisation responsible for providing the Australian community with safe, high quality blood products and related services. ARCBS is government-funded (Commonwealth, State and Territory) via an entity called the National Blood Authority (NBA). ARCBS supplies blood products and services to hospitals and healthcare providers, and during the year ended 30 June 2015, received blood from 495,000 volunteer donors Australia wide. It employs approximately 3,500 staff.

ARCBS reported total revenue of $560 million for the year ending 30 June 2015, with a financial surplus of $33.5m for the corresponding period.

Healthscope Limited
Healthscope is Australia's second largest for-profit private hospital provider, owning or managing 45 medical/surgical, rehabilitation and psychiatric hospitals. In addition, Healthscope operates 52 medical centres and specialist skin clinics across Australia catering for over 2 million patients during FY16. Healthscope also operates a leading pathology business with facilities in New Zealand, Singapore, Malaysia and Vietnam, performing 9 million pathology tests during FY16.

Healthscope has a market capitalisation of $5.3 billion and for the year ended 30 June 2016, Healthscope earned revenue of $2.3 billion and achieved a Net Profit After Tax of $195 million.

Pulse Health Ltd
Pulse Health Ltd is an ASX listed operator of specialist private hospitals and day surgery facilities. The company operates thirteen facilities located in Queensland, New South Wales and New Zealand.

The Chairman of Pulse Health Ltd is Stuart James who was the CEO of hospital operator Mayne Group from 2002 to 2005.

Pulse Health Ltd has a market capitalisation of circa $69 million. For the half year ended 31 December 2015, Pulse reported revenue of $34.9 million, and net profit after tax of $2.9 million.

Secure Parking
Secure Parking was founded in 1979 and is the largest Australian-owned car park operator in the country, with close to 40 years' experience in the industry. Secure Parking has over 15,000 employees and presently operates more than 1,500 car parks worldwide with major city locations including Sydney, Melbourne, London, Shanghai, Mumbai and Jakarta. Secure Parking operates the car park located at the Fund's Spring Hill property which has 484 bays available for use by tenants, patients and the general public.

55 Little Edward Street, Spring Hill, QLD

Virtus Health Limited (Queensland Fertility Group)
Queensland Fertility Group (QFG) is part of Australia's leading group of fertility specialists, Virtus Health Limited. Virtus Health brings together leading clinicians, scientists, researchers and support staff to provide fertility care and related services.

Virtus Health is listed on the Australian Securities Exchange, and is the leading provider of fertility services in Australia and Ireland, with an established footprint in Singapore. Virtus Health medical teams are highly regarded internationally for their clinical and scientific breakthroughs with programs considered some of the safest and most successful in the world. For the full year ended 30 June 2016, Virtus Health reported total revenue of $261.2 million, net profit after tax of $34.8 million and net assets of $258 million.

Cura Day Hospitals Group (Queensland Eye Hospital)
The Queensland Eye Hospital was opened in 1997 with the facility comprising 4 operating theatres utilising the latest state-of-the-art equipment, a 12 bed first-stage recovery unit and 22 recliner chair second-stage recovery unit. It also has a postoperative paediatric corner and on-site pathology and laser services.

In December 2012, Queensland Eye Hospital became part of the Cura Day Hospitals Group. Cura Day Hospitals Group commenced in 2008 and has grown to become the leading provider of quality day hospital facilities in Australia.The Group currently operates 17 day hospitals located throughout Australia.

Cura Day Hospitals Group is owned by a consortium consisting of London based Intermediate Capital Group, Cura's doctor shareholders and the Cura management team.

Queensland University of Technology (QUT)
QUT is a leading Australian university funded by the Queensland State Government and has approximately 45,000 students across three state-of-the-art campuses located at Gardens Point, Kelvin Grove and Caboolture. For the 2015 year, QUT reported Revenue of $956 million, Underlying Operating Result of $26.8 million and Net Assets of $1.4 billion.

Genesis Care
Genesis Care is Australia's largest provider of radiation oncology, cardiology and sleep treatments. Genesis Care employs over 1,400 highly trained health professionals and support staff and provides essential health care services across more than 125 sites and clinics in the major capital cities, regional and rural centres.

Genesis Care announced in July 2016 that it had entered into agreements for a new investment Consortium to acquire between 50.01% and up to 74% of the business, with private equity partner Kohlberg Kravis Roberts & Co. L.P. (KKR) to sell its ownership interest. The Consortium consists of China Resources Group and Macquarie Capital with the transaction subject to Foreign Investment Review Board approval. The balance of the business is owned by doctors and management who operate within the group.

Genesis Care is the radiotherapy tenant at GHC's Frankston Private, Casey Specialist Centre and Waratah Private Hospital.

Australian healthcare market outlook

Healthcare is one of Australia's largest industries and health expenditure is growing at a significantly faster rate than inflation and GDP.

The operating environment for the Australian healthcare sector continues to be positive, driven by high growth, innovation and rising expenditure.

Key features of this market include:

- Expenditure on healthcare in Australia was estimated to be $154.6 billion in 2013-14[1]:
  - up from $94.9 billion in 2003-04[1];
- Expenditure on healthcare was 9.8% of GDP in 2013-14:
  - up from 9.7% in 2012-13[1]; and
  - up from 8.5% in 2003-04[1];
- Expenditure on healthcare is growing at 5.0% per annum[1] in real terms, driven by unique demand drivers including an ageing and growing population accompanied by advances in medical technology, diagnostic services and pharmaceuticals;
- The Australian population is growing and notably, the group aged 65 years and over is forecast to increase by 61% over the period to 2031[2]. This age group spends approximately four times more per capita on healthcare than persons under the age of 65 and this rises to over nine times for persons over 85;
- There is an increase in life expectancy (average now around 82 years) which is closely tied to population ageing;
- A trend towards higher incidences of chronic diseases in Australia and other Western countries which has a two-fold effect on demand for services and a growing emphasis on preventative care;
- Bipartisan support for a strong private health system to complement the public health system;
- Private health insurance funds provided 8.3% ($12.9 billion) of total healthcare expenditure in Australia in 2013-14[1];
- As at June 2016, 47%[3] of Australia's population held policies with private health insurers covering them for hospital treatments;
- Government focus is to drive efficiencies in the broader health system including a desire to avoid an overlap of health bureaucracy and funding between State and Federal services. This approach is resulting in greater private sector involvement in public health services; and
- Evidence of increasing integration of health and associated services and the trend in the private sector towards continued market consolidation, the upgrading of facilities via brown-field development and the consideration of greenfield projects.

These current movements in the healthcare market indicate a continuing positive operating environment and favourable conditions for increasing demand for healthcare services.

The above factors contribute to significant real estate infrastructure requirements and associated investment opportunities. With long dated experience in the sector, a value-add skill set and a partnering approach, we believe the Fund is well placed to capitalise on the growth in the sector.

1 Australian Institute of Health and Welfare – Health Expenditure in Australia 2013-14.
2 Australian Bureau of Statistics – 3222.0 Population Projections Australia, 2012 and 3235.0 Population by Age and Sex, Regions of Australia, 2015.
3 Australian Prudential Regulation Authority – Private Health Insurance Quarterly Statistics, June 2016.

