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

ASX RELEASE

15 August 2023

APPENDIX 4E AND FY23 FINANCIAL REPORT

HealthCo Healthcare and Wellness REIT (ASX: HCW) provides the attached Appendix 4E and FY23 Financial Report.

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

For further information please contact:

INVESTORS

Andrew Dodds
HMC Capital Corporate Finance & IR Manager
+61 423 810 851
andrew.dodds@hmccapital.com.au

Christian Soberg
HCW Chief Financial Officer
+61 450 417 712
christian.soberg@hmccapital.com.au

MEDIA ENQUIRIES

John Frey
Corporate Communications Counsel
+61 411 361 361
john@brightoncomms.com.au

About HealthCo Healthcare & Wellness REIT

HealthCo Healthcare & Wellness REIT (HCW) 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. HCW is Australia's leading diversified healthcare REIT with a combined portfolio size of $1.5 billion and development pipeline of approximately $1 billion.

HealthCo Healthcare and Wellness REIT
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	HealthCo Healthcare and Wellness REIT
ARSN:	652 057 639
Reporting period:	For the year ended 30 June 2023
Previous period:	For the period ended 30 June 2022

2. Results for announcement to the market

This Appendix 4E should be read in conjunction with the attached Directors' report which includes details of the results for the financial year.

	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m	Change $m	Change %
Revenues from ordinary activities	49.1	27.5	21.6	79%
Revenue including income from income guarantees	49.1	29.1	20.0	69%
Profit from ordinary activities after tax attributable to owners of HealthCo Healthcare and Wellness REIT	20.2	49.6	(29.4)	(59%)
Profit for the year attributable to owners of HealthCo Healthcare and Wellness REIT	20.2	49.6	(29.4)	(59%)
Profit for the year including non-controlling interest	21.2	49.6	(28.4)	(57%)

Refer to the attached directors' report for detailed commentary on review of operations and financial performance.

3. Distributions

	30 Jun 2023 Amount per unit Cents
Interim distribution for the year ended 30 June 2023 declared on 20 September 2022. The distribution was paid on 25 November 2022 to unitholders registered on 30 September 2022.	1.875
Interim distribution for the year ended 30 June 2023 declared on 15 December 2022. The distribution was paid on 24 February 2023 to unitholders registered on 30 December 2022.	1.875
Interim distribution for the year ended 30 June 2023 declared on 30 March 2023. The distribution was paid on 23 June 2023 to unitholders registered on 2 May 2023.	1.875
Final distribution for the year ended 30 June 2023 declared on 13 June 2023. The distribution will be paid on 30 August 2023 to unitholders registered on 30 June 2023.	2.000

4. Distribution reinvestment plans (DRP)

For the year ended 30 June 2023, the group operated a DRP under which unitholders could elect to reinvest all or part of their distributions in new units rather than being paid in cash. The DRP price is determined as the average of the daily volume weighted average price (VWAP) of units sold on the Australian Securities Exchange (ASX) during a nominated five-day period, between the announcement date and payment date of the respective distribution, less a discount (if any).

The DRP price for the quarters ended 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023 did not include a discount. Refer note 19 to the consolidated financial statements for details of equity raised under the DRP.

5. Net tangible assets

	30 Jun 2023 $	30 Jun 2022 $
Net tangible assets per unit	1.70	2.01

The net tangible assets calculations above include right-of-use assets and lease liabilities.

6. Control gained over entities

Name of entities (or group of entities)	The George Trust
Date control gained	8 December 2022
Name of entities (or group of entities)	Healthcare and Life Sciences Unlisted Fund
Date control gained	19 May 2023

Refer to note 13 of the notes to the consolidated financial statements for further information related to control gained over The George Trust.

7. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss)	
Name of associate / joint venture	**30 Jun 2023 %**	**30 Jun 2022 %**	**30 Jun 2023 $'m**	**30 Jun 2022 $'m**
The George Trust	-	40.3%	-	-
General Medical Precinct Trust	25.0%	25.0%	-	-
Life Sciences Medical Precinct Trust	30.7%	30.2%	-	-

Refer to note 13 of the notes to the consolidated financial statements for further details.

