HealthCo Healthcare and Wellness REIT
ARSN 652 057 639
HCW Funds Management Limited
ACN 104 438 100, AFSL 239882

ASX RELEASE

30 September 2022

ANNUAL REPORT 2022

HealthCo Healthcare and Wellness REIT (ASX: HCW) provides the attached Annual Report for the year ended 30 June 2022. It is being dispatched today to those unitholders who have elected to receive it.

This announcement is authorised for release by the Board of the Responsible Entity.

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About HealthCo Healthcare & Wellness REIT

HealthCo Healthcare & Wellness REIT is a Real Estate Investment Trust listed on the ASX focused on owning healthcare and wellness property assets. The REIT's objective is to provide exposure to a diversified portfolio underpinned by healthcare sector megatrends, targeting stable and growing distributions, long-term capital growth and positive environmental and social impact.

HealthCo Healthcare and Wellness REIT

HCW Funds Management Limited
ACN 104 438 100 AFSL 239882

Annual Report

For the year ended 30 June 2022

HealthCo Healthcare & Wellness REIT is a real estate investment trust listed on the ASX with a mandate to invest in Hospitals; Aged Care; Childcare; Government, Life Sciences & Research; and Primary Care & Wellness property assets, as well as other healthcare and wellness property adjacencies. The REIT's objective is to provide Unitholders with exposure to a diversified portfolio underpinned by attractive megatrends, targeting stable and growing distributions, long-term capital growth and positive overall environmental and social impact.

$0.7 billion
assets under management

39
Properties

99%
Occupancy

10.2 years
WALE

Statistics above are pro-forma as at Jun-22.

Contents

HealthCo offers exposure to a high quality and diversified healthcare portfolio which offers *stable* and *growing* distributions and long-term capital growth

PORTFOLIO STATISTICS

High *quality* and diversified healthcare portfolio

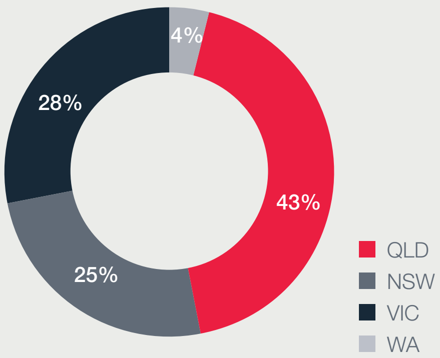
Proxima Southport (QLD) render.

PORTFOLIO STATISTICS[1]

	IPO[1]	Jun 22[1]	Movement
Number of properties	27	39	12
Fair value	$555m	$722m	+$167m
WACR[2]	5.34%	4.89%	45 bps compression
WARR	3.0%	3.0%	–
WALE[3]	9.4 years	10.2 years	+0.8 years
Occupancy[4]	96%	99%	+3%
Rent collection[5]	99%	100%	+1%

GEOGRAPHIC SPLIT (BY VALUE)[1]

Long term target geographic exposure based on state GDP contribution

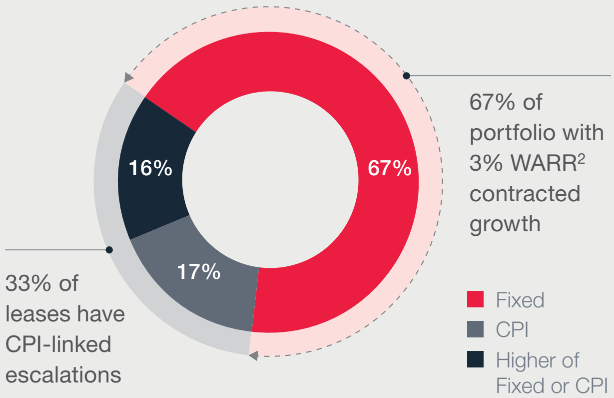


1. Proforma for contracted pending acquisitions and contracted divestments (St Marys).
2. WACR excludes Camden Stages 1-3.
3. By gross income. Includes signed leases and MoUs across all operating and development assets.
4. By GLA. Includes signed leases, Signed MoUs and rental guarantees across operating assets. Excludes development assets.
5. IPO rent collection for the 6 months to 30 June 2021 across existing leases on operating assets. Jun-22 rent collection for period since 31 December 2021 to 30 June 2022.

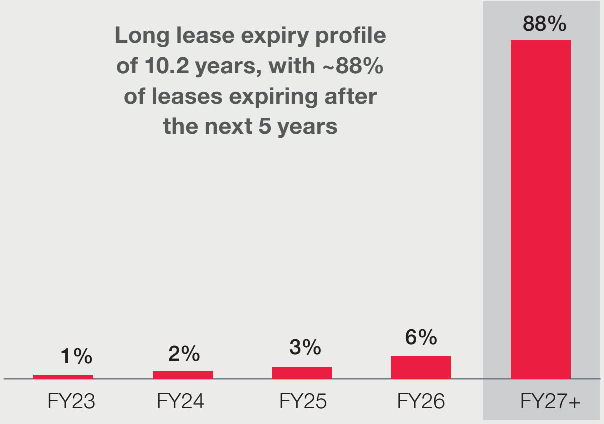
Camden Health Precinct (NSW) render.

RENT COMPOSITION[1]

Contracted rental escalations across 100% of the Portfolio



LEASE EXPIRY PROFILE[1, 3]



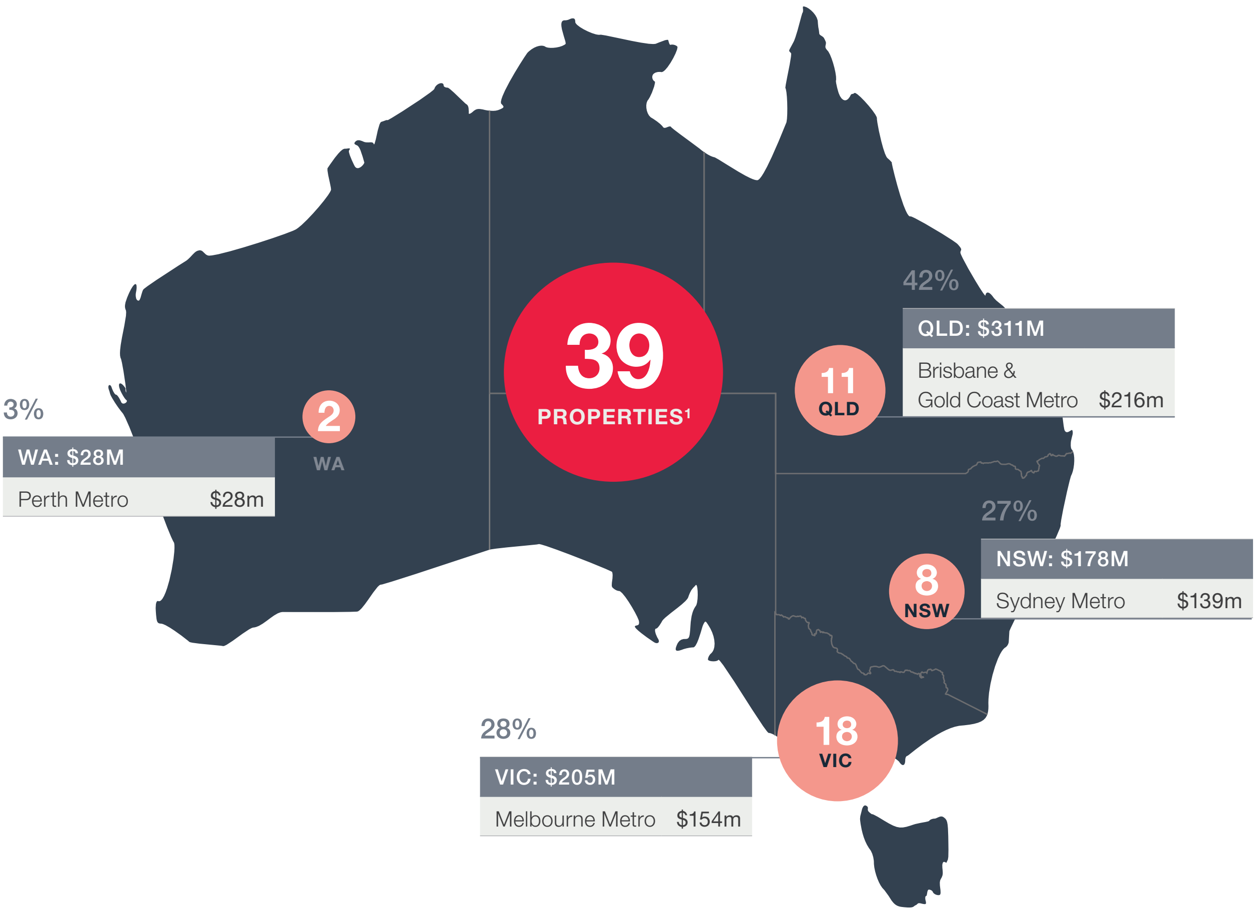
1. By gross income. Includes signed leases and MoUs across all operating and development assets. Includes pending and committed acquisitions. Excludes St Marys.
2. Weighted Average Rent Review. Including the option on Camden, this proportion moves to 63% Fixed and 37% CPI-linked.
3. Values may not add due to rounding.

MODEL PORTFOLIO STRATEGY

HealthCo has grown its high quality and *diversified* healthcare portfolio and enhanced key portfolio metrics

Portfolio subsectors – income split and key tenants[1,2,3]

1. Proforma for contracted pending acquisitions and contracted divestments (St Marys).
2. By gross income. Includes signed leases and MoUs across all operating and development assets.
3. Income from 'Other' subsectors of 6%.
4. Including exercise of the HMC Capital option on Camden Stage 1 this proportion increases to 24% of the portfolio.