KEY ORGANIC GROWTH INTIATIVES

During 2016 significant progress was made across each of the key organic growth opportunities within the GHC portfolio.

Projects include the Casey Private Hospital joint venture with St John of God Health Care, Frankston Private Hospital expansion with Healthscope and a joint venture with Epworth Healthcare to construct a cancer centre and car park at Epworth Freemasons Clarendon Street. These key projects are currently at various stages along the development process including both Casey Private Hospital and Frankston Private Hospital under construction and a planning permit for Epworth Freemasons Clarendon Street issued.

Key factors in the success of these locations include:

- Strategic location within well established health precincts which may include co-location with major public hospitals;
- Working in conjunction with industry leading healthcare operations;
- Locations and facilities that provide overall convenience for doctors and patients via an integrated service offering;
- Significant on site amenity for patients including associated diagnostic services, retail and car parking;
- High levels of medical consulting space;
- Strong road access and access to public transport;
- Ideally, opportunity for continued growth on site via spare land or alternate expansion capacity; and
- High quality buildings including building plant and equipment.

CASEY PRIVATE HOSPITAL – STAGE 2

- Stage 2 - scale private hospital ($114 million) being delivered in partnership with St John of God Health Care ("SJGHC"). The hospital will include 190 beds, 6 theatres, 6 delivery suites, a cardiac/vascular catheter laboratory, two endoscopy theatres, medical consulting suites and associated car parks.
- On completion, the Fund will own a 50% interest in the base building and 90% of the carpark (total project cost $114 million with GHC's share being circa $45 million) with the balance of the project including the building's hard fitout to be owned and funded by SJGHC. The new hospital and 188 car bays will be head leased by SJGHC for an initial term of 20 years.
- With the site being co-located with Casey Public Hospital, the delivery of the private hospital will play a significant role in developing the area into a major health precinct.
- Hansen Yuncken, the contracted project builder, commenced works on site in January 2016 with completion expected late first half of FY18. ANZ Banking Group is providing project debt finance.

CASEY PRIVATE HOSPITAL – STAGE 3

- Casey Stage 3 land provides for hospital expansion including additional beds, theatres and medical consulting. GHC and SJGHC will co-own this land.

EPWORTH FREEMASONS CLARENDON STREET

- A new specialist centre to be known as the Grey Street Centre (GSC) with a focus on delivering comprehensive cancer care and a circa 300 bay underground car park to be developed on part of the Clarendon Street site.
- Linking existing and proposed cancer services across the Clarendon Street campus including radiotherapy, chemotherapy and consulting.
- The development has an estimated project cost of $69 million and will be delivered in a 50/50 Joint Venture with Epworth Foundation. The GSC and car park with be head leased by Epworth Foundation for an initial 20 year term.
- A planning permit was issued in August 2016 of which the conditions are subject to review and potential appeal by GHC and Epworth.
- The project is subject to final finance and board approvals.

Artist's impression

FRANKSTON PRIVATE EXPANSION

- Healthscope, Australia's second largest private hospital operator, pre-committed, via a 20 year head lease, to a major expansion to provide inpatient beds, additional theatres and car parking.
- The Frankston Private expansion project, designed to meet the specific requirements of Healthscope, has an estimated project cost of $45.4 million in which GHC has a 65% interest (representing an additional investment of approximately $29 million).
- Watpac, the contracted project builder, commenced works on site in December 2015 with completion expected late FY17 subject to delivery in stages.
- National Australia Bank, the Fund's existing debt provider to the Frankston Private joint venture, will finance the project.
- Master planning provides for longer term development via multiple future stages subject to demand.
- Ancillary development site of 2,021 sqm leased for 10 years from November 2014 to Healthscope for medical consulting.
- Located in the Frankston health precinct and in close proximity to Frankston Public Hospital.

55 Little Edward Street, Spring Hill, QLD

PROPERTY PORTFOLIO

EPWORTH FREEMASONS PRIVATE HOSPITAL & MEDICAL CENTRE

East Melbourne, Victoria (Victoria Parade)

Description:	Maternity hospital, day surgery, medical consulting and ancillary services
Ownership:	100%
Ownership Type:	Leasehold
Built:	1980s
Book Value:	$72.3 million
Major Tenant:	Epworth Foundation
No. of Tenants:	32
WALE:	7.3 years
Site Area:	4,490 sqm
NLA:	8,584 sqm
Occupancy:	100%
Car Parks:	321
Rental Reviews:	Combination of CPI, fixed and market reviews

Located within the exclusive inner suburb of East Melbourne, Epworth Freemasons Private Hospital and Medical Centre comprises the Epworth Freemasons private maternity hospital (one of Melbourne's leading maternity providers) with 34 in-patient beds, ten special care nursery beds and nine delivery suites. The facility also accommodates a four theatre day surgery unit, endoscopy room and delivery theatre as well as day oncology, ancillary services and numerous medical consulting tenancies in the specialties of obstetrics, gynaecology, paediatrics, oncology, urology, ophthalmology and general surgery.

The Fund acquired the land in December 2015 for $10.7 million (plus costs) following registration of a plan of subdivision.

EPWORTH FREEMASONS PRIVATE HOSPITAL

East Melbourne, Victoria (Clarendon Street)

Description:	Hospital with ancillary diagnostic and cancer services
Ownership:	50%
Ownership Type:	Freehold
Built:	1935, with extensions in 1950s, 60s, 70s, 90s, 2007, 2014 and a major upgrade in 2015/16
Book Value:	$44.7 million
Major Tenant:	Epworth Foundation
No. of Tenants:	1
WALE:	17.9 years
Site Area:	9,173 sqm
NLA:	13,990 sqm
Occupancy:	100%
Car Parks:	79
Rental Reviews:	Annual reviews the higher of CPI and 3%

This facility includes an established hospital and associated facilities located in the exclusive inner suburb of East Melbourne. The Fund and the hospital operator (Epworth) are 50:50 joint venture owners in the property. Accommodation comprises 164 inpatient beds, an eight bed critical care unit, an eight bed day surgery recovery area and eight operating theatres. There have been numerous upgrade works undertaken at the facility since purchase.

Most recently major upgrade works of $59 million were completed (GHC contribution $12.5 million).

Further in August 2015, agreement was reached with Epworth Foundation to jointly undertake a $69 million project that would deliver a new cancer centre (circa $25 million), further expansion of existing hospital services as well as construction of a circa 300 bay underground car park.

HARVESTER CENTRE

Melbourne, Victoria

Description:	Medical Office Building
Ownership:	100%
Ownership Type:	Freehold
Built:	Complete building refurbishment and extension 2007
Book Value:	$17.2 million
Major Tenant:	Melbourne Health (State Government)
No. of Tenants:	10
WALE:	5.75 years
Site Area:	5,021 sqm
NLA:	4,413 sqm
Occupancy:	100%
Car Parks:	112
Rental Reviews:	Combination of CPI, fixed and market reviews

The Harvester Centre is a high quality, part new and part fully refurbished, two storey medical office building with a three level car park. It is located in the west Melbourne suburb of Sunshine and is part heritage listed with a section of the building dating back to 1909. The building accommodates a significant area for Melbourne Health to provide outpatient psychiatric health services to Melbourne's western suburbs. The facility also houses other public or government-funded tenants providing health and community based services to the region.