8. Information about audit or review

The consolidated financial statements have been audited and an unmodified opinion has been issued.

9. Attachments

The Annual Report of HealthCo Healthcare and Wellness REIT for the year ended 30 June 2023 is attached.

---

10. Signed

As authorised by the Board of Directors

Signed ______________________________ Date: 14 August 2023

Joseph Carrozzi AM
Independent Non-Executive Chair

HealthCo Healthcare and Wellness REIT

ARSN 652 057 639

Annual Report - 30 June 2023

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 consolidated financial statements cover HealthCo Healthcare and Wellness REIT as a consolidated entity consisting of HealthCo Healthcare and Wellness REIT (the Trust or HCW) and the entities it controlled at the end of, or during the financial year ended 30 June 2023 (collectively referred to as the group).

HCW Funds Management Limited is ultimately owned by HMC Capital Limited (ASX: HMC).

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 Securities Exchange (ASX). The current reporting period is for the financial year ended 30 June 2023. The comparative reporting period is from 30 July 2021 to 30 June 2022, which was the notional first reporting period in accordance with ASIC Instrument 22-0099 applicable to HCW Funds Management Limited in its capacity as Responsible Entity of HealthCo Healthcare and Wellness REIT.

Directors

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

Joseph Carrozzi AM	Independent Non-Executive Chair
Stephanie Lai	Independent Non-Executive Director
Natalie Meyenn	Independent Non-Executive Director
Dr Chris Roberts AO	Independent Non-Executive Director
David Di Pilla	Non-Executive Director
The Hon. Kelly O'Dwyer	Non-Executive Director

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the group 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 group did not have any employees during the year.

Review of operations and financial performance

The group’s financial performance for the financial year was materially influenced by active undertaking of investment activities, growing the portfolio from 29 properties as at 30 June 2022 to 39 properties as at 30 June 2023.

In May 2023, the group settled on the acquisition of 7 private hospitals leased to Healthscope for $730.0 million (Healthscope Hospital Portfolio Acquisition). As at 30 June 2023, the group had a direct 100% interest in 4 of these hospitals; and a 100% interest in a newly established Healthcare and Life Sciences Unlisted Fund (Unlisted Fund), managed by HMC Capital Limited (HMC), which had a direct 100% interest in 3 of these hospitals. It is expected that the group will have a circa 50% interest in the Unlisted Fund upon the settlement of the acquisition of 4 additional private hospitals leased to Healthscope in or around September 2023.

These financial statements include the financial performance of the Unlisted Fund on a fully consolidated basis.

A summary of the group's financial performance for the year ended 30 June 2023 is detailed below.

	Consolidated 30 Jun 2023 $'m	Consolidated 30 Jun 2022 $'m
Total revenue and other income	49.1	29.1
Net profit for the year	21.2	49.6
Funds from operations ('FFO')	25.5	16.4
Weighted average units on issue (million)	371.6	325.2
FFO per unit (cents)	6.9	5.1
Distribution per unit (cents)	7.6	7.5

The group recorded total revenue and other income of $49.1 million (30 June 2022: $29.1 million), a net profit of $21.2 million (30 June 2022: $49.6 million) and FFO of $25.5 million (30 June 2022: $16.4 million) for the financial year ended 30 June 2023. FFO is a financial measure which is not prescribed by Australian Accounting Standards and represents the group's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit after tax for items that are non-cash, unrealised or capital in nature. The directors consider FFO to represent the core earnings of the group.

A reconciliation between net profit and FFO for the financial year ended 30 June 2023 is detailed below.

	Consolidated 30 Jun 2023 $'m	Consolidated 30 Jun 2022 $'m
Net profit for the year	21.2	49.6
Straight lining and amortisation of rental income	0.5	(1.9)
Acquisition and transaction costs	15.0	1.3
Rent guarantee income	2.5	1.0
Amortisation of borrowing costs	3.4	0.9
Net fair value movements	(18.0)	(35.1)
Proxima coupon	1.3	0.6
Other	(0.4)	-
FFO	25.5	16.4

Summary of financial position
A summary of the group's financial position as at 30 June 2023 is outlined below.