$722m	3.0%	10.2yr
VALUE[1]	WARR[1,2]	WALE[1]

The leading ASX-listed diversified healthcare real estate landlord	Proudly Australian owned, operated and managed	Underpinned by megatrends including an ageing population, a growing focus on health & wellness and increasing health spend per capita	Positioned for growth with a $500m+ development pipeline	Externally managed by HMC Capital (ASX: HMC), a leading alternative asset manager with >$5bn of FUM

1. Proforma for contracted pending acquisitions and contracted divestments (St Marys).
2. Weighted Average Rent Review.

FY22 HIGHLIGHTS

Strong financial and operating *performance* since IPO

OPERATIONS	GROWTH
100% CASH RENT COLLECTION	~$200m ACQUISITIONS SINCE IPO[4] Acquisition WACR of 5.0%[5]
99% OCCUPANCY Versus 96% at IPO[1, 2]	~$125m ACTIVE DEVELOPMENTS The George Private Hospital on track for completion in Q1 CY23
10.2 year WALE HIGH QUALITY & SECURE INCOME 3% WARR across 67% of income contracted under fixed escalation leases with remaining 33% of income indexed to CPI[1,2,3]	~$500m DEVELOPMENT PIPELINE Including Camden Stages 2 and 3

FINANCIAL

5.1cpu/$49.6m

FY22 FFO PER UNIT/FY22 STATUTORY NPAT

FY22 FFO per unit +18% versus PDS

$2.01

NTA PER UNIT

+8% versus $1.86 at IPO

Net cash[6]

PF GEARING POSITION

Strong capital position with $413m available liquidity

1. By GLA. Includes signed leases, MoUs and rental guarantees across operating assets. Excludes development assets.
2. Includes contracted acquisitions announced October 2021.
3. Weighted Average Rent Review.
4. Includes $113m of initial acquisitions, estimated incremental cost to complete Proxima Southport and approximate acquisition cost of additional interest in Camden Stage 1 – approximate acquisition cost based on minimum capex funding agreed to by HMC Capital of at least $40m (in line with HCW) plus land value. Ownership on completion may increase subject to final capex contribution with total funding requirement (between Acurio Health Care, HCW and HMC Capital) of $80m under fixed price D&C contract.
5. Excludes development assets.
6. As at 30 June 2022 pro forma for $35.3m St Marys disposal. Does not include impact of contracted acquisitions announced October 2021.

Australia's *leading* diversified Healthcare REIT

Overview

On behalf of the Board of Directors we are proud to present the HealthCo Healthcare & Wellness REIT's (HCW or the REIT) Annual Report for the period ended 30 June 2022 (FY22).

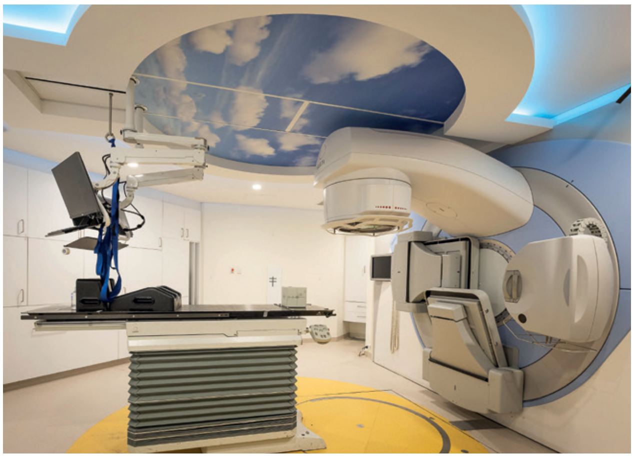
HCW delivered a strong inaugural financial result for the period which was underpinned by our proactive portfolio and capital management strategy. We exceeded our upgraded FFO guidance, notwithstanding the volatile macroeconomic environment over recent months, and preserved balance sheet flexibility with a disciplined approach to acquisitions in a competitive environment.

Our FY22 result further highlights the significant growth opportunity embedded in our portfolio and development pipeline.

Key highlights for the period are:

Financial highlights

- FY22 statutory net profit of $49.6 million
- FY22 FFO of $16.4m (5.1 cpu)[1] ahead of upgraded guidance[2]
- FY22 DPU of 7.5 cpu in-line with the PDS forecast
- Pro forma Jun-22 net cash position of $13m[3] following the sale of St Mary's at a 71% premium to book value
- Jun-22 NTA/unit of $2.01 versus $1.86 at IPO (+8%) driven by $36m of net revaluation gains



Operational highlights

Since listing in September 2021, HCW has collected 100% of cash rent. The occupancy is strong at 99% and we extended our WALE to 10.2 years, secured by high quality and growing income streams. This is a testament to our model portfolio strategy which provides strong downside protection through subsector, tenant and geographic diversification.

Sustainability

Sustainability is a key focus for HCW and central to the long-term performance of the business. During FY22, the REIT advanced a number of its ESG initiatives including progressing towards a green low carbon economy and Net Zero by 2028, the active implementation of a Smart Energy Management Strategy and the commencement of solar PV roll-out across selected assets. Pleasingly, we also achieved Green Star ratings at our health hubs Ballarat and Rouse Hill and met our gender diversity targets across HMC Capital's workforce and the HCW Board.

Developments

We have made good progress unlocking the significant growth opportunity embedded in our ~$500m development pipeline which is a core component of our growth strategy. This includes ~$125m of committed development projects which remain on budget and schedule, including The George Private Hospital in Camden, South West Sydney which is on track to be completed in Q1 CY23. We are also in advanced discussions with leading hospital operators to develop a significant private hospital at stage 2 of our Camden Precinct. This will transform the scale and quality of the portfolio on completion.

Investment highlights

HCW remained disciplined and only deployed capital into investments which met our acquisition criteria including our risk adjusted return hurdles.

Since the IPO in September 2021 HCW has transacted on ~$200m of high quality healthcare assets including:

- Metro Childcare Portfolio (VIC, NSW and WA): $108m acquisition of a high quality portfolio of 13 newly constructed metropolitan childcare centres with a WACR of 5.0% and 17.6 year portfolio WALE

Since listing in September 2021, HCW has collected 100% of cash rent. The occupancy is strong at 99% and we extended our WALE to 10.2 years, secured by high quality and growing income streams.

Joseph Carrozzi AM
Chair

Sam Morris
Senior Portfolio Manager

- Proxima Southport (QLD): Acquisition of HMC Capital's 50% share in a fund-through health hub development in the emerging Gold Coast Health and Knowledge Precinct for $5m.
- Camden Stage 1 (NSW): HCW has an option to acquire HMC Capital's interest in Camden Stage 1 (The George Private Hospital) on completion of the development at a 5% discount to the future independent valuation. The proposed acquisition will increase HCW's ownership interest in The George Private Hospital to approximately 92%.

These investments materially increased the scale of our portfolio and will enhance returns and key portfolio metrics.

Capital management

HCW remains well capitalised with net cash and strong liquidity. The recent sale of St Mary's at a 71% premium to Jun-22 book value has further enhanced our balance sheet strength and flexibility. As an extension of our proactive capital management strategy the REIT also announced an on-market unit buyback programme.

Guidance and outlook

As we move into FY23, HCW is well positioned with a net cash position and strong growth embedded in the portfolio and development pipeline. The REIT is in a strong position to fund its accretive development pipeline and capitalise on attractive acquisition opportunities which may emerge in the current economic environment. HCW is pleased to announce FY23 FFO guidance of 6.8 cpu[4] which represents 10% year-on-year growth on an annualised basis and FY23 DPU guidance of 7.5 cents which provides a sustainable base for growth.

On behalf of the Board of Directors we would like to express our appreciation to all of our unitholders for their ongoing support throughout FY22. As we turn to FY23, we are confident in the outlook for HealthCo Healthcare & Wellness REIT and we look forward to continue delivering growth and value for our unitholders.

Sam Morris
Senior Portfolio Manager

Joseph Carrozzi AM
Chair

1. Period from listing (6 September 2021) to 30 June 2022.
2. Revised guidance provided on 14 October 2021.
3. Proforma for the sale of St Mary's.
4. Based on average BBSY of 2.7% over the financial year.

Directors' Report

30 June 2022

The directors of HCW Funds Management Limited (ABN 58 104 438 100, AFSL 239882) (the 'Responsible Entity'), present their report together with the consolidated financial statements of HealthCo Healthcare and Wellness REIT. The financial statements cover HealthCo Healthcare and Wellness REIT as a consolidated entity consisting of HealthCo Healthcare and Wellness REIT (the 'Trust' or 'parent entity') and the entities it controlled at the end of, or during the period ended 30 June 2022 (collectively referred to as the 'REIT' or the 'group').

HCW Funds Management Limited is ultimately owned by the ASX listed entity Home Consortium Limited (ASX: HMC, trading as HMC Capital).

The Trust was registered by ASIC as a managed investment scheme on 30 July 2021. On 6 September 2021, the Trust was listed on the Australian Stock Exchange ('ASX.') The current period presented in the financial statements is for the period 30 July 2021 to 30 June 2022.

Directors

The following persons were directors of the Responsible Entity during the whole of the financial period and up to the date of this report, unless otherwise stated:

- Joseph Carrozzi AM – Independent Non-Executive Chair (appointed on 1 August 2021)
- Dr Chris Roberts AO – Independent Non-Executive Director (appointed on 1 August 2021)
- David Di Pilla – Director (appointed on 28 July 2021)
- Kelly O'Dwyer – Non-Executive Director (appointed on 1 August 2021)
- Natalie Meyenn – Independent Non-Executive Director (appointed on 1 August 2021)
- Stephanie Lai – Independent Non-Executive Director (appointed on 1 August 2021)
- Christopher Saxon – Director (appointed on 28 July 2021 and resigned on 1 August 2021)
- Andrew Selim – Director (appointed on 28 July 2021 and resigned on 1 August 2021)

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the REIT is the investment in a portfolio of healthcare property assets including hospitals, aged care, childcare, government, life sciences and research, primary care and wellness property assets as well as other healthcare and wellness property adjacencies. The REIT did not have any employees during the period.