The site is prominently positioned within Sunshine and has attracted an excellent mix of complementary tenants. The suburb of Sunshine is approximately 13km from Melbourne's CBD and is located in close proximity to the Western Ring Road and railway services.

LEADING HEALTHCARE BENDIGO

Bendigo, Victoria

Description:	Integrated primary medical centre
Ownership:	100%
Ownership Type:	Freehold
Built:	2012
Book Value:	$10.5 million
Major Tenants:	Independent Practitioners Network (IPN) and Pacific Smiles
No. of Tenants:	4
WALE:	5.9 years
Site Area:	2,034 sqm
NLA:	2,378 sqm
Occupancy:	87%
Car Parks:	58
Rental Reviews:	Combination of fixed reviews between 3%-4%

Completed in 2012, this 2,378 sqm integrated medical centre in Bendigo has been specifically designed to cater to the multiple needs of the patient.

The primary care centre provides for a range of healthcare services including general practice, dental, pathology and pharmacy.

FRANKSTON PRIVATE

Frankston, Victoria

Description:	Day surgery, cancer services, and medical office
Ownership:	50%
Ownership Type:	Freehold
Built:	2006
Book Value:	Frankston Private: $21.9 million Expansion Project: $8.3 million[1]
Major Tenants:	Healthscope Limited, Genesis Cancer Care and MIA Radiology
No. of Tenants:	8
WALE:	13.5 years
Site Area:	3,916 sqm
NLA:	4,528 sqm
Occupancy:	100%
Car Parks:	83
Rental Reviews:	Combination of <2 x CPI or 3%, CPI, CPI + 0.5% and fixed 4%

The Fund owns a 50% interest in Frankston Private, a four level, purpose built hospital and medical facility that was completed in August 2006. It is an integrated outpatient cancer facility strategically located near the region's major public hospital and within a significant medical precinct. The facility comprises a three theatre, 17 bed day surgery unit, radiation oncology, day oncology, medical imaging, pathology laboratory, medical consulting, pharmacy and supporting uses of a café, centre management and state-of-the-art education and conference unit. There are also 83 onsite car spaces. The other 50% interest is owned by two doctors who developed the facility.

1 Includes initial purchase price of the land, acquisition costs and subsequent development costs to 30 June 2016.

Frankston Private is currently undergoing a major expansion on an adjacent parcel of land that was recently consolidated to create a single title. The works will deliver an additional 60 inpatient beds, two operating theatres and 90 car bays. Healthscope Limited has entered into an agreement to lease the new components of the facility for a term of 20 years from practical completion. The estimated total cost of this project is $45.4 million, with GHC to fund its share of 65% of the cost. The commencing rent is to reflect an 8.50% return on cost and construction is expected to conclude late in the 2017 financial year.

CASEY SPECIALIST CENTRE

Berwick, Victoria

Description:	Specialist Centre with cancer services focus
Ownership:	100%
Ownership Type:	Freehold
Built:	2015
Book Value:	$28.0 million
Major Tenants:	St John of God, GenesisCare and MIA Radiology
No. of Tenants:	12
WALE:	8.5 years
Site Area:	4,440 sqm
NLA:	3,576 sqm
Occupancy:	97%
Car Parks:	71
Rental Reviews:	Combination of the greater of CPI and 3.5%, fixed 3% or 3.5%, CPI, CPI + 0.5%

This facility is a recently completed multi-tenanted specialist medical centre located adjacent to the Casey Development Land. Tenants provide a range of cancer treatment services including radiation oncology and chemotherapy as well as medical consulting suites, pharmacy, pathology and cafe tenancies. A total of 71 car bays are provided.

Leading providers located at the centre include Genesis Care, St John of God Health Care and MIA Radiology.

CASEY DEVELOPMENT SITE (STAGES 2 AND 3)

Berwick, Victoria

Description:	Co-located health campus - development project
Ownership:	50% interest in the base building, 90% interest in the car park
Ownership Type:	Freehold
Built:	Under construction (Commenced January 2016)
Book Value:	$9.9 million
Major Tenant:	St John of God Health Care
No. of Tenants:	1
WALE:	20 years[1]
Site Area:	7,760 sqm
NLA:	18,000 sqm[1]
Occupancy:	100%[1]
Car Parks:	350[1]

This is a 7,760 sqm strategically located site situated directly opposite the Casey Public Hospital, providing a significant opportunity to develop a scale co-located medical campus to service one of Victoria's largest and fastest growing municipalities.

Stage 2 is a $114 million[2] private hospital providing 190 beds, six operating theatres, six birthing suites, a cardiac/vascular catheter laboratory, two endoscopy theatres, medical consulting suites and 12,000 sqm of underground car parking providing approximately 350 bays. St John of God Health Care has agreed to a 20 year lease over the hospital and 188 car bays from practical completion. Construction is under way and expected to conclude in August 2017.

After completion of the private hospital, Stage 3 provides for future expansion which may include additional beds, theatres and medical consulting suites.

1 Upon practical completion.
2 Includes tenant funded hard fitout.

PROPERTY PORTFOLIO

PROPERTY PORTFOLIO




FRANKSTON SPECIALIST CENTRE

Frankston, Victoria

Description:	Medical office building
Ownership:	50%
Ownership Type:	Freehold
Built:	1989
Book Value:	$1.6 million
Major Tenant:	Healthscope Limited
No. of Tenants:	1
WALE:	8.4 years
Site Area:	2,021 sqm
NLA:	600 sqm
Occupancy:	100%
Car Parks:	20
Rental reviews:	Lower of 2 x CPI or 3%

GHC has a 50% interest in the 2,021 sqm site located adjacent to Frankston Private. The site was acquired in July 2014 (settled in November 2014) subject to a 10 year lease to Healthscope Ltd with the premises to be used for specialist medical consulting. The site provides further medium to longer term expansion potential.

AUSTRALIAN RED CROSS BLOOD SERVICE FACILITY (ARCBS)

Brisbane, Queensland

Description:	The State blood testing, processing and distribution centre. Part of University Medical School
Ownership:	100%
Ownership Type:	Leasehold
Built:	2008
Book Value:	$79.0 million
Major Tenants:	ARCBS and RSL Care RDNS
No. of Tenants:	11
WALE:	17.2 years
Site Area:	6,897 sqm
NLA:	20,250 sqm
Occupancy:	100%
Car Parks:	300
Rental Reviews:	Higher of CPI or 3%, fixed reviews between 3.5% and 5%, CPI and market reviews

This facility is the State headquarters for the ARCBS from which it undertakes testing, processing and distribution of all blood products to the public and private health systems. In addition, Queensland University of Technology (QUT) occupies the building for their schools of Biomechanics, Optometry and Podiatry. It is located in the Kelvin Grove Urban Village (KGUV) 2km from Brisbane's CBD. Completed in 2008, the building contains 20,250 sqm of lettable floor area over four levels. In addition 300 car spaces are accommodated within two basement levels. The building is of high quality and designed around a central atrium that allows natural light into the tenancy areas. The building was designed and purpose built for its two key users, ARCBS and QUT and is supported by ancillary commercial and retail spaces.