	Consolidated 30 Jun 2023 $'m	Consolidated 30 Jun 2022 $'m
Assets		
Investment properties (including assets held for sale)	1,667.1	644.3
Total assets	1,724.5	693.5
Net assets	958.3	654.1
Net tangible assets	958.3	654.1
Number of units on issue (million)	562.8	325.4
Net tangible assets ($ per unit)	1.70	2.01
Capital management		-
Debt facilities limit	1,100.0	400.0
Drawn debt	711.7	25.0
Cash and undrawn debt	395.9	377.7
Gearing ratio (%)*	41.1%	3.2%
Hedged debt (%)	80.8%	-
Cost of debt (% per annum)**	4.9%	3.6%

* Gearing is defined as borrowings (excluding unamortised debt establishment costs) less cash and cash equivalents divided by total assets less cash and cash equivalents and right-of-use assets
** Cost of debt excludes undrawn commitment fees.

The capital management information above is presented on a fully consolidated basis. Refer notes 17 and 19 to the consolidated financial statements for further details.

Property portfolio:
As at 30 June 2023, the group owned 39 investment properties including assets held for sale with a combined value of $1,667.1 million (30 June 2022: $644.3 million).

The movement in investment properties during the year was primarily driven by the acquisition of 13 properties for $875.4 million, and including the sale of 3 properties and the partial sale of Springfield Health Hub for a total consideration of $84.1 million.

At 30 June 2023, 14 investment properties, representing 36% by number and 73% by value, were independently valued with the remaining investment properties being internally valued. The weighted average capitalisation rate of the portfolio was 5.03% (30 June 2022: 4.94%).

Capital management:
In May 2023, the group completed an upsize and an extension of its $400.0 million senior secured debt facility to a $550.0 million three-year senior secured debt facility. As part of the Hospital Portfolio Acquisition, the group also entered into a separate four-year $550.0 million senior secured facility in April 2023 for the Unlisted Fund, secured to assets of the Unlisted Fund only. Refer to note 17 of the notes to the consolidated financial statements for further details.

The group and the Unlisted Fund had $395.9 million in cash and undrawn debt as at 30 June 2023. During the year, the group entered into $575.0 million of interest rate swaps which hedged 80.8% of drawn debt as at 30 June 2023 on a consolidated basis. The cost of debt was 4.9% per annum as at 30 June 2023 (30 June 2022: 3.6% per annum).

Capital raising:
The Trust raised $320.0 million through an equity raising at $1.35 per unit in April 2023 to partially fund the Hospital Portfolio Acquisition (Capital Raising). Further, the Trust issued 398,229 units under the distribution reinvestment plan. Refer to note 19 to the consolidated financial statements for details of equity raised during the year.

Distributions
Distributions declared during the financial year were as follows:

	Distribution per unit (cents)	Total distribution $'m	Ex-distribution date	Record date	Payment date
September 2022	1.875	6.1	29 September 2022	30 September 2022	25 November 2022
December 2022	1.875	6.1	29 December 2022	30 December 2022	24 February 2023
March 2023	1.875	10.6	1 May 2023	2 May 2023	23 June 2023
June 2023	2.000	11.3	29 June 2023	30 June 2023	30 August 2023
	7.625	34.1			

The final distribution for the year ended 30 June 2022 of $7.3 million, or 2.25 cents per unit, was paid on 22 August 2022.

For the year ended 30 June 2023, the group operated a DRP under which unitholders could elect to reinvest all or part of their distributions in new units rather than being paid in cash. The DRP price is determined as the average of the daily volume weighted average price (VWAP) of units sold on the Australian Securities Exchange during a nominated five-day period, between the announcement date and payment date of the respective distribution, less a discount (if any). The DRP price for the quarters ended 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023 did not include a discount. Refer to note 19 to the consolidated financial statements for details of equity raised during the year.