Review of operations and financial performance

The REIT's financial performance for the period ended 30 June 2022 was materially influenced by the completion of the ASX listing on 6 September 2021 and the acquisition from HMC Capital of an initial portfolio comprising of 27 properties for $555.0 million, including 4 contracted acquisitions for a fair value of $59.0 million.

During the financial year the REIT was active in undertaking investment activities, growing the portfolio to 29 properties as at 30 June 2022. Operating performance was strong with unadjusted rent cash collection of 100%.

A summary of the financial performance of the REIT for the period ended 30 June 2022 is detailed below. Financial performance represents the period from incorporation on 30 July 2021 to 30 June 2022, however there was no material income of the REIT until the transfer of the initial portfolio from HMC Capital on 6 September 2021.

Summary of financial performance

	Consolidated FY22 $'000
Total revenue	29,137
Net profit/(loss)	49,612
Funds from operations ('FFO')	16,444
Weighted average units on issue	325,179
FFO per unit (cents)	5.1
Distribution per unit (cents)	7.5

The REIT recorded total revenue and other income of $29.1 million, a net profit of $49.6 million and FFO of $16.4 million for the period ended 30 June 2022. FFO represents the REIT's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit after tax for items which are non-cash, unrealised or capital in nature. The directors consider FFO to represent the core earnings of the REIT.

The net profit was primarily attributable to property FFO of $16.4 million and a fair value movement of $35.1 million, offset by transaction costs with respect to property acquisitions of $1.3 million.

A summary of the reconciliation between the REIT's net profit and FFO for the period ended 30 June 2022 is detailed below:

	Consolidated FY22 $'000
Net profit for the period	49,612
Straight lining & amortisation	(1,920)
Acquisition & transaction costs	1,323
Rent guarantee income	1,041
Amortisation of borrowing costs	922
Fair value movements	(35,132)
Proxima Coupon	598
FFO	**16,444**

Summary of financial position

A summary of the REIT's financial position as at 30 June 2022 is outlined below.

	30 June 2022 $'000
Assets	
Investment properties (including asset held for sale)	644,313
Total assets	693,597
Net assets	654,090
Net tangible assets	654,090
Number of units on issue (million)	325.4
Net tangible assets ($ per unit)	2.01
Capital management	
Debt facility limit	400,000
Drawn debt	25,000
Cash and undrawn debt [1]	377,693

1. Cash and cash equivalents as at 30 June 2022 was $2,693,000.

Property portfolio:

Investment properties increased to $609.0 million as at 30 June 2022, driven by property acquisitions and the purchase of the REIT's remaining 50% interest in the Proxima Southport development following the initial transfer of a property portfolio from HMC Capital as part of the establishment of the Trust. In addition, the REIT also recorded a fair value uplift on investment properties of $35.1 million including the gain on the St Marys asset (held for sale).

Net tangible assets:

Net tangible assets ('NTA') is calculated as the total equity divided by units on issue. The REIT reported NTA of $2.01 per unit as at 30 June 2022.

Capital raising:

The Trust was established through an initial public offering ('IPO') which raised $650.0 million at $2.00 per unit in September 2021. Further, the REIT issued 224,620 units under the dividend reinvestment plan. Refer to note 17 of the consolidated financial statements for details of equity raised during the period.

Capital management:

The REIT entered into a $400.0 million senior secured syndicated debt facility at the time of the listing on the ASX. The REIT had $377.7 million in cash and undrawn debt as at 30 June 2022.

Distributions

Distributions declared and/or paid during the financial period were as follows:

FY22	Distribution per unit (cents)	Total distribution $'000	Ex-distribution date	Record date	Payment date
Dec-21	3.00	9,755	30-Dec-21	31-Dec-21	25-Feb-22
Mar-22	2.25	7,316	30-Mar-22	31-Mar-22	20-May-22
Jun-22	2.25	7,321	29-Jun-22	30-Jun-22	22-Aug-22
Total	**7.50**	**24,392**			

Significant changes in the state of affairs

Other than the matters described in the 'Review of operations and financial performance' detailed above, there were no other significant changes in the state of affairs of the REIT during the period.

Matters subsequent to the end of the financial period

In July 2022, the contract for sale of St Marys became unconditional and is due to settle after the reporting period. In August 2022, the Board approved a unit buy back program to be in place for one year. However, HCW will only buy back shares at such times and in such circumstances as are considered beneficial to the efficient capital management of HCW. HCW reserves the right to suspend or terminate the buy back at any time.

No further matters or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the REIT's operations, the results of those operations, or the REIT's state of affairs in future financial years.

Likely developments and expected results of operations

REIT objectives

The REIT's objective is to provide exposure to a diversified portfolio underpinned by healthcare sector megatrends, targeting stable and growing distributions, long-term capital growth and positive environmental and social impact.

Risk considerations

COVID-19

While the impact of the COVID-19 pandemic has continued across multiple Australian states and territories, no lockdown restrictions are currently imposed at any REIT managed properties. The REIT has a strong balance sheet, collected 100% of contracted rent in the period to 30 June 2022 and is well-positioned to minimise any foreseeable impacts of COVID-19.

Financial risks

The REIT's primary source of income is generated through the leasing arrangements it has with tenants across the portfolio. The REIT has sought to protect its property income by maintaining a diversified exposure across geographies, tenants and target subsectors of healthcare and wellness and targeting stable income characteristics including long leases, contracted rental escalations (including CPI and fixed escalations), sustainable rents and strong tenant covenants.

A key economic risk for the REIT relates to interest rate movements and the impact of this on property capitalisation rates and the cost of debt funding. The REIT seeks to mitigate this risk by investing in quality properties and maintaining an appropriate capital structure with a target gearing ratio of 30% – 40%.

Sustainability and climate-related and environmental risks

Sustainability is a key element of the REIT's business approach, driven by the belief that sustainable investments are aligned to long-term value creation and should not be dilutive to returns. HMC Capital has established a sustainability subcommittee of the HMC Capital Board that governs HMC Capital's sustainability strategy and initiatives across its managed funds, including the REIT. HMC Capital became a signatory to the UNPRI and a GRESB participating member in February 2021. These two organisations will provide an investment and reporting framework to help shape the REIT's future strategies and risk framework.

The geographic diversity of the REIT's portfolio limits the exposure to physical climate events to localised occurrences. The REIT also undertakes detailed due diligence on property acquisitions to assess environmental risks including contamination as well as any potential exposure to climate related events.

Environmental regulation

The directors of the Responsible Entity are satisfied that adequate systems are in place to manage the group's environmental responsibility and compliance with regulations. The directors of the Responsible Entity are not aware of any material breaches of environmental regulations and, to the best of their knowledge and belief, all activities have been undertaken in compliance with environmental requirements.

Fees paid to and interests held in the REIT by the Responsible Entity

Fees paid to the Responsible Entity and its associates out of the REIT during the period are disclosed in note 25 to the consolidated financial statements. The Responsible Entity was reimbursed $0.6 million relating to Non-Executive Director's remuneration. The number of units in the REIT held by associates is disclosed below.

Unitholding relating to key management personnel

The number of units in the REIT held during the period by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

Ordinary units	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
Joseph Carrozzi AM	200,000	24,939	–	–	224,939
Dr Chris Roberts AO	500,000	9,636	–	–	509,636
David Di Pilla	500,000	–	–	–	500,000
Kelly O'Dwyer	25,000	9,636	–	–	34,636
Natalie Meyenn	–	24,939	–	–	24,939
Stephanie Lai	100,000	9,636	64,000	–	173,636
Christopher Saxon	–	–	–	–	–
Andrew Selim	–	–	–	–	–
Total	**1,325,000**	**78,786**	**64,000**	**–**	**1,467,786**

Units under option

There were no unissued ordinary units of the Trust under option outstanding at the date of this report.

Units issued on the exercise of options

There were no ordinary units of HealthCo Healthcare and Wellness REIT issued on the exercise of options during the period ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The Trust has indemnified the directors of the Trust for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the Trust paid a premium in respect of a contract to insure the directors of the Responsible Entity against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Trust has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Trust or any related entity against a liability incurred by the auditor. During the financial period, the Trust has not paid a premium in respect of a contract to insure the auditor of the Trust or any related entity.

Proceedings on behalf of the Trust

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Trust, or to intervene in any proceedings to which the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or part of those proceedings.