PACIFIC PRIVATE CLINIC

Gold Coast, Queensland

Description:	Day surgery and medical office building
Ownership:	100%
Ownership Type:	Freehold
Built:	2000
Book Value:	$33.2 million
Major Tenant:	Healthscope Limited
No. of Tenants:	20
WALE:	3.3 years
Site Area:	3,723 sqm
NLA:	7,955 sqm
Occupancy:	93%
Car Parks:	227
Rental Reviews:	Combination of CPI, fixed and market reviews

Pacific Private Clinic is a multi-tenanted facility providing a broad range of clinical services including general surgery, oncology and ear nose and throat as well as other on-site services such as pathology and diagnostic imaging. It is a high profile facility strategically located on the main road in Southport, in a designated health precinct. The precinct however, is undergoing change with the relocation of the Gold Coast Public Hospital in September 2013 and the pending relocation of Healthcope's Allamanda Private Hospital to the Parklands site (10 minutes away). The property is well presented over seven floors with high quality tenant fitouts.

55 LITTLE EDWARD STREET

Spring Hill, Queensland

Description:	Day surgery and medical office building
Ownership:	100%
Ownership Type:	Freehold
Built:	1988
Book Value:	$58.0 million
Major Tenants:	Cura Day Hospitals, Virtus Health and Secure Parking
No. of Tenants:	12
WALE:	5.8 years
Site Area:	5,771 sqm
NLA:	8,293 sqm
Occupancy:	98.4%[1]
Car Parks:	484
Rental Reviews:	Combination of fixed 3.25% to 4.0%, higher of CPI and 3.5% to 3.75%, market reviews and CPI

Spring Hill is a quality medical office building located in an established health precinct on the fringe of Brisbane CBD. Two significant private hospitals St Andrews Private and Brisbane Private are located in close proximity. The building is anchored by two leading healthcare providers, Cura Day Hospitals Group and Virtus Health.

The property has recently been rebranded and has experienced a significant signage upgrade to assist with visitor wayfinding.

1 999 sqm or 8% of net property income on a fully leased basis is subject to a rental guarantee.

PROPERTY PORTFOLIO

RSL CARE TANTULA RISE AGED CARE FACILITY
Alexandra Headland, Queensland

Description:	Residential aged care facility
Ownership:	100%
Ownership Type:	Freehold
Built:	2005 to 2007
Book Value:	$19.0 million
Major Tenant:	RSL Care RDNS
No. of Tenants:	1
WALE:	20 years
Site Area:	7,600 sqm
Total floor area:	7,768 sqm
Occupancy:	100%
Rental Reviews:	Annual reviews to be the lesser of 3% and CPI, market review every 10 years with 5% cap and collar

Alexandra Headland is a suburb of the Sunshine Coast, located approximately 100 kms to the north of Brisbane. The facility accommodates 120 licenced places across 4 wings, with a total floor area of 7,768 square metres. The facility was built in two stages, the first of which was built in 2005 and comprised a total of 60 places. The second stage was built in 2007 and added an additional 60 places. The facility is co-located with an RSL Care operated retirement village which comprises a total of 40 independent living units. The units were built in 2007. Retail amenity is provided in the Maroochydore township and at Sunshine Plaza, which is located approximately 3 kms to the north.

RSL CARE BAYCREST AGED CARE FACILITY
Pialba, Queensland

Description:	Residential aged care facility
Ownership:	100%
Ownership Type:	Freehold
Built:	Mid 1990.s, 60 new beds built in 2006
Book Value:	$15.3 million
Major Tenant:	RSL Care RDNS
No. of Tenants:	1
WALE:	20 years
Site Area:	14,670 sqm
Total floor area:	6,676 sqm
Occupancy:	100%
Rental Reviews:	Annual reviews to be the lesser of 3% and CPI, market review every 10 years with 5% cap and collar
Development potential:	Refurbishment or redevelopment of the older 41 beds on the site are envisaged

Baycrest is a residential aged care facility located in the suburb of Pialba, Hervey Bay. The facility accommodates 101 licenced places across 6 interconnected wings, with a total floor area of 6,676 square metres. All rooms are single and have a private ensuite. The facility is co-located with an RSL Care operated retirement village, which comprises a total of 192 units. Retail amenity is provided in the township of Hervey Bay, located approximately 3 kms to the north.

PROPERTY PORTFOLIO

RSL CARE DARLINGTON AGED CARE FACILITY
Banora Point, NSW

Description:	Residential aged care facility
Ownership:	100%
Ownership Type:[1]	Freehold
Built:	2005 to 2007
Book Value:	$14.3 million
Major Tenant:	RSL Care RDNS
No. of Tenants:	1
WALE:	20 years
Site Area:	9,500 sqm
Total floor area:	6,289 sqm
Occupancy:	100%
Rental Reviews:	Annual reviews to be the lesser of 3% and CPI, market review every 10 years with 5% cap and collar
Development potential:	Adjoining land held by RSL Care

Darlington residential aged care facility is located in the suburb of Banora Point, Tweed Heads. The facility accommodates 90 licenced places across 6 wings, with a total floor area of 6,289 square metres. The facility is co-located with an RSL Care operated retirement village which comprises a total of 96 independent living units. Retail amenity is provided in the town of Tweed Heads, which is located approximately 6 kms to the north. There is a parcel of unimproved land adjacent to the aged care facility that is owned by RSL Care and may in future be developed with a complementary use such as expansion of the aged care facility.

1 Remains subject to an interim structure prior to subdivision of the land.

WESTMEAD REHABILITATION HOSPITAL
Merrylands, New South Wales

Description:	Rehabilitation Hospital
Ownership:	100%
Ownership Type:	Freehold
Built:	2005, refurbishment and 5 bed expansion in 2014
Book Value:	$26.7 million
Major Tenant:	Pulse Health Ltd
No. of Tenants:	1
WALE:	21.9 years
Site Area:	5,305 sqm
NLA:	2,702 sqm
Occupancy:	100%
Car Parks:	40
Rental Reviews:	Higher of CPI & 2.5%

This facility is a 65 bed purpose built rehabilitation hospital located in Merrylands, Sydney, three kilometres south of Parramatta and within close proximity of Westmead Public and Private hospitals. Fully equipped with a hydrotherapy pool, gymnasium and treatment rooms, the facility also provides speech, occupational therapy and physiotherapy along with psychological rehabilitation services.