Significant changes in the state of affairs
Healthscope Hospital Portfolio acquisition
In March 2023, HMC Capital Limited (HMC or HMC Capital) announced that entities managed by HMC, including the group, had entered in arrangements to acquire from Medical Properties Trust, Inc (NYSE: MPW), a 100% interest in 11 private hospitals leased to Healthscope for $1,200.0 million. The 11 private hospitals are being acquired in three tranches as follows:

- Tranche 1: 4 mental health / rehabilitation hospitals for $256.0 million;
- Tranche 2: 3 acute care hospitals for $474.0 million; and
- Tranche 3: 4 acute care hospitals for $470.0 million.

Tranches 1 and 2 were settled in May 2023. As at 30 June 2023, the group had a direct 100% interest in Tranche 1 and a 100% interest in the Unlisted Fund, which had a direct 100% interest in Tranche 2. The group is not a contracted party in relation to the settlement of Tranche 3 which is backstopped by HMC.

Upon settlement of Tranche 3 and institutional fund raising, which is projected by the end of September 2023, the group is expected to have a c. 50% interest in the Unlisted Fund which will have a direct 100% interest in Tranche 2 and Tranche 3.

There were no other significant changes in the state of affairs of the group during the financial year.

Matters subsequent to the end of the financial year
In June 2023, the contracts for the sale of Armadale, Croydon, Tarneit and Yallambie properties became unconditional and these assets were recognised as assets held for sale as at 30 June 2023. In July and August 2023, 3 of these assets were settled for $33.2 million with Tarneit due to settle in late August 2023.

In July 2023, an extraordinary general meeting of unitholders of the group was held to obtain unitholder approval for three resolutions relating to HMC's participation in, and support of, a capital raising. This included a resolution to amend the Investment Management Agreement to permit the payment of acquisition or disposal fees by way of issues of units to the investment manager, HMC, in lieu of cash, in order to reduce the group's upfront cash funding from the Healthscope Hospital Portfolio Acquisition. All three resolutions were approved.

In July 2023, the group entered into a contract for the sale of Avondale Heights. The contract became unconditional and the sale of asset settled for $7.9 million in August 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations

Group objectives

The group'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

Financial risks
The group's primary source of income is generated through the leasing arrangements it has with tenants across the portfolio. The group 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 group relates to interest rate movements and the impact of this on property capitalisation rates and the cost of debt funding. The group seeks to mitigate this risk by investing in quality properties and, maintaining an appropriate capital structure with a target gearing ratio of 30% - 40% (Target Range). Following the Hospital Portfolio Acquisition, the group initiated an asset sale program to maintain gearing within the Target Range.

Sustainability and climate-related and environmental risks
Sustainability is a key element of the group'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 Limited 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 group. HMC Capital became a signatory to the United Nations Principal for Responsible Investing (UNPRI) and a Global Real Estate Sustainability Benchmark (GRESB) participating member in February 2021. These two organisations will provide an investment and reporting framework to help shape the group's future strategies and risk framework.

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

The group has considered the impact of environmental, social and governance ('ESG') risk as well as the volatile economic environment in preparing its consolidated financial statements and in the exercise of critical accounting assumptions and estimates, including impacts occurring during the reporting period and the uncertainty of future effects. The group will continue to monitor these risks and the impact they have on the consolidated financial statements.

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 group by the Responsible Entity
Fees paid to the Responsible Entity and its associates out of the group during the year are disclosed in note 27 to the consolidated financial statements. The Responsible Entity was reimbursed $0.7 million (2022: $0.6 million) relating to Non-Executive Director's remuneration. The number of units in the group held by associates is disclosed below.