Information on directors

Name:	Joseph Carrozzi AM
Title:	Independent Non-Executive Chair
Experience and expertise:	Joseph has over 25 years of experience as Partner in the Big 4 professional services firms, commencing with Tax and Legal leader at Andersens, Regional Managing Partner at EY and later joining PwC in 2005 as National Managing Partner, Markets and Sydney office. He also Chairs the Centenary Institute for Medical Research, the Sydney Harbour Federation Trust and Angus Knight Limited (a private business). Joseph is a board member of the National Intermodal Corporation, a Governor of Western Sydney University and a Board member of Football Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in units:	224,939 ordinary units

Name:	Dr Chris Roberts AO
Title:	Independent Non-Executive Director
Experience and expertise:	Chris has over 40 years of experience in the medical device industry serving a number of senior management positions. He was the former CEO of Cochlear from 2004 to 2015 and is presently a member of the Cochlear Foundation Board, TEDI London and non-executive director of Clarity Pharmaceuticals Limited and Atmo Biosciences Ltd. He was also the Founding director and Executive Vice President of ResMed from 1992 to 2003, and a director until 2017. Chris was the former Chair of Research Australia from 2004 to 2010.
Other current directorships:	Non-Executive Director of Clarity Pharmaceuticals (ASX: CU6)
Former directorships (last 3 years):	Chair of OncoSil Medical Limited (ASX: OSL)
Interests in units:	509,636 ordinary units

Name:	David Di Pilla
Title:	Director
Experience and expertise:	David led the team that founded and established HMC Capital in 2016. David is the founder, a director and the major shareholder of the Aurrum Aged Care group. From 2014 to 2016, he was also a strategic advisor and director to operating subsidiaries of the Tenix Group of Companies. David has over 20 years of experience in investment banking. From 2004 to 2015, he was Managing Director and Senior Adviser at UBS Australia and during this time he advised some of Australia's largest corporations on mergers and acquisitions, debt and equity capital market transactions.
Other current directorships:	Executive Director of HMC Capital (ASX: HMC) – appointed on 11 October 2017 and Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) – appointed on 18 September 2020.
Former directorships (last 3 years):	None
Interests in units:	500,000 ordinary units

Name:	Kelly O'Dwyer
Title:	Non-Executive Director
Experience and expertise:	Kelly served in the Australian Parliament as a Senior Cabinet Minister holding a number of key economic portfolios including Minister for Jobs and Industrial Relations; Minister for Revenue and Financial Services; Minister for Small Business; and Assistant Treasurer. She also served on the Cabinet's Budget Committee (the Expenditure Review Committee) and held the portfolios of Minister for Women; as well as Minister Assisting the Prime Minister with the Public Service. Prior to entering Parliament, Kelly worked in law, government and finance and brings insights across a range of sectors including funds management, superannuation, workplace relations, foreign investment, law and banking. Kelly holds a Bachelor of Laws (Hons) and Bachelor of Arts from The University of Melbourne.
Other current directorships:	Non-Executive Director of EQT Holdings Limited (ASX:EQT); and Non-Executive Director of HMC Capital appointed on 18 November 2020
Former directorships (last 3 years):	None
Interests in units:	34,636 ordinary units

Name:	**Natalie Meyenn**
Title:	Independent Non-Executive Director
Experience and expertise:	Natalie has over 25 years' experience in financial services and investing globally. She has previously held the roles of CIO and Chair of the Investment Committee for MLC Private Equity. She has worked in investment banking (M&A, capital markets and public finance) in New York and Sydney for many years and spent time at the World Bank working in Asia, Africa and the Pacific Islands on microfinance, project finance and climate change impact mitigation strategies. She has served as the adviser, director and/or shareholder for a small number of asset management and investment businesses in Europe and Australia, including a carbon neutral asset management platform in Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in units:	24,939 ordinary units

Name:	**Stephanie Lai**
Title:	Independent Non-Executive Director
Experience and expertise:	Stephanie has over 20 years of experience as a Chartered Accountant and is a former Merger & Acquisitions partner of Deloitte and KPMG. She has significant experience providing due diligence and advisory services, including forecast reviews to listed entities, sovereign wealth funds, wealth managers and private equity. Stephanie has a Bachelor of Business from the University of Technology, Sydney and is a Graduate Member of the Australian Institute of Company Directors and the Institute of Chartered Accountants (Australia and New Zealand).
Other current directorships:	Non-Executive Director of Superloop Limited (ASX: SLC) – appointed on 11 March 2020, Non-Executive Director of Future Generation Investment Company Limited (ASX: FGX) – appointed on 27 March 2019 and Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) – appointed on 16 October 2020
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in units:	176,636 ordinary units

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Andrew Selim is the Company Secretary and was appointed on 28 July 2021. He is responsible for all legal, compliance and governance activities of the group. Andrew has over 20 years of local and international experience in real estate and corporate law. Andrew is the current Group General Counsel and Company Secretary of HMC Capital (ASX: HMC). Before joining, Andrew was Senior Legal Counsel and Company Secretary at GPT Group. Prior to that, he was a Senior Associate at Allens Linklaters. Andrew holds a Master of Laws, Bachelor of Laws (Honours) and Bachelor of Science (Advanced), from the University of Sydney. He is a Member of the Governance Institute of Australia, a Member of the Association of Corporate Counsel Australia and is a Member of the Australian Institute of Company Directors. He previously served on the Law Society of NSW In-House Corporate Lawyers Committee. Andrew has also been recognised in The Legal 500 GC Powerlist and Doyles.

Meetings of directors

The number of meetings of the Trust's Board of Directors ('the Board') held during the period ended 30 June 2022, and the number of meetings attended by each director were:

	Full board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Joseph Carrozzi AM	6	6	3	3
Dr Chris Roberts AO	6	6	–	–
David Di Pilla ^	6	6	^	^
Kelly O'Dwyer	6	6	–	–
Natalie Meyenn	6	6	3	3
Stephanie Lai	6	6	3	3
Christopher Saxon*	1	1	–	–
Andrew Selim*	1	1	–	–

Held: represents the number of meetings held during the time the director held office.

^ David Di Pilla attended meetings by invitation.

* Meetings attended until resignation on 1 August 2021.

Non-audit services

There were no non-audit services provided during the financial period by the auditor.

Officers of the Trust who are former partners of KPMG

Stephanie Lai was appointed as a director of the Company on 1 August 2021. She is a former partner of KPMG, the current auditor, having been a partner until 2009.

Rounding of amounts

The Trust is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.
On behalf of the directors

Joseph Carrozzi AM
Chair

David Di Pilla
Director

11 August 2022

Auditor’s Independence Declaration

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of HCW Funds Management Limited, the Responsible Entity of HealthCo Healthcare and Wellness REIT

I declare that, to the best of my knowledge and belief, in relation to the audit of HealthCo Healthcare and Wellness REIT for the financial period from 30 July 2021 to 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Jessica Davis

Partner

Sydney

11 August 2022

Financial Report Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2022

	Note	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Property income	6	27,484
Other income	7	1,647
Interest income		6
Net unrealised fair value gain	14	35,132
Expenses		
Property expenses		(4,624)
Corporate expenses		(1,864)
Management fees	25	(3,530)
Acquisition and transaction costs	8	(1,323)
Finance costs	8	(3,316)
Profit for the period		**49,612**
Other comprehensive income for the period		–
Total comprehensive income for the period		**49,612**

		Cents
Basic earnings per unit	28	15.26
Diluted earnings per unit	28	15.26

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Consolidated 30 Jun 2022 $'000
Assets		
Current assets		
Cash and cash equivalents	9	2,693
Trade and other receivables	10	2,053
Other assets	11	15,949
		20,695
Assets held for sale	12	35,300
Total current assets		55,995
Non-current assets		
Investments accounted for using the equity method	13	28,589
Investment property	14	609,013
Total non-current assets		637,602
Total assets		693,597
Liabilities		
Current liabilities		
Trade and other payables	15	9,892
Distributions payable	18	7,321
Total current liabilities		17,213
Non-current liabilities		
Borrowings	16	22,294
Total non-current liabilities		22,294
Total liabilities		39,507
Net assets		**654,090**
Equity		
Contributed equity	17	628,870
Retained profits		25,220
Total equity		**654,090**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the period ended 30 June 2022

Consolidated	Contributed equity $'000	Retained profits $'000	Total equity $'000
Balance at 30 July 2021	–	–	–
Profit for the period	–	49,612	49,612
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period	–	49,612	49,612
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 17)	628,870	–	628,870
Distributions paid or payable (note 18)	–	(24,392)	(24,392)
Balance at 30 June 2022	628,870	25,220	654,090

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the period ended 30 June 2022

	Note	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Cash flows from operating activities		
Receipts from tenants (inclusive of GST)		32,706
Payments to suppliers (inclusive of GST)		(6,997)
Interest received		–
Interest and other finance costs paid		(2,122)
Net cash from operating activities	29	23,587
Cash flows from investing activities		
Payment for acquisition of investment properties and capital expenditure		(493,882)
Payments attributable to investment in joint ventures	13	(28,589)
Net cash used in investing activities		(522,471)
Cash flows from financing activities		
Proceeds from issue of units	17	520,000
Capital raising and IPO costs		(23,154)
Proceeds from borrowings	29	25,000
Borrowing cost paid		(3,628)
Distributions paid	29	(16,640)
Net cash from financing activities		501,577
Net increase in cash and cash equivalents		2,693
Cash and cash equivalents at the beginning of the financial period		–
Cash and cash equivalents at the end of the financial period	9	2,693

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. General information

The financial statements cover HealthCo Healthcare and Wellness REIT (the 'Trust') as a consolidated entity consisting of HealthCo Healthcare and Wellness REIT and the entities it controlled at the end of, or during, the period (collectively referred to hereafter as the 'group' or 'REIT'). The financial statements are presented in Australian dollars, which is HealthCo Healthcare and Wellness REIT's functional and presentation currency.

HealthCo Healthcare and Wellness REIT is a listed, for-profit public investment trust, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 7 Gateway
1 Macquarie Place
Sydney NSW 2000

A description of the nature of the REIT's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The current period presented in the financial statements is for the period 30 July 2021 to 30 June 2022. As such, there is no comparative information.

HCW Funds Management Limited (ABN 58 104 438 100) (AFSL 239882) ('Responsible Entity') is the responsible entity of the Trust.

The Responsible Entity has appointed HMC Property Management Pty Limited (the 'Property Manager') and HMC Investment Management Pty Ltd (the 'Investment Manager) to provide certain asset management, investment management, development management, leasing and property management services to the group in accordance with the Investment Management Agreement and Property Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are ultimately owned by HMC Capital (ASX: HMC).