PROPERTY PORTFOLIO

WARATAH PRIVATE HOSPITAL GROUND FLOOR SUITES

Sydney, New South Wales

Description:	Hospital with ancillary diagnostic and cancer services
Ownership:	100%
Ownership Type:	Freehold
Built:	2010
Book Value:	$5.5 million
Major Tenant:	Waratah Private Hospitals Pty Ltd
WALE	19.6 years
Site Area:	2,696 sqm
NLA:	737 sqm
Occupancy:	100%
Car Parks:	501
Rental Reviews:	3.5%

WARATAH PRIVATE HOSPITAL (DEBT INTEREST)

Sydney, New South Wales

Description:	Hospital with ancillary diagnostic and cancer services
Ownership:	Minority interest
Ownership Type:	Secured debt position
Built:	2010
Book Value:	$7.4 million
Site Area:	2,696 sqm
NLA:	Approximately 13,497 sqm
Car Parks:	501

Waratah Private is a purpose built hospital with construction having been completed in late 2011. The building is 13,497 sqm in area and has 501 car parks. The Centre was established to provide high end medical services with a particular focus on integrated cancer care.

The Fund entered into a joint venture arrangement with Evolution HealthCare to acquire a minority interest in a secured debt position associated with Waratah Private Hospital in Hurstville, Sydney, New South Wales.

The Fund's interest is secured by first ranking mortgages over the land and building and other assets.

GHC is working with Evolution to provide specialist healthcare property expertise and to enhance the operations and asset management of the hospital.

Recent initiatives include the establishment of 34 additional overnight beds which will increase the number of overnight beds to 92. Also, comprehensive medical imaging services have been introduced to the building via a partnership between Waratah Imaging and Alfred Medical Imaging.

SENIOR MANAGEMENT

Chris Adams

Director

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

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

Chris holds a Bachelor of Property from Auckland University.

Miles Wentworth

Chief Executive Officer

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

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

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

APN Funds Management Limited is the Responsible Entity of Generation Healthcare REIT. APN Funds Management is a wholly owned subsidiary of APN Property Group Limited, an ASX listed company.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Guidelines), unless otherwise stated.

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

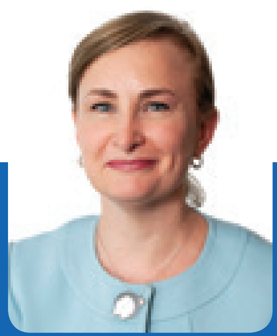
Geoff Brunsdon

BCom, FCA, F Fin, FAICD

Independent Non-Executive Chairman

- A Director since 2009.
- Chairman since 2012.
- A member of the Audit, Compliance & Risk Management Committee and the Nomination & Remuneration Committee.

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



Jennifer Horrigan

BBus, GradDipMgt, GradDipAppFin, MAICD

Independent Non-Executive Director

- A Director since 2012.
- Chairman of the Nomination & Remuneration Committee and a member of the Audit, Compliance & Risk Management Committee.

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

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

CORPORATE GOVERNANCE

Michael Johnstone

BTRP, LS, AMP (Harvard)

Independent Non-Executive Director

- A Director since 2009.
- Chairman of the Audit, Compliance & Risk Management Committee and a member of the Nomination & Remuneration Committee.
- A member of the Investment Committee for APN's Development Fund No.2.

Michael has 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialised in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring.

Michael is a non-executive director of the Responsible Entity of the listed Folkestone Education Trust (since 2004) and a non-executive director of a number of companies in private environments including the not for profit sector.

Howard Brenchley

BEc

Non-Executive Director

- A Director since 1998.

Howard has a long history in the Australian property investment industry with over 30 years' experience analysing and investing in the sector.

Howard joined APN in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN Property for Income Fund, one of the largest property securities funds in Australia.

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

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

Michael Groth

BCom, BSc, DipIFR, CA

Executive Alternate Director for Howard Brenchley

- An Alternate Director since 2014.

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

John Freemantle

BBus, CPA

Company Secretary

- Company Secretary since 2007.

John has been involved in the property industry since 1977. Before joining APN in 2006, he worked with Dillingham Constructions, Jennings Property Group and Centro Property Group, where he held the roles of Chief Financial Officer and Company Secretary for 17 years.

Generation Healthcare REIT is an externally managed Fund

Generation Healthcare REIT does not directly employ staff. It is managed by APN FM as responsible entity and Generation Healthcare Management Pty Limited (GHM) and Generation Healthcare Management (Hurstville) Pty Limited (GHMH) to whom the responsible entity has delegated day to day management of the Fund. APN FM, GHM and GHMH were members of the APN Property Group for all of the financial year, except that on 27 June 2016 GHM and GHMH were acquired by Canadian listed NorthWest Healthcare Properties Real Estate Investment Trust (NorthWest).

Fees of the Responsible Entity and its related parties

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

- fund management fees of up to 0.6% of the gross asset value of the Fund, payable monthly in arrears; GHM also receives property management fees at commercial rates;
- performance fees equating to 5% of the dollar amount by which the Fund's actual performance exceeds the S&P/ASX 300 AREIT Accumulation Index, plus 15% of outperformance above 2% per annum, calculated on 31 December and 30 June. The amount paid in any 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 the Fund's total return for that period being positive. Amounts rolled forward are also payable immediately in limited circumstances.
- project management services fees of up to 2% of the project cost for each project in respect of which project management services are provided;
- acquisition fees of up to 2% of the total amount paid for each acquisition (including transaction costs);
- development management services fees of up to 3% of the project cost for each project in respect of which development management services are provided; and
- reimbursement of fund expenses incurred on behalf of the Fund.
- GHMH is entitled to property/asset management fees in relation to services provided to Cortez Enterprises Pty Ltd (Cortez). Cortez is a special purpose entity established to hold, amongst other assets, the debt and other rights associated with Waratah Private Hospital.
- Fees paid to the responsible entity and its related parties in relation to the financial year ended 30 June 2016 are set out on page 81 and 82 of the 2016 Annual Report.

Board Independence

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited (APN PG), a company listed on the Australian Securities Exchange (ASX). Both companies have separate Board structures and each operates independently of the other. Importantly, all directors of APN FM have a legal obligation to put the interests of investors in the fund ahead of their own and those of APN FM's sole shareholder, APN PG.

The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Board of APN FM comprises four Directors, three of whom including the Chairman, are independent of the business and of the board of APN PG. The names and biographical details of the Board members are set out on pages 36 and 37.

CORPORATE GOVERNANCE

The Board of APN Funds Management Limited has adopted the following Corporate Governance policies and procedures:

Role and responsibilities

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, in order to ensure that APN FM complies with its responsibilities, the Board has adopted a board charter setting out its roles and responsibilities (including the roles and responsibilities of the Chairman). In accordance with the board charter, the Board is responsible for:

- the oversight of APN FM, including its control and accountability systems;
- subject to its overriding duties to securityholders in the respective APN Funds, setting the aims, strategies and policies of APN FM;
- where appropriate, ratifying the appointment and the removal of senior executives including, but not limited to the fund managers of the respective APN Funds;
- providing input into and final approval of management's development of strategy and performance objectives in respect of the APN Funds;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, particularly in respect of the APN Funds;
- identifying conflict of interest situations within APN FM's business and the business of the APN Funds and:
  - determining whether the conflict of interest situation is to be avoided or whether it can be appropriately controlled; and
  - if the conflict of interest situation can be appropriately controlled, determining and implementing the procedure necessary to control the conflict;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures in respect of the APN Funds;
- approving the issue of disclosure documents in respect of the respective APN Funds; and
- approving and monitoring financial and other reporting obligations of the respective APN Funds, in particular ensuring compliance with the continuous disclosure obligations of the respective APN Funds under the Corporations Act and the Listing Rules.