Unitholding relating to key management personnel
The number of units in the group held during the year 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 year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Joseph Carrozzi AM	224,939	13,942	112,601	-	351,482
Stephanie Lai	173,636	-	91,386	-	265,022
Natalie Meyenn	24,939	14,697	20,861	-	60,497
Dr Chris Roberts AO	509,636	-	507,365	-	1,017,001
David Di Pilla	500,000	-	263,156	-	763,156
Kelly O'Dwyer	34,636	17,568	27,474	-	79,678
	1,467,786	46,207	1,022,843	-	2,536,836

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 year ended 30 June 2023 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 or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, 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 year, indemnified or agreed to indemnify the auditor of the Trust or any related entity against a liability incurred by the auditor. During the financial year, 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 is admitted as a barrister and had over 25 years as a managing partner in the Big 4 professional services firms. He has significant experience in infrastructure, health and medical research as well as sectors which are highly regulated. He is currently the Chair of the Centenary Institute for Medical Research, the Angus Knight Group (a private employment services business), as well as being a board member of National Intermodal Corporation, the Western Sydney University and Football Australia. Joseph was formerly Chair of the Sydney Harbour Federation Trust and Deputy Chair of the NSW Institute of Sport. He has degrees in Laws and Commerce from UNSW and is on the UNSW Dean’s Advisory Council for the Faculty of Medicine.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in units:	351,482 ordinary units
Name:	Stephanie Lai
Title:	Independent Non-Executive Director
Experience and expertise:	Stephanie has over 25 years of experience, is a Chartered Accountant and a former Transaction Services 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 Future Generation Investment Company Limited (ASX: FGX) (appointed on 27 March 2019), Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) (appointed on 16 October 2020) and Non-Executive Director of Abacus Storage Operations Limited and Abacus Storage Funds Management Limited as Responsible Entity of Abacus Storage Property Trust (appointed on 13 June 2023).
Former directorships (last 3 years):	Non-Executive Director of Superloop Limited (ASX: SLC) - retired on 1 March 2023
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in units:	265,022 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 was Head and Chair of the Investment Committee for MLC Private Equity and is currently co-founder of an agriculture investment firm and adviser and/or investment committee member to a small number of asset management, private equity and non-profits including New Energy Nexus and Yielco Investments. She worked in investment banking (M&A, capital markets and public finance) for Goldman Sachs and Bear Stearns in New York and Sydney and for the World Bank on micro-credit, project finance and climate impact mitigation in Asia, Africa and the Pacific Islands.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in units:	60,497 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 and non-executive director of Clarity Pharmaceuticals Limited, HMC Capital Partners Fund 1, Atmo Biosciences Ltd, Centenary Institute of Medical Research and Nutromics Pty Ltd. He was also the Founding Director and Executive Vice President of ResMed from 1992 to 2003, and a director until 2017. Chris was a former Chair of Research Australia from 2004 to 2010.
Other current directorships:	Non-Executive Director of Clarity Pharmaceuticals Limited (ASX: CU6)
Former directorships (last 3 years):	Chair of OncoSil Medical Limited (ASX: OSL) - resigned on 19 October 2021 and Chair of The Engineering and Design Institute London (TEDI London)
Interests in units:	1,017,001 ordinary units

Name:	David Di Pilla
Title:	Non-Executive Director
Experience and expertise:	David led the team that founded the consortium which led to the ultimate establishment of HMC Capital in 2016. Since this time, the HMC Group has grown from its initial Masters portfolio to today being a diversified alternative asset manager with assets under management of ~$8.0 billion. David has over 30 years of experience in investment banking, strategic advisory & consulting and corporate leadership as a Director and CEO. During his 20-year investment banking career, David was Managing Director of UBS Investment Bank for over 15 years and during this time lead some of Australia's landmark transactions across corporate M&A, Equity & Debt Capital Markets. Prior to his time at UBS, David reached the position of Vice President, Investment Banking at JP Morgan.
Other current directorships:	Executive Director of HMC Capital Limited (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:	763,156 ordinary units

Name:	The Hon. Kelly O'Dwyer
Title:	Non-Executive Director
Experience and expertise:	The Honourable Kelly O'Dwyer 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) (appointed on 29 March 2021); Non-Executive Director of HMC Capital Limited (ASX: HMC) (appointed on 18 November 2020) and Non-Executive Director of Barrenjoey Capital Partners Group Holdings Pty Ltd.
Former directorships (last 3 years):	None
Interests in units:	79,678 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 Limited (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 year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	**Held**	**Attended**	**Held**
Joseph Carrozzi AM	11	11	5	5
Stephanie Lai	11	11	5	5
Natalie Meyenn	11	11	5	5
Dr Chris Roberts AO	11	11	-	-
David Di Pilla*	11	11	-	-
The Hon. Kelly O'Dwyer	11	11	-	-

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

* David Di Pilla attended the audit and risk committee meetings by invitation.