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 August 2022.

Note 2. Establishment and ASX Listing

The Trust was registered by ASIC as a managed investment scheme on 30 July 2021. On 6 September 2021, the Trust was listed on Australian Securities Exchange ('ASX').

As part of the establishment of the Trust, HMC Capital (ASX: HMC) transferred a portfolio of properties to the REIT and subscribed to units in the Trust in accordance with the PDS lodged with the ASX. HMC retained 20.0% ownership interest in the Trust on the ASX listing date. These units were recognised at the fair value of the investment property transferred at the point of establishment.

As part of the listing of the Trust on the ASX:

- The Trust was listed on the ASX on 6 September 2021;
- The Trust raised $650.0 million of new equity by issuing 325 million units at $2.00 per unit;
- New equity issue above includes 65 million units for $130 million as non-cash settlement of investment property to HMC Capital; and
- The REIT acquired an initial portfolio comprising of 27 properties for $555.0 million which included 4 contracted acquisitions for a fair value of $59.0 million.

Note 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

The REIT has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the REIT for the financial period ended 30 June 2022.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of investment properties at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the REIT'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 disclosed in note 4.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the consolidated results of the REIT. Supplementary information about the parent entity is disclosed in note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of HealthCo Healthcare and Wellness REIT ('Trust' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the period then ended. HealthCo Healthcare and Wellness REIT and its subsidiaries together are referred to in these financial statements as the 'REIT'.

Subsidiaries are all those entities over which the REIT has control. The REIT controls an entity when the REIT is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the REIT. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the REIT are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the REIT.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 3. Significant accounting policies continued

Where the REIT loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The REIT recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which is the Board of Directors of the Responsible Entity. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The REIT recognises revenue as follows:

Property rental income

Property rental income is recognised on a straight-line basis over the lease term for leases with fixed rate or guaranteed minimum rent review clauses, net of incentives.

Other property income

Other property income represents direct and indirect outgoings recovered from tenants. The group recognises direct and indirect outgoings based on actual costs incurred in accordance with the terms of the related leases. Actual costs reflect the service provided. The amount of recoveries revenue is determined by the actual cost incurred and the terms in the lease. The outgoings recovered are recognised over the period the services are provided.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Leasing costs and tenant incentives

Leasing costs

Leasing costs are costs that are directly associated with negotiating and arranging an operating lease (including commissions, fees and costs of preparing and processing documentation for new leases). These costs are capitalised and amortised on a straight-line basis over the term of the lease.

Tenant incentives

Incentives such as cash, rent-free periods, lessee or lessor owned fit-outs may be provided to lessees to enter into a lease. These incentives are capitalised and are amortised on a straight-line basis over the term of the lease as a reduction of rental income. The carrying amount of tenant incentives is reflected in the fair value of investment properties.

Management fees and other expenses

All expenses are recognised on an accrual basis. Management fees are recognised as the services are rendered. The services relate to property and fund management roles provided by the Property Manager and Investment Manager collectively known as the Manager(s). Management fees are charged in accordance with the management fee arrangements.

Income tax

The Trust is intended to be treated as a ‘flow-through’ entity for Australian income tax purposes under the Attribution Managed Investment Trust rules such that the net income of the Trust will be taxable in the hands of the unitholders on an attribution basis.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the REIT’s normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the REIT’s normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses. Debts that are known to be uncollectable are written off when identified.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current asset and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Note 3. Significant accounting policies continued

Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the group's share of the results of operations of the joint venture. Any change in other comprehensive income ('OCI') of those investees is presented as part of the group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the joint venture are eliminated to the extent of the interest in the joint venture. The financial statements of the joint venture are prepared using the same accounting policies and for the same reporting period as the group.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investment properties

Investment properties comprise of freehold investment properties held at fair value through profit or loss.

Freehold properties are held for long-term rental yields and capital appreciation. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at each reporting date at fair value. Movements in fair value are recognised directly to profit or loss. Investment properties are derecognised when disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected from its disposal. Gains or losses resulting from the disposal of freehold property are measured as the difference between the carrying value of the asset and disposal proceeds at the date of disposal and are recognised when control over the property has been transferred.

Rental guarantees

Rental guarantees relating to investment property are capitalised in the statement of financial position. They are measured at fair value, equal to the net present value of expected future cash flows under the guarantee arrangements. The guarantee payments relating to the property are recorded in FFO as an adjustment to net profit over the period of the guarantee.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and amortised over the period of the facility to which it relates.

Finance costs

Finance costs are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For reoccurring and non-recurring fair value measurements, external valuers may be used with all investment properties having an external valuation at least once every two years. External valuers are selected based on market knowledge and reputation. Under the REIT's valuation policy, where there is a significant change in the fair value of an asset or liability from one period to another, an analysis is undertaken, which includes verification of major inputs applied to the latest valuation and comparison, where applicable with external sources of data.

Contributed capital

Units issued by the Trust are classified as equity.

Incremental costs directly attributable to the issue of new units or options are shown in equity as a deduction from the proceeds.

Distributions

Distributions are recognised when declared during the financial period and no longer at the discretion of the Trust.

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the Trust, on or before the end of the financial period but not distributed at the reporting date.

Earnings per unit

Basic earnings per unit

Basic earnings per unit is calculated by dividing the profit attributable to the owners of HealthCo Healthcare and Wellness REIT, excluding any costs of servicing equity other than ordinary units, by the weighted average number of ordinary units outstanding during the financial period, adjusted for bonus elements in ordinary units issued during the financial period.

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.

Note 3. Significant accounting policies continued

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Trust is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the REIT for the annual reporting period ended 30 June 2022. The REIT's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the REIT, are set out below.

Classification of liabilities as current or non-current (AASB 2020-1, AASB 2020-6)

A narrow-scope amendment to AASB 101 'Presentation of Financial Statements' was issued by the AASB (based on the IASB amendment) to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment may affect the classification of some liabilities that can be converted to equity and for liabilities where the intentions of management were used to determine the classification. The effective date was originally for annual reporting periods commencing from 1 January 2022 but it has been deferred to 1 January 2023. The group has not yet assessed the impact but does not expect that it will be significant.

Amendments to Australian accounting standards – Disclosure of accounting policies and definition of accounting estimates (AASB 2021-2)

AASB 2021-2 amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. The effective date is for annual reporting periods commencing from 1 January 2023. The group has not yet assessed the impact but does not expect that it will be significant.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy

The REIT is required to classify all assets, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis, the capitalisation method or the use of observable inputs that require significant adjustments based on unobservable inputs.

The fair value assessment of investment property as at 30 June 2022 has been conducted using the information available at the time of the preparation of the financial statements and best estimates of future performance. Refer to note 20 for details of valuation techniques used.

Note 5. Operating segments

The REIT's operating segments are based on the internal reports that are reviewed and used by the Board of Directors of the Responsible Entity (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The directors of the Responsible Entity have determined that there is one operating segment being its Australian operations.

The CODM monitors the performance of the business on the basis of Funds from Operations ('FFO'). FFO represents the REIT's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit or loss for items which are non-cash, unrealised or capital in nature. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a quarterly basis.

Refer to statement of financial position for segment assets and liabilities.

Major customers

During the financial period ended 30 June 2022, approximately 10.3% of the REIT's external revenue was derived from rental income from one main tenant.

Note 5. Operating segments continued

Segment results

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Funds from operations ('FFO')	16,444
Straight lining and amortisation	1,920
Acquisition and transaction costs	(1,323)
Income guarantees	(1,041)
Amortisation of borrowing costs	(922)
Fair value movements	35,132
Proxima coupon	(598)
Net profit for the period	49,612

Note 6. Property income

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Property rental income	24,462
Other property income	3,022
Property income	27,484

Disaggregation of revenue

The revenue from leases with tenants is derived entirely within Australia and recognised on a straight-line basis over the lease terms.

Note 7. Other income

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Income guarantees	1,647

The income guarantees relate to Armadale, GenesisCare Bundaberg, GenesisCare Ringwood and GenesisCare Urraween. The income guarantee is received from Home Consortium Developments Pty Limited. Refer to note 25 for related party breakdown.

Note 8. Expenses

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Profit includes the following specific expenses:	
Acquisition and transaction costs:	
IPO costs	760
Transaction costs	563
Total acquisition and transaction costs	1,323
Finance costs	
Interest and finance charges paid/payable on borrowings	2,394
Amortisation of capitalised borrowing costs	922
Finance costs expensed	3,316

Note 9. Cash and cash equivalents

	Consolidated 30 Jun 2022 $'000
Current assets	
Cash at bank	2,693

Note 10. Trade and other receivables

	Consolidated 30 Jun 2022 $'000
Current assets	
Trade receivables	324
Less: Allowance for expected credit losses	(27)
	297
Other receivables	1,509
GST receivable	247
	2,053

Note 11. Other assets

	Consolidated 30 Jun 2022 $'000
Current assets	
Prepayments	240
Security deposits	600
Property deposits	14,492
Other current assets	617
	15,949

Note 12. Assets held for sale

	Consolidated 30 Jun 2022 $'000
Current assets	
Investment property	35,300

Assets held for sale represents a property in St Marys (New South Wales) that is contracted to be sold to a third party. The sale went unconditional in July 2022 and is due to settle after the reporting period.