A copy of the Board Charter is available at the Company's website at: www.generationreit.com.au/investing/governance.

Terms of appointment

The Board has adopted a letter of appointment that contains the terms on which non-executive directors are to be appointed, including individual Directors' roles and responsibilities and the basis upon which they will be indemnified by the Responsible Entity. Non-executive Directors are entitled to take independent advice at the cost of the Responsible Entity in relation to their role as members of the Board.

Review of Board performance

The performance of the Board is reviewed at least annually by the Board. The evaluation includes a review of:

- the Board's membership and the charters of the Board and its committees;
- Board processes and its committee's effectiveness in supporting the Board; and
- the performance of the Board and its committees.

An annual review of each Director's performance is undertaken by the Chairman, after consultation with the other directors.

Board Committees

Audit, Compliance and Risk Management Committee

The Board has appointed an Audit, Compliance and Risk Management Committee to oversee certain responsibilities of the Responsible Entity. The Committee's primary responsibility is to ensure a sound system of risk oversight and internal control. During the year, the Committee has received reports detailing the effectiveness of APN FM's current risk management programme from management and advised the Board accordingly. The specific responsibilities of the Committee include:

Audit

External audit

- to recommend to the Board the final financial statements in respect of each of the Funds and APN FM (in its own capacity);
- to recommend to the Board the appointment and removal of the Fund's external auditors (including providing the Board with fee proposals in relation to the external auditors);
- to monitor compliance with the Corporations Act 2001 (Cth) in relation to auditor rotation;
- to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditors;
- to advise the Board as to whether the Committee is satisfied that the provision of non-audit services by the external auditors is compatible with the general standard of independence, together with an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the necessary statements required by the Corporations Act in the Funds' respective financial reports;
- to review, consider and advise the Board on the adequacy of the audit plan proposed by the external auditors;
- to review all of the external auditors' reports;
- to commission such enquiry by the external auditors as the Committee deems appropriate;
- to consider management's responses to matters that arise from external audits;
- to conduct regular reviews of management's activity pertaining to audit findings to ensure any issues are being dealt with in a timely manner; and
- to perform annual assessments of the auditors' compliance with any applicable laws, regulations and any other relevant requirements.

Financial statements

- to review the financial statements and related notes, and ensure they are consistent with information known to the Committee and that they reflect appropriate accounting principles, standards and regulations (Note 1);
- to review external auditors' reviews or audits of the Funds' financial statements and corresponding reports;
- to review accounting and reporting issues as they arise;
- to review, and advise the Board on, any disputes or issues that may arise during the course of an audit; and
- to advise the Board on any material matters that arise during an audit that the Committee becomes aware of.

Note 1 Prior to approval of the entity's financial statements for any financial period, the Committee receives from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Risk Management

- to monitor the management of risks relevant to APN FM and the Funds;
- to review and make recommendations to the Board regarding APN FM's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks) and whether it identifies all areas of potential risk.
- to review and make recommendations to the the Board on the strategic direction, objectives and effectiveness of APN FM's financial and risk management policies; and
- to oversee investigations of allegations of fraud or malfeasance and, where required, report details to relevant authorities.

Compliance

- to monitor the compliance of APN FM with:
  - the Corporations Act;
  - the compliance plan of each Fund;
  - the constitution of each Fund;
  - the Australian Financial Services Licence (AFSL) of APN FM; and
  - where a Fund is a Listed Scheme, the Listing Rules;
- to report to the Board any breach of the obligations listed above;
- to report to the Australian Securities and Investments Commission (ASIC) if the Committee is of the view that APN FM has not taken, or does not propose to take, appropriate action to deal with a matter reported;

- to assess at regular intervals whether each Fund's compliance plan is adequate;
- to report to the Board on its assessment of each Fund's compliance plan; and
- to make recommendations to the Board about any changes that it considers should be made to the Funds' compliance plans.

Related Party Transactions and Conflicts of Interest

- The Committee must monitor compliance with the Conflicts Policy adopted by APN PG and APN FM in respect of the APN Group and comply with the obligations under the Conflicts Policy.
- Without limiting its obligations under the Conflicts Policy, the Committee will ensure that:
  - any breach of the Conflicts Policy is noted on the compliance breach register;
  - the activity which caused the breach is reviewed and any steps necessary to ensure compliance with the Conflicts Policy in the future are taken; and
  - where necessary, ASIC is notified in accordance with section 912D(1) of the Corporations Act.

A copy of the Audit, Compliance and Risk Management Committee Charter is available at the Company's website at: www.generationreit.com.au/investing/governance

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out above.

Nomination and Remuneration Committee

The Board has appointed a Nomination and Remuneration Committee to oversee the responsibilities of the Company for ensuring adequacy of the size and composition of the board of APN FM for itself and each APN fund. The specific responsibilities of the Committee include making recommendations to the Board about:

- the appropriate size and composition of the APN FM Board;
- the necessary and desirable competencies of Directors;
- the appointment, re-appointment and removal of Directors;
- formal and transparent procedures and criteria for the selection of candidates for, and appointments to, the APN FM Board;
- appropriate succession plans or arrangements for the APN FM Board and regularly (meaning at least annually) reviewing the plan approved by the APN FM Board;
- implementing induction procedures designed to allow new APN FM Board appointees to participate fully and actively in APN FM Board decision-making at the earliest opportunity;
- implementing induction programs that enable Directors to gain an understanding of:
  - financial, strategic, operational and risk management position of APN FM;
  - their rights, duties and responsibilities; and
  - the role of the APN FM Board and other committees;
- providing Directors and key executives with access to continuing education to update their skills and knowledge and provide them access to internal and external sources of information which enhance their effectiveness in their roles;
- an appropriate process for performance and remuneration evaluation of the APN FM Board, the Industria Co Board, their respective committees, Directors, and, to the extent applicable, key executives;
- appropriate remuneration and incentive policies from time to time which motivate Directors and management to pursue the long-term growth and success of APN FM or Industria Co within an appropriate control framework;
- to the extent applicable, the relevant policies which demonstrate a clear relationship between key executive performance and remuneration;
- the remuneration and incentive policies for senior management, including any eligibility criteria and performance hurdles for equity based plans and considering whether securityholder approval is needed for plans and for any changes to them;
- the remuneration packages of senior management and Directors and whether securityholder approval is needed for any change to remuneration of Directors;
- any report on executive remuneration that may be required by the ASX Listing Rules or the Corporations Act 2001 (Cth) or proposed for inclusion in the annual report.

CORPORATE GOVERNANCE

A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at: www.generationreit.com.au/investing/governance

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out above.