Non-audit services

There were no non-audit services provided during the financial year 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 hundred thousand dollars, unless otherwise stated.

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
Independent Non-Executive Chair

David Di Pilla
Non-Executive Director

14 August 2023

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 1 July 2022 to 30 June 2023 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

KPMG

J.Davis

Jessica Davis

Partner

Sydney

14 August 2023

Contents

	Note	Consolidated 30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Income			
Property income	5	47.7	27.5
Other income	6	-	1.6
Interest income		1.4	-
Net change in assets at fair value through profit or loss	7	18.0	35.1
Expenses			
Property expenses		(10.2)	(4.6)
Corporate expenses		(2.2)	(1.9)
Management fees	27	(5.7)	(3.5)
Acquisition and transaction costs	8	(15.0)	(1.3)
Finance costs	8	(12.8)	(3.3)
Profit for the year		21.2	49.6
Other comprehensive income for the year		-	-
Total comprehensive income for the year		21.2	49.6
Profit for the year is attributable to:			
Non-controlling interest	29	1.0	-
Owners of HealthCo Healthcare and Wellness REIT		20.2	49.6
		21.2	49.6
Total comprehensive income for the year is attributable to:			
Non-controlling interest		1.0	-
Owners of HealthCo Healthcare and Wellness REIT		20.2	49.6
		21.2	49.6
		Cents	**Cents**
Basic earnings per unit	30	5.44	15.26
Diluted earnings per unit	30	5.44	15.26

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

HealthCo Healthcare and Wellness REIT
Consolidated statement of financial position
As at 30 June 2023

	Note	Consolidated 30 Jun 2023 $m	Consolidated 30 Jun 2022 $m
Assets			
Current assets			
Cash and cash equivalents	9	7.6	2.7
Trade and other receivables	10	6.1	2.0
Other assets	11	10.2	15.9
		23.9	20.6
Assets held for sale	12	41.4	35.3
Total current assets		65.3	55.9
Non-current assets			
Investments accounted for using the equity method	13	11.9	28.6
Investment properties	14	1,625.7	609.0
Derivative financial instruments	15	21.6	-
Total non-current assets		1,659.2	637.6
Total assets		1,724.5	693.5
Liabilities			
Current liabilities			
Trade and other payables	16	51.2	9.8
Distributions payable	20	11.3	7.3
Lease liabilities	18	-	-
Total current liabilities		62.5	17.1
Non-current liabilities			
Borrowings	17	700.6	22.3
Lease liabilities	18	3.1	-
Total non-current liabilities		703.7	22.3
Total liabilities		766.2	39.4
Net assets		958.3	654.1
Equity			
Contributed equity	19	939.9	628.9
Retained profits		11.3	25.2
Equity attributable to the owners of HealthCo Healthcare and Wellness REIT		951.2	654.1
Non-controlling interest	29	7.1	-
Total equity		958.3	654.1

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

HealthCo Healthcare and Wellness REIT
Consolidated statement of changes in equity
For the year ended 30 June 2023

	Contributed equity $m	Retained profits $m	Non-controlling interest $m	Total equity $m
Balance at 30 July 2021	-	-	-	-
Profit for the year	-	49.6	-	49.6
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	49.6	-	49.6
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	628.9	-	-	628.9
Distributions declared (note 20)	-	(24.4)	-	(24.4)
Balance at 30 June 2022	628.9	25.2	-	654.1

	Contributed equity $m	Retained profits $m	Non-controlling interest $m	Total equity $m
Balance at 1 July 2022	628.9	25.2	-	654.1
Profit for the year	-	20.2	1.0	21.2
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	20.2	1.0	21.2
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	311.0	-	-	311.0
Non-controlling interests (note 29)	-	-	6.1	6.1
Distributions declared (note 20)	-	(34.1)	-	(34.1)
Balance at 30 June 2023	939.9	11.3	7.1	958.3