Note 13. Investments accounted for using the equity method

	Consolidated 30 Jun 2022 $'000
Non-current assets	
Investment in joint venture – Camden Trusts	28,589

Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the REIT are set out below:

Name	Principal place of business/ Country of incorporation	Ownership interest 30 Jun 2022 %
The George Trust	Australia	40.3%
General Medical Precinct Trust	Australia	25.0%
Life Sciences Medical Precinct Trust	Australia	30.2%

Summarised financial information

	Camden Trusts 30 Jun 2022 $'000
Summarised statement of financial position	
Current assets	1,042
Non-current assets	87,002
Total assets	88,044
Current liabilities	5,876
Non-current liabilities	–
Total liabilities	5,876
Net assets	82,168
Summarised statement of profit or loss and other comprehensive income	
Revenue	–
Expenses	–
Profit	–
Other comprehensive income	–
Total comprehensive income	–
Reconciliation of the REIT's carrying amount	
Opening carrying amount	–
Share of profit	–
Additions during the period	28,589
Share of net or profit after income tax for the period	–
Closing carrying amount	28,589

Commitments

	Consolidated 30 Jun 2022 $'000
Committed at the reporting date but not recognised as liabilities:	
Capital expenditure	26,950

Note 14. Investment property

	Consolidated 30 Jun 2022 $'000
Non-current assets	
Investment property – at fair value	609,013
Reconciliation	
Reconciliation of the fair values at the beginning and end of the current financial period are set out below:	
Opening fair value	–
Additions on settlement from HMC Capital	480,464
Acquisitions	81,014
Straight-lining and amortisation of incentives	4,462
Capitalised expenditure (including property acquisition costs)	43,241
Net unrealised gain from fair value adjustments	35,132
Classified as held for sale (note 12)	(35,300)
Closing fair value	609,013

Refer to note 20 for further information on fair value measurement.

All investment properties generate rental income and are disclosed in note 6 and the direct property expenses are disclosed in the consolidated statement of profit or loss. The investment properties are leased to tenants under operating leases with varying lease terms and rentals payable monthly. Lease payments for contracts include CPI increases and fixed percentage increases.

Lease payments receivable (undiscounted)

	Consolidated 30 Jun 2022 $'000
Minimum lease commitments receivable but not recognised in the financial statements:	
1 year or less	27,017
Between 1 and 2 years	26,979
Between 2 and 3 years	27,485
Between 3 and 4 years	27,152
Between 4 and 5 years	25,693
Over 5 years	142,460
	276,786

Note 15. Trade and other payables

	Consolidated 30 Jun 2022 $'000
Current liabilities	
Trade payables	1,842
Rent received in advance	706
Accrued expenses	1,766
Interest payable	230
Other payables*	5,348
	9,892

Refer to note 19 for further information on financial instruments.

* Majority of other payables relate to accrued capital expenditure.

Note 16. Borrowings

	Consolidated 30 Jun 2022 $'000
Non-current liabilities	
Bank loans	25,000
Capitalised borrowing costs	(2,706)
	22,294

Refer to note 19 for further information on financial instruments.

During the period, the REIT entered into a $400.0 million debt facility expiring on 29 August 2024. The interest comprises a base rate plus a variable margin, determined by the prevailing loan to valuation ratio. A commitment fee is also payable on all undrawn debt, determined by a percentage of the base rate. The bank loans are secured by first mortgages over the REIT's freehold properties, including any classified as held for sale. The REIT has complied with the financial covenants during the financial period.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 30 Jun 2022 $'000
Total facilities	
Bank loans	400,000
Used at the reporting date	
Bank loans	25,000
Unused at the reporting date	
Bank loans	375,000

Note 17. Contributed equity

	Consolidated	
	30 Jun 2022 Units	30 Jun 2022 $'000
Ordinary class units – fully paid	325,378,233	628,870

Movements in ordinary units

Details	Date	Units	$'000
Balance	30 July 2021	10	–
Units issued to Home Consortium Developments Pty Ltd (at $2.00 per unit)	2 September 2021	65,000,000	130,000
Units issued on initial public offering (at $2.00 per unit)	2 September 2021	260,000,000	520,000
Units issued to Directors and advisory panel members of Responsible Entity	2 September 2021	153,603	307
Units issued as part of distribution reinvestment plan (at $1.92 per unit)	20 May 2022	224,620	431
Transaction costs on issue of units		–	(21,868)
Balance	30 June 2022	325,378,233	628,870

All units in the Trust are of the same class and carry equal rights to capital and income distributions. The fully paid units have no par value and the Trust does not have a limited amount of authorised capital.

On a show of hands every unitholder present at a meeting in person or by proxy shall have one vote and upon a poll each unit shall have one vote.

Distribution Reinvestment Plan ('DRP')

The Trust had a Distribution Reinvestment Plan ('DRP') under which unitholders may elect to have all or part of their distribution entitlements satisfied by the issue of new units. The issue price was determined by applying nil discount to the arithmetic average of the daily volume weighted average price for all units traded for the first 5 ASX trading days following the business day after the record date and rounded to nearest whole cent.

The DRP was not available for the December 2021 distribution but applied to the March 2022 and June 2022 distributions.

Unit buy-back

There is no current on-market unit buy-back.

Capital risk management

The group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for unitholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the consolidated statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the group may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt.

The group is subject to certain covenants on its financing arrangements and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial period.

Note 18. Distributions

Distributions paid or payable during the financial period were as follows:

	Period from 30 Jul 2021 to 30 Jun 2022 $'000
Interim distribution for the period ended 30 June 2022 of 3.00 cents per unit declared on 17 December 2021. The distribution was paid on 25 February 2022 to unitholders registered on 31 December 2021.	9,755
Interim distribution for the period ended 30 June 2022 of 2.25 cents per unit declared on 22 March 2022. The distribution was paid on 20 May 2022 to unitholders registered on 31 March 2022. Refer to note 17 for distribution settled in units.	7,316
Final distribution for the period ended 30 June 2022 of 2.25 cents per unit declared on 7 June 2022. The distribution will be paid on 22 August 2022 to unitholders registered on 30 June 2022.	7,321
	24,392

* Final distribution will be paid subsequent to the end of the financial period on 22 August 2022.

Note 19. Financial instruments

Financial risk management objectives

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out by the Responsible Entity. These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. The Responsible Entity identifies, evaluates and hedges financial risks within the group's operating units.

The financial instruments of the REIT consist of cash and cash equivalents, including deposits with banks, borrowings, trade and other receivables and trade and other payables and other assets which include prepaid deposits.

Market risk

Foreign currency risk

The group is not exposed to any significant foreign currency risk.

Price risk

The REIT is not exposed to any significant price risk.

Interest rate risk

The group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the group to interest rate risk.

Note 19. Financial instruments continued

As at the reporting date, the group had the following variable rate borrowings outstanding:

	30 Jun 2022	
Consolidated	Weighted average interest rate %	Balance $'000
Bank loans – variable rate	1.89%	25,000
Net exposure to cash flow interest rate risk		25,000

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 50 basis points would have an adverse/favourable effect on the profit for the period of $125,000 per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the REIT. The REIT has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The REIT obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The REIT does not hold any collateral.

The REIT has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the REIT based on recent sales experience, historical collection rates and forward-looking information that is available.

There are no significant tenants with credit risk exposures as at 30 June 2022.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the REIT to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The REIT manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Refer to note 16 for details of unused borrowing facilities at the reporting date.

Remaining contractual maturities

The following tables detail the REIT's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 30 Jun 2022	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	1,842	–	–	–	1,842
Distribution payable	7,321	–	–	–	7,321
Other payables	5,348	–	–	–	5,348
Interest-bearing – variable					
Bank loans					
	–	–	25,000	–	25,000
Total non-derivatives	14,511	–	25,000	–	39,511

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 20. Fair value measurement

Fair value hierarchy

The following table details the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Consolidated – 30 Jun 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment property	–	–	609,013	609,013
Investment property – held for sale	–	–	35,300	35,300
Total assets	–	–	644,313	644,313

Assets and liabilities held for sale are measured at fair value on a non-recurring basis. There were no transfers between levels during the financial period.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 20. Fair value measurement continued

Valuation techniques for fair value measurements categorised within level 2 and level 3

The basis of valuation of investment properties is fair value. Independent valuations are obtained on a rotational basis to ensure each property is valued at least once every 24 months by an independent external valuer. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. The discounted cash flow method and the capitalisation method are also considered for determining fair value. For properties not independently valued during a reporting period, a directors' valuation is carried out to determine the appropriate carrying value of the property as at the date of the report. Where directors' valuations are performed, the valuation methods include using the discounted cash flow method and the capitalisation method.

Level 3 assets and liabilities

Description	Unobservable inputs	Range (weighted average) 30 Jun 2022
Investment property	(i) Capitalisation rate	3.88% to 6.25% (4.94%)
	(ii) Discount rate	4.88% to 7.25% (6.17%)
	(iii) Terminal yield	4.00% to 6.50% (5.30%)

A higher capitalisation rate, discount rate or terminal yield will lead to a lower fair value. A higher growth rate will lead to a higher fair value. The weighted average capitalisation rate is the most significant input into the valuation of investment property and therefore most sensitive to changes in valuation. A 25 basis point increase in capitalisation rate would result in a decrease in the fair value of investment property by $1.5 million and a 25 basis point decrease in capitalisation rate would result in an increase in the fair value of investment property by $1.5 million.

Note 21. Key management personnel disclosures

Fees paid or payable for services provided by Directors, were borne by HCW Funds Management Limited, the Responsible Entity. Refer to note 25 and the Director's report for further details of payments made to the Responsible Entity.

Note 22. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by KPMG, the auditor of the Trust:

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $
Audit services – KPMG	
Audit or review of the financial statements	240,000
Other assurance services – KPMG	
Compliance plan audit	10,000
	250,000

Note 23. Contingent liabilities

The group had no contingent liabilities as at 30 June 2022.

Note 24. Commitments

	Consolidated 30 Jun 2022 $'000
Capital commitments	
Committed at the reporting date but not recognised as liabilities:	
Capital expenditure*	89,456
Property acquisitions	113,832
	203,288

* Includes capital commitments with Camden related party of $26.9 million.