Meetings of Directors

The number of meetings of Directors, including meetings of committees of directors, and number of meetings attended by each director during the financial year ended 30 June 2016, is set out below:

	Geoff Brunsdon	Michael Johnstone	Jennifer Horrigan	Howard Brenchley	Michael Groth (alt for Brenchley)
Board Meetings					
Total Attended	18	18	18	14(1)	13(1)
Total Held	18	18	18	18	18
Audit, Compliance & Risk Management Committee meetings					
Total Attended	9	9	9	n/a	n/a
Total Held	9	9	9	n/a	n/a
APN FM Nomination & Remuneration Committee meetings					
Total Attended	2	2	2	n/a	n/a
Total Held	2	2	2	n/a	n/a

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

Diversity

APN Property Group, including APN Funds Management Limited embraces a practice of Workplace Diversity as follows:

What is Workplace Diversity?

Workplace diversity recognises and leverages the different skills and perspectives people bring to our organisation through their gender, culture, physical and mental ability, sexual orientation, age, socio-economic background, language, religion, education, and family / marital status. It also refers to diverse ways of thinking and ways of working.

Statement of Commitment

As an organisation we recognise the benefits to be gained from a diverse workforce where the differing skills, perspectives and experiences of individuals from different backgrounds can lead to more innovative and efficient business practices.

We are committed to creating an environment in which the principles of diversity are embedded in the culture and systems of the organisation and where every individual has the opportunity to excel.

Diversity Policy

APN Property Group has adopted a Diversity Policy (a copy of which is available at the Company's website (http://apngroup.com.au/about-us/governance/)). The aims of the Diversity Policy are:

- to articulate the APN Property Group's commitment to diversity within the organisation at all levels (including employee level, senior executive level and Board level); and
- to provide a framework for establishing objectives and procedures which are designed to foster and promote diversity within APN Property Group. This includes placing obligations on APN Property Group and the Board to set objectives, measure against those objectives and disclose progress at appropriate intervals.

Gender Diversity Objectives

In accordance with its Diversity Policy, APN Property Group has set measureable objectives to achieve gender and other diversity, and has appointed the Compliance Officer to monitor compliance with those objectives and to report to the Board of APN Property Group at least annually.

For the financial year 2016/2017, APN Property Group has set the following measureable objectives for gender and other diversity:

- the selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;
- the selection process for senior management appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;
- the process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible;
- flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit;
- Mentoring support to be available to all staff;
- the Diversity Policy is available to all employees at all times; and
- all employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.

APN Property Group will report on the outcome of these measurable objectives each year.

For the financial year 2015/2016, APN Property Group set similar measureable objectives for gender and other diversity. These objectives and a report on the outcome are set out below:

- *the selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible.*

  The Board of APN PG made one new appointment during the year. Mr Tony Young was appointed in December 2015 in accordance with the objective of transitioning to an independent Board. Mr Young was appointed following strong endorsement from a significant shareholder in APN. There were no changes to the Board of APN FM during the year.

- *the selection process for senior management appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible.*

  There were three new senior management appointments in this financial year including the internal promotion of a female manager (33%).

- *the process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible.*

  Thirteen new appointments were made during the year of which five (38%) were female;

- *flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit.*

  Flexible work arrangements have been agreed with a number of employees in relation to family balance, maternity needs and illness;

- *the Diversity Policy is available to all employees at all times.*

  The policy was available on the company intranet which is available to all staff at all times;

- *all employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.*

  Employees were reminded on each occasion of a new appointment.

Gender Diversity in APN Property Group

At the date of this report, the proportion of women in APN Property Group was:

- Board of APN Property Group Limited: nil
- Board of APN Funds Management Limited: 25%
- Senior Management of the APN Property Group: 33%
- All employees of APN Property Group: 39%

CORPORATE GOVERNANCE

Sustainability

APN Property Group, including APN Funds Management Limited believes that the sustainability of the business is intrinsically linked to the successful management of its financial, social and environmental risks, obligations and opportunities. We believe those companies that adopt sustainable practices are more likely to generate better long term returns for investors.

This philosophy is embedded in the culture of the business and monitored to ensure critical business risks are carefully managed. This is evidenced in the following key objectives:

Our Investors

- Prioritise the interests of investors;
- Separate Boards operating independently of each other to manage conflicts between the interests of investors in APN PG and investors in the funds we manage;
- Strong focus on investment performance;
- Regular and meaningful communications to investors.

Our Community

- Significant value attributed to 'sustainability conscious' companies in the investment decision process of the APN managed 'real estate securities' funds;
- Bias to 'green' rated direct property investments and development opportunities;
- Corporate values ethos required of all staff - integrity, passion, respect, accountability and professionalism.

Our Staff

- Demanding recruitment standards;
- Attractive remuneration incentives for strong performance;
- Focus on diversity;
- Employee engagement in overall business performance, including regular staff briefings;

Our Governance

- Independent Board to manage the Responsible Entity of APN's managed funds;
- Strict compliance regime to ensure compliance with legislative framework overseen by independent Board Compliance Sub-Committee;
- Documented compliance programme and Company Policies to regulate compliance requirements;
- Annual compliance audits.

Other corporate governance policies and charters

Refer to the fund website (www.generationreit.com.au/investing/governance) for:

- Board Charter;
- Audit, Compliance and Risk Management Committee Charter; and
- Nomination and Remuneration Committee Charter

and the following corporate governance policies, which have been adopted by all entities (including the Responsible Entity) within the APN Group in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations:

- Securities Trading Policy;
- Continuous Disclosure Policy;
- Code of Conduct;
- Related Party Transactions and Conflicts of Interest Policy;
- Privacy Policy; and
- Communications Policy.

Compliance with ASX Corporate Governance Guidelines

The Responsible Entity complies with all of the ASX Corporate Governance Principles and Recommendations, including, as not specifically addressed above:

- That at each AGM, the external auditor attends and is available to answer questions from security holders relevant to the audit.
- That security holders have the option to receive communications from, and send communications to, the entity and its security registry electronically.
- That the Audit, Compliance and Risk Management Committee has reviewed the risk management framework during the financial year ended 30 June 2016.

FINANCIAL INFORMATION

CONTENTS

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[1]	N/A	N/A	N/A	N/A
Michael Groth (alternate Director for Howard Brenchley)	18	13[1]	N/A	N/A	N/A	N/A

1 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.

DIRECTORS' REPORT

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 51 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

AUDITOR'S INDEPENDENCE DECLARATION

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 54 to 96.

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 59 to 96.

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 59 to 96.

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 59 to 96.

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 59 to 96.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

Statement of compliance and 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.

NOTES TO THE FINANCIAL STATEMENTS

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 69.
2 See RSL Care Portfolio in note 5(b) on page 70.