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

HealthCo Healthcare and Wellness REIT
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Cash flows from operating activities			
Receipts from tenants (inclusive of GST)		45.1	32.7
Payments to suppliers (inclusive of GST)		(12.6)	(7.0)
Interest received		0.9	-
Interest and other finance costs paid		(10.7)	(2.1)
Net cash from operating activities	31	22.7	23.6
Cash flows from investing activities			
Proceeds from disposal of investment properties		84.1	-
Payment for acquisition of investment properties and capital expenditure		(1,018.6)	(493.9)
Payments attributable to investment in joint ventures	13	(27.4)	(28.6)
Net cash used in investing activities		(961.9)	(522.5)
Cash flows from financing activities			
Proceeds from issue of units	19	320.0	520.0
Capital raising and IPO costs	19	(8.3)	(23.2)
Proceeds from borrowings	31	1,012.6	25.0
Repayment of borrowings		(325.9)	-
Borrowing costs paid		(11.6)	(3.6)
Payment for derivative financial instruments		(13.1)	-
Distributions paid	31	(29.5)	(16.6)
Repayment of lease liabilities		(0.1)	-
Net cash from financing activities		944.1	501.6
Net increase in cash and cash equivalents		4.9	2.7
Cash and cash equivalents at the beginning of the financial year		2.7	-
Cash and cash equivalents at the end of the financial year	9	7.6	2.7

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

Note 1. General information

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

HCW 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 group's operations and its principal activities are included in the directors' report, which is not part of the consolidated financial statements.

The current year presented in the consolidated financial statements is for the financial year 1 July 2022 to 30 June 2023. The comparative period is from 30 July 2021 (date registered by ASIC as a managed investment scheme) to 30 June 2022.

HCW Funds Management Limited (ABN 58 104 438 100) (AFSL 239882) ('Responsible Entity') is the responsible entity of the Trust. As at 30 June 2023, the group had a 100% interest in a newly established Healthcare and Life Sciences Unlisted Fund (Unlisted Fund).

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 Limited (ASX: HMC).

The consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 14 August 2023.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group 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 group for the financial year ended 30 June 2023.

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

Net current assets

As at 30 June 2023, the group was in a net current asset position of $2.8 million (30 June 2022: $38.8 million). The net assets include $41.4 million in assets held for sale (30 June 2022: $35.3 million). As detailed in note 17, the group has access to an undrawn bank debt facility of $68.2 million as at 30 June 2023 (30 June 2022: $375.0 million) and the Unlisted Fund has access to an undrawn bank facility of $320.1 million as at 30 June 2023. Accordingly, the financial statements continue to be prepared on a going concern basis.

The directors of the responsible entity have concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis, as they believe that the group will comply with its future financial covenants and be able to pay its debts as and when they become due and payable from cash flows from operations and available finance facilities for at least 12 months from the date of approval of these consolidated financial statements.

Note 2. Significant accounting policies (continued)

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 and derivative financial instruments 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 group'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 3.

Parent entity information

In accordance with section 295(2)(b) of the Corporations Act 2001, these financial statements present the consolidated results of the group. Supplementary information about the parent entity is disclosed in note 28.

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 2023 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group 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 group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group 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 group.

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the group. Losses incurred by the group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the group 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 group 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.

Note 2. Significant accounting policies (continued)

Revenue recognition
The group 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 group'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 group'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.

Note 2. Significant accounting policies (continued)

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Movements in fair value are recognised directly in profit or loss. Derivatives are classified as current or non-current depending on the expected period of realisation.

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.

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.

Investment properties

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

Note 2. Significant accounting policies (continued)

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.

The group recognises the right-of-use asset as investment property. Right-of-use assets are measured at fair value which reflects the expected cash flows, including variable lease payments that are expected to become payable. The value of any recognised lease liability is then added back to the fair value to determine the carrying value of the investment property

Rental guarantees
Rental guarantees income 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.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; the certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

Note 2. Significant accounting policies (continued)

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 group’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 year 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 year 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 year, adjusted for bonus elements in ordinary units issued during the financial year.