Note 25. Related party transactions

Responsible entity

HCW Funds Management Limited (ABN 58 104 438 100) ('Responsible Entity') is the responsible entity of the Trust.

Investment Manager and Property Manager

The Responsible Entity has appointed HMC Property Management Pty Limited (the 'Property Manager') and HMC Investment Management Pty Ltd (the 'Investment Manager) to provide certain asset management, investment management, development management, leasing and property management services to the group in accordance with the Investment Management Agreement and Property Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are ultimately owned by HMC Capital (ASX: HMC).

Parent entity

HealthCo Healthcare and Wellness REIT is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Joint ventures

Interests in joint ventures are set out in note 13.

Transactions with related parties

Responsible Entity fees:

Under the constitution, the Responsible Entity is entitled to be paid a fee equal to 1.0% per annum (plus GST) of the gross asset value (GAV) but will not be paid this fee whilst the Investment Manager is receiving the fees under the Management Agreements. The fee will be calculated on a pro-rata basis for any part period. The Responsible Entity will also be reimbursed for all expenses incurred, including those in connection with the establishment, promotion and operation of the Trust, in properly performing its duties.

Note 25. Related party transactions continued

The following fees are payable under the Investment Management Agreement:

- The Investment Manager is entitled to receive a base management fee of 0.65% per annum of GAV of the group up to $1.5 billion, and 0.55% per annum of the GAV in excess of $1.5 billion. The management fee is payable monthly in arrears.
- Acquisition fees of 1.00% of the purchase price of any assets directly or indirectly acquired by the group in proportion to the group's economic interest in the assets.
- Disposal fees of 0.50% of the sale price of any assets directly or indirectly disposed by the group in proportion to the group's economic interest in the assets.
- The Investment Manager is also entitled to be paid or reimbursed for all reasonable expenses properly incurred in the performance of the services, including all taxes and amounts it pays to third parties for which it is also separately indemnified subject to the terms of the Investment Management Agreement.

The following fees are payable under the Property Management Agreement:

- Property management fees of 3.0% of gross income for each property for each month.
- New tenant lease fees of 15.0% of the face rent for the first year of the lease term where the tenant is new to the property (any costs associated with an external party to assist with leasing are payable directly by the Property Manager and will not be an additional cost to the group).
- Lease renewal fee of 7.5% of the face rent for the first year of a new lease if an existing tenant enters into a new lease, including by way of exercise of an option to renew, to continue leasing their current tenancy in the property (any costs associated with an external party to assist with leasing is payable directly by the Property Manager and will not be an additional cost to the group).
- Lease administration and design fees charge on a cost recovery basis, unless payable by the tenant.
- Development management fee of 5.0% of the development costs in relation to the first $2.5 million of the project costs of each project and 3.0% of the development costs thereafter.
- The Property Manager is also entitled to be paid or reimbursed for all reasonable expenses properly incurred in the performance of the services subject to the terms of the Property Management Agreement.

Following is a summary of fees paid to the Responsible Entity:

Type of fee	Method of fee calculation	Consolidated Period from 30 Jul 2021 to 30 June 2022 $
Base management fees	0.65% per annum of GAV up to $1.5 billion 0.55% per annum of GAV thereafter	3,530,469
Property management fees	3.0% of gross property income	848,860
Leasing fees	15.0% on new leases 7.5% of year 1 gross income on renewals	351,915
Development management fees	5.0% of project spend up to $2.5 million 3.0% of project spend thereafter	962,466
Acquisition fees	1.0% purchase price	529,698
Reimbursement of Responsible Entity expenses	Cost recovery	1,272,013

The following other transactions occurred with related parties:

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $
Payment for goods and services:	
Payments to Home Consortium Developments Pty Limited and Home Consortium Limited*	12,857,871
Payments to Home Consortium Developments Pty Limited (Proxima)**	5,000,000
Other transactions:	
Home Consortium Limited unit acquisition on IPO	130,000,000
Income and rental guarantees from Home Consortium Developments Pty Limited	2,689,997
Development related capital expenditure paid to joint venture (Camden)	28,588,990

* Payments represent reimbursement of property acquisition deposits, capital expenditure and IPO transaction costs incurred during the establishment of the REIT.

** Purchase of the remaining units of the trust post PDS.

Refer to note 2 for transactions with HMC Capital including units issued on the establishment of the REIT.
Refer to page 10 of the directors' report for the listing of the directors of the responsible entity, who are deemed related parties.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 30 Jun 2022 $
Current receivables:	
Other receivables from Home Consortium Developments Pty Limited	1,555,727
Current payables:	
Trade and other payables to the Investment, Development and Property Manager	2,221,304
Distribution payable to Home Consortium Limited	1,532,735

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 30 Jun 2022 $
Current receivables:	
Loan receivable from joint venture (Camden Trust)	518,172

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent Period from 30 Jul 2021 to 30 Jun 2022 $'000
Loss	9,827
Total comprehensive income	9,827

Statement of financial position

	Parent 30 Jun 2022 $'000
Total current assets	82,252
Total assets	602,550
Total current liabilities	7,898
Total liabilities	7,898
Equity	
Contributed equity	604.478
Accumulated losses	(9,827)
Total equity	594,652

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the REIT, as disclosed in note 3, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Distributions received from subsidiaries are recognised as other income by the parent entity.

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business/ Country of incorporation	Ownership interest 30 Jun 2022 %
HomeCo (Erina) Property Trust	Australia	100%
HomeCo (Concord) Property Trust	Australia	100%
HomeCo (Five Dock) Property Trust	Australia	100%
HomeCo (Greystanes) Property Trust	Australia	100%
HomeCo (Rouse Hill) Property Trust	Australia	100%
HomeCo (St Marys) Property Trust	Australia	100%
HomeCo (Tarneit) Property Trust	Australia	100%
HomeCo (Ballarat) Property Trust	Australia	100%
HomeCo (Essendon) Property Trust	Australia	100%
HomeCo (Armadale) Property Trust	Australia	100%
HomeCo (Nunawading) Property Trust	Australia	100%
HomeCo (Hawthorn East) Development Trust	Australia	100%
HomeCo (Everton Park) Property Trust	Australia	100%
HomeCo (Woolloongabba) Property Trust	Australia	100%
HomeCo (Morayfield HH) Property Trust	Australia	100%
HomeCo (Cairns) Property Trust	Australia	100%
HomeCo (Springfield) Property Trust	Australia	100%
HomeCo (Southport) Property Trust	Australia	100%
HomeCo (Beaconsfield) Property Trust	Australia	100%
HomeCo (GC Shepparton) Property Trust	Australia	100%
HomeCo (GC Ringwood) Property Trust	Australia	100%
HomeCo (GC Nambour) Property Trust	Australia	100%
HomeCo (GC Chermside) Property Trust	Australia	100%
HomeCo (GC Southport) Property Trust	Australia	100%
HomeCo (GC Wembley) Property Trust	Australia	100%
HomeCo (GC Wembley Salvado) Property Trust	Australia	100%
HomeCo (GC Bundaberg) Property Trust	Australia	100%
HomeCo (GC Urraween UC) Property Trust	Australia	100%
HomeCo (GC Urraween SSR) Property Trust	Australia	100%
HomeCo (Avondale Heights) Property Trust	Australia	100%
HomeCo (Beaconsfield) Property Trust	Australia	100%
HomeCo (Boronia) Property Trust	Australia	100%
HomeCo (Bulleen) Property Trust	Australia	100%
HomeCo (Chadstone) Property Trust	Australia	100%
HomeCo (Chirnside Park) Property Trust	Australia	100%

Note 27. Interests in subsidiaries continued

Name	Principal place of business/ Country of incorporation	Ownership interest 30 Jun 2022 %
HomeCo (Croydon) Property Trust	Australia	100%
HomeCo (Frankston) Property Trust	Australia	100%
HomeCo (Melton) Property Trust	Australia	100%
HomeCo (Ormond) Property Trust	Australia	100%
HomeCo (Seaford) Property Trust	Australia	100%
HomeCo (Yallambie) Property Trust	Australia	100%
HomeCo (Maylands) Property Trust	Australia	100%
HomeCo (Glen Huntly) Property Trust	Australia	100%
HCW (Bundoora) Property Trust	Australia	100%
HCW (Clyde North) Property Trust	Australia	100%
HCW (Donnybrook) Property Trust	Australia	100%
HCW (Forest Hill) Property Trust	Australia	100%
HCW (Junction Village) Property Trust	Australia	100%
HCW (Mitcham) Property Trust	Australia	100%
HCW (Reservoir) Property Trust	Australia	100%
HCW (Sunshine) Property Trust	Australia	100%
HCW (View B) Property Trust	Australia	100%
HomeCo (HCW First) Property Trust	Australia	100%
HomeCo (HCW Second) Property Trust	Australia	100%
HomeCo (HCW Third) Property Trust	Australia	100%
HomeCo HCW Finance Pty Ltd	Australia	100%

Note 28. Earnings per unit

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Profit	49,612

	Number
Weighted average number of units used in calculating basic earnings per unit	325,179,460
Weighted average number of ordinary units used in calculating diluted earnings per unit	325,179,460

	Cents
Basic earnings per unit	15.26
Diluted earnings per unit	15.26

The weighted average number of units is calculated effective from the date of allotment of units and completion of the listing process on 2 September 2021 (refer note 17).