(b) Individual valuations and carrying amounts

			Latest external valuation		Carrying amount		Capitalisation rate		Discount rate	
Property	**Date of purchase**	**Cost to date $'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%**

(b) Individual valuations and carrying amounts

Property	Date of purchase	Cost to date $'000	Latest external valuation Date	Latest external valuation Valuation $'000	Carrying amount 2016 $'000	Carrying amount 2015 $'000	Capitalisation rate 2016 %	Capitalisation rate 2015 %	Discount rate 2016 %	Discount rate 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	$166 - $1,378
			Net market rent - $/sqm	$166 - $1,363
			Adopted capitalisation rate	5.75% - 8.25%
			Adopted discount rate	6.50% - 8.75%
			Adopted terminal yield	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, capitalising 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**

NOTES TO THE FINANCIAL STATEMENTS

(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[1]	Trustee	50.0%	50.0%	30 June	Australia

1 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 amounts on the previous page 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	2015
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.

NOTES TO THE FINANCIAL STATEMENTS

(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.

NOTES TO THE FINANCIAL STATEMENTS

(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 previous page:

	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.

NOTES TO THE FINANCIAL STATEMENTS

(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:

		Fixed interest maturing in:			
2016	Floating interest rate $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'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.

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

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

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	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.

NOTES TO THE FINANCIAL STATEMENTS

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).

NOTES TO THE FINANCIAL STATEMENTS

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.

Principal registered office

Level 30
101 Collins Street
MELBOURNE VIC 3000

Tel: (03) 8656 1000

Principal place of business

Level 30
101 Collins Street
MELBOURNE VIC 3000

Tel: (03) 8656 1000

SUMMARY OF UNITHOLDERS

Twenty largest holders of quoted equity securities as at 8 September 2016

Rank	Name	Number of units	%
1	NWI HEALTHCARE PROPERTIES LP	43,427,736	19.80
2	BNP PARIBAS NOMS PTY LTD	32,015,427	14.60
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	15,897,835	7.25
4	NATIONAL NOMINEES LIMITED	13,886,293	6.33
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,332,579	3.80
6	CITICORP NOMINEES PTY LIMITED	4,865,229	2.22
7	AMP LIFE LIMITED	4,346,073	1.98
8	APN PROPERTY GROUP LTD	1,912,400	0.87
9	SANDHURST TRUSTEES LTD	1,290,251	0.59
10	CITICORP NOMINEES PTY LIMITED	898,112	0.41
11	GAFFWICK PTY LTD	831,903	0.38
12	B M R NOMINEES PTY LTD	600,000	0.27
13	MAREW ENTERPRISES PTY LTD	502,941	0.23
14	BNP PARIBAS NOMS (NZ) LTD	468,810	0.21
15	BAJKOR NOMINEES PTY LTD	450,099	0.21
16	THOMAS HOLDING CO PTY LTD	438,302	0.20
17	REGANS EXPRESS PTY LTD	400,000	0.18
18	MS PATRICIA YVONNE BAXTER & MR DONALD CHARLES STEEL	344,375	0.16
19	PERSHING AUSTRALIA NOMINEES PTY LTD	342,521	0.16
20	PLATT HENFRYN PTY LTD	321,733	0.15
Total		**131,572,619**	**60.00**

Distribution of holders of equity securities as at 8 September 2016

	Number of holders	Number of units	%
100,001 and Over	157	152,482,225	69.54
10,001 to 100,000	1,940	56,840,809	25.92
5,001 to 10,000	837	6,248,836	2.85
1,001 to 5,000	1,154	3,498,567	1.60
1 to 1,000	547	216,844	0.10
Total	**4,635**	**219,287,281**	**100.00**
Unmarketable Parcels	217	9,310	0.00

SUMMARY OF UNITHOLDERS

Substantial Holder Notices

The table below gives details of the last notice for each substantial unitholder lodged with the Australian Securities Exchange to 8 September 2016:

Effective date	Name	Number of units	%
25 June 2014	Stourton Properties Pty Ltd as Trustee for Stourton Properties Unit Trust No. 9 and other related entities of the Bennelong Group	12,083,333	6.92
30 September 2015	Australian Unity Funds Management as responsible entity for registered managed investment schemes	22,378,889	10.42
21 July 2016	AMP Limited and its related bodies corporate	11,916,947	5.46
25 August 2016	APN Property Group and related entities	13,178,446	6.04
26 August 2016	Northwest Healthcare Properties Real Estate Investment Trust and its subsidiaries	43,427,736	19.90

On-market buy-back

There were no on-market buy-backs during the year.

INVESTOR RELATIONS

Contact details

SHARE REGISTRY
Link Market Services Limited
Level 1, 333 Collins Street
Melbourne, Victoria 3000 Australia

T 1300 554 474
F +61 2 9287 0303
E registrars@linkmarketservices.com.au
W www.linkmarketservices.com.au

Postal address:
Locked Bag A14
Sydney South NSW 1235

Investor communications

Annual and Half Yearly reports along with all ASX announcements are available on www.generationreit.com.au

Distribution payments and annual taxation statement

Distributions are paid half yearly in February and August. You can view your 2015/2016 Annual Taxation Statement online by visiting www.generationreit.com.au and accessing 'My Unitholding' within the Investor Centre section of the website.

Distribution reinvestment plan

The distribution reinvestment plan (DRP) is currently in operation and allows unitholders to have their semi-annual distribution payment automatically reinvested as additional GHC units, without brokerage or other transaction costs. Participation is optional and unitholders can join, vary their participation or withdraw from the DRP at any time. Please visit our website to view a copy of the DRP Frequently Asked Questions.

2016/2017 Unitholder calendar*

Distribution paid for the half-year ending 31 December 2016	28 February 2017
Distribution paid for the half-year ending 30 June 2017	31 August 2017
Annual Taxation Statement for 2016/2017 financial year mailed	31 August 2017
2017 Annual Report available	30 September 2017

* These dates are indicative only and are subject to change.

Privacy Policy

APN Funds Management Limited is committed to ensuring the confidentiality and security of your personal information. The Privacy Policy, detailing our handling of personal information, is available on our website www.apngroup.com.au

Complaints

Any unitholder wishing to register a complaint should direct it to Investor Services in the first instance, at the Responsible Entity's address listed previously in this Report. APN Funds Management Limited is a member of an independent dispute resolution scheme, the Financial Ombudsman Service (FOS). If a unitholder feels that a complaint remains unresolved or wishes it to be investigated further, FOS can be contacted as below:

By telephone: 1300 780 808
In writing: Financial Ombudsman Service
GPO Box 3, Melbourne VIC 3001
By email: info@fos.org.au
Website: www.fos.org.au

CORPORATE DIRECTORY

GENERATION HEALTHCARE REIT™

ARSN 118 712 584

RESPONSIBLE ENTITY

APN Funds Management Limited
ABN 60 080 674 479
AFS Licence No: 237500

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DIRECTORS OF APN FUNDS MANAGEMENT LTD

Geoff Brunsdon, Independent Non-Executive Chairman
Jennifer Horrigan, Independent Non-Executive Director
Michael Johnstone, Independent Non-Executive Director
Howard Brenchley, Non-Executive Director
Michael Groth, Alternate Executive Director for Howard Brenchley

COMPANY SECRETARY

John Freemantle

UNIT REGISTRY

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GENERATION
HEALTHCARE REIT