Note 29. Cash flow information

Reconciliation of profit to net cash from operating activities

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Profit for the period	49,612
Adjustments for:	
Net unrealised gain from fair value adjustments	(35,132)
Finance costs – non-cash	922
Straight lining and amortisation	(1,920)
Change in operating assets and liabilities:	
Movement in trade and other receivables	3,053
Movement in trade and other payables	7,054
Net cash from operating activities	23,587

Non-cash investing and financing activities

	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Units issued to HMC Capital (non-cash)	130,000
Units issued under distribution reinvestment plan	431
	130,431

Changes in liabilities arising from financing activities

Consolidated	Bank loans $'000	Distributions payable $'000	Total $'000
Balance at 30 July 2021	–	–	–
Net cash from financing activities	25,000	–	25,000
Distribution declared during the period	–	24,392	24,392
Payments relating to current period	–	(16,640)	(16,640)
Non-cash issuance of units (note 17)	–	(431)	(431)
Balance at 30 June 2022	25,000	7,321	32,321

Note 30. Events after the reporting period

In July 2022, the contract for sale of St Marys became unconditional and is due to settle after the reporting period.

In August 2022, the Board approved a unit buy back program to be in place for one year. However, HCW will only buy back shares at such times and in such circumstances as are considered beneficial to the efficient capital management of HCW. HCW reserves the right to suspend or terminate the buy back at any time.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the REIT's operations, the results of those operations, or the REIT's state of affairs in future financial years.

Directors' Declaration

30 June 2022

In the opinion of the directors of the Responsible Entity:

- the attached consolidated financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the REIT's financial position as at 30 June 2022 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2022.

This declaration is made in accordance with a resolution of the directors of the Responsible Entity, HCW Funds Management Limited.

On behalf of the directors of the Responsible Entity

Joseph Carrozzi AM
Chair

David Di Pilla
Director

11 August 2022

Independent Auditor's Report

Independent Auditor's Report

To the unitholders of HealthCo Healthcare & Wellness REIT

Opinion

We have audited the ***Financial Report*** of HealthCo Healthcare & Wellness REIT (the Trust).

In our opinion, the accompanying Financial Report of the Trust is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2022 and of its financial performance for the period from 30 July 2021 to 30 June 2022; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the period from 30 July 2021 to 30 June 2022
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Trust and the entities it controlled at the period-end or from time to time during the financial period.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment property and investment property under development ($638m)	
Refer to accounting policy note 3 and notes 13 and 14 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of investment property and investment property under development is a key audit matter as it is significant in value (being 92% of total assets) and requires auditor judgement in evaluating the significant inputs into the valuations. Our audit approach for investment property focused on significant and judgemental inputs into the valuations used by the Group in both internal and external valuation models. Specifically, these included: • Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; • Capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset; and • Forecast cash flows including: market rental income, terminal yields and leasing assumptions. Our audit approach for investment property under development included those described above for investment property as well as assessing the following judgemental assumptions: • Cost to complete forecast; and • Profit and risk factor allowance. These assumptions involve judgement and additional audit effort due to the inherent risk in forecasting expected development costs and the range of outcomes associated with profit and risk factor allowances.	Our procedures in assessing the valuations of investment property included: • Understanding the Group's process regarding the valuation of investment property, including evaluating the Group's Valuation Policy. • Assessing the Group's methodologies used in the valuations of investment property for consistency with accounting standards and Group Valuation policy; • Assessing the scope, competence and objectivity of both the external experts engaged by the Group and internal valuers; • Taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the adopted discount rates, cap rates, terminal yields and market rental income through comparison to market analysis published by industry experts, recent market transactions, and inquiries with the Group. • We assessed the Group's key leasing assumptions, where significant, considering each property's recorded rental income, weighted average lease expiry and current vacancy levels; • Checking a sample of actual rental income, weighted average lease expiries and vacancy levels to tenancy schedules as per lease agreements; • Assessing the assumptions used by the Group for the computation of the internal valuations with reference to the valuation reports completed by the external valuation experts; • Assessing events after balance date, in accordance with the accounting standards, for adjusting events impacting the Group's

KPMG

	valuation of investment properties; and • Assessing the disclosures in the financial report using our understanding obtained from our testing, and against accounting standards Our procedures in assessing the valuations for investment property under development included those described above for investment property as well as: • Obtaining an understanding of the project progression, risks and leasing status through inquiring with management, including project managers; • Testing a sample of capital costs incurred to external evidence such as quantity surveyor reports and development agreements; • Assessing the 'cost to complete' forecasts based on contractual arrangements in place and actual costs incurred to date; and • Assessing the profit and risk factor allowance for each project based on our understanding of the project, industry experience and market practice.

Other Information

Other Information is financial and non-financial information in HealthCo Healthcare & Wellness REIT's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

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Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.
A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

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J.Davis

KPMG

Jessica Davis

Partner

Sydney

11 August 2022

Related Party Leases

30 June 2022

The REIT leases a number of its premises to related parties. The existing lease arrangements as at 30 June 2022 with the respective tenants listed below have been entered into on arm's length terms and reflect customary provisions commonly found in commercial leases of a similar nature.

Details of the lease for HealthCo Ballarat with Aurrum Childcare Pty Limited, with aggregate annual rent (excluding GST) of $410,000 is provided below.

Location	Term and renewal
HealthCo Ballarat 21-53 Learmonth Road Wendouree VIC	Initial term of 10 years commencing in August 2021 with two options to renew for 10 years each

Details of the lease for Erina with Aurrum Pty Limited, with aggregate annual rent (excluding GST) of $2.20 million is provided below.

Location	Term and renewal
Erina 351 Terrigal Drive Erina NSW	Initial term of 10 years which commenced on 2 September 2020, with two options to renew for 10 years each

Details of the lease for HealthCo St Marys with Aurrum Childcare Pty Limited, with aggregate annual rent (excluding GST) of $396,000 is provided below.

Location	Term and renewal
HealthCo St Marys 253 Forrester Road St. Marys NSW	Initial term of 10 years commencing in August 2022 with two options to renew for 10 years each

Unitholder Information

30 June 2022

The unitholder information set out below was applicable as at 28 July 2022.

Distribution of equitable units

Analysis of number of equitable unit holders by size of holding:

	Ordinary units	
	Number of holders	% of total units issued
1 to 1,000	489	0.09
1,001 to 5,000	2,196	2.22
5,001 to 10,000	1,836	4.59
10,001 to 100,000	2,865	22.12
100,001 and over	120	70.99
	7,506	100.00

Equity unit holders

Twenty largest quoted equity unit holders

The names of the twenty largest unit holders of quoted equity securities are listed below:

	Ordinary units	
	Number held	% of total units issued
Home Consortium Limited*	68,121,536	20.94
HSBC Custody Nominees (Australia) Limited	45,243,410	13.90
National Nominees Limited	23,670,172	7.27
JP Morgan Nominees Australia Pty Limited	15,780,225	4.85
Citicorp Nominees Pty Limited	14,219,417	4.37
BNP Paribas Noms Pty Ltd	11,177,715	3.44
UBS Nominees Pty Ltd	8,257,387	2.54
HSBC Custody Nominees (Australia) Limited – A/C 2	6,318,176	1.94
Netwealth Investments Limited (Wrap Services A/C)	4,986,406	1.53
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	2,490,602	0.77
Seymour Group Pty Ltd	1,650,000	0.51
Bridgebox Pty Limited	1,500,000	0.46
Netwealth Investments Limited (Super Services A/C)	1,421,502	0.44
Sword Equity Investments Pty Ltd	1,375,000	0.42
Goat Properties Pty Ltd	1,250,000	0.38
BNP Paribas Nominees Pty Ltd (Pitcher Partners DRP)	1,150,909	0.35
Premium Capital (Aust) Pty Ltd	1,082,000	0.33
Custodial Services Limited (Beneficiaries Holding A/C)	605,110	0.19
Vaste Developments Pty Limited	600,000	0.18
Johnos Holdings Pty Ltd	500,000	0.15
	211,399,567	64.96

* This includes all subsidiaries.

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the Trust are set out below:

	Ordinary units	
	Number held	% of total units issued
Home Consortium Limited*	68,121,536	20.94

* This includes all subsidiaries.

Voting rights

The voting rights attached to ordinary units are set out below:

Ordinary units

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each unit shall have one vote.

There are no other classes of equity units.

Restricted securities

Class	Expiry date	Number of units
Ordinary units	2 September 2022	65,000,010

Corporate Directory

30 June 2022

Directors	**Joseph Carrozzi AM** **Dr Chris Roberts AO** **David Di Pilla** **Kelly O'Dwyer** **Natalie Meyenn** **Stephanie Lai**
Responsible Entity	**HCW Funds Management Limited** Level 7 Gateway 1 Macquarie Place Sydney NSW 2000
Company secretary	**Andrew Selim**
Registered office and Principal place of business	Level 7 Gateway 1 Macquarie Place Sydney NSW 2000
Share register	**Link Market Services Limited** Level 12, 680 George Street Sydney NSW 2000 Telephone: 1300 554 474
Auditor	**KPMG** Level 38, Tower 3 International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000
Stock exchange listing	**HealthCo Healthcare and Wellness REIT** units are listed on the Australian Securities Exchange (ASX code: HCW)
Business objectives	In accordance with the ASX Listing Rule 4.10.19, the Trust confirms that the group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period in a way that is consistent with its business objectives.
Corporate Governance Statement	The directors of the Responsible Entity are committed to conducting the business of HealthCo Healthcare and Wellness REIT in an ethical manner and in accordance with the highest standards of corporate governance. HealthCo Healthcare and Wellness REIT has adopted and has fully complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent that they are applicable to an externally managed listed entity. The group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the period and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and HealthCo Healthcare and Wellness REIT's other corporate governance policies and charters can be found on its website at https://www.hmccapital.com.au/our-funds/healthco-healthcare-wellness-reit/

www.colliercreative.com.au #HOC0015

Health Co.