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.

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 hundred thousand dollars, unless otherwise stated.

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 group for the annual reporting period ended 30 June 2023. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

Note 2. Significant accounting policies (continued)

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 estimated (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 3. 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 group is required to classify all assets and liabilities, 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 2023 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 22 for details of valuation techniques used.

Note 4. Operating segments

The group'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 group'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.

Note 4. Operating segments (continued)

Major customers
During the financial year ended 30 June 2023, approximately 10.0% (30 June 2022: 10.3%) of the group's external revenue was derived from rental income from one main tenant (30 June 2022: One tenant).

Segment results

	Consolidated	
	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Funds from operations (FFO)	25.5	16.4
Straight lining of rental income	(0.5)	1.9
Acquisition and transaction costs	(15.0)	(1.3)
Rent guarantee income	(2.5)	(1.0)
Amortisation of borrowing costs	(3.4)	(0.9)
Net fair value movements	18.0	35.1
Proxima coupon	(1.3)	(0.6)
Other	0.4	-
Net profit for the year	21.2	49.6

Note 5. Property income

	Consolidated	
	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Property rental income	40.2	24.5
Other property income	7.5	3.0
Property income	47.7	27.5

Disaggregation of revenue
Revenue from property rental is recognised on a straight-line basis over the lease term. Other property income is recognised over time as services are rendered.

Note 6. Other income

	Consolidated	
	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Income guarantees	-	1.6

The income guarantees in the previous year related to Armadale, GenesisCare Bundaberg, GenesisCare Ringwood and GenesisCare Urraween. The income guarantee was received from Home Consortium Developments Pty Limited. Refer to note 27 for related party breakdown.

Note 7. Net change in assets at fair value through profit or loss

	Consolidated	
	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Net unrealised fair value gain/(loss) on investment properties	(3.5)	35.1
Net unrealised fair value gain/(loss) on leasehold liabilities	(0.1)	-
Net unrealised fair value gain/(loss) on derivatives	21.6	-
	18.0	35.1

Note 8. Expenses

	Consolidated	
	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Profit includes the following specific expenses:		
Acquisition and transaction costs:		
IPO and equity raise costs	-	0.8
Transaction costs	15.0	0.5
Total acquisition and transaction costs	15.0	1.3
Finance costs		
Interest and finance charges on borrowings	9.4	2.4
Amortisation of capitalised borrowing costs	3.2	0.9
Interest and finance charges on lease liabilities	0.2	-
Finance costs expensed	12.8	3.3

Note 9. Cash and cash equivalents

	Consolidated	
	30 Jun 2023 $m	30 Jun 2022 $m
Current assets		
Cash at bank	7.6	2.7

Note 10. Trade and other receivables

	Consolidated	
	30 Jun 2023	**30 Jun 2022**
	$m	**$m**
Current assets		
Trade receivables	2.0	0.3
Less: Allowance for expected credit losses	(0.1)	-
	1.9	0.3
Other receivables	3.0	1.5
GST receivable	1.2	0.2
	6.1	2.0

Note 11. Other assets

	Consolidated	
	30 Jun 2023	**30 Jun 2022**
	$m	**$m**
Current assets		
Prepayments	0.8	0.2
Security deposits	0.7	0.6
Property deposits	8.3	14.5
Other current assets	0.4	0.6
	10.2	15.9

Note 12. Assets held for sale

	Consolidated	
	30 Jun 2023	**30 Jun 2022**
	$m	**$m**
Current assets		
Investment properties	41.4	35.3

As at 30 June 2023, assets held for sale represented 4 properties in Victoria (Armadale, Croydon, Tarneit and Yallambie) that were contracted to be sold to third parties. The sales became unconditional in June 2023. In July and August 2023, 3 of these assets were settled for $33.2 million with Tarneit due to settle in late August 2023.

As at 30 June 2022, assets held for sale represented a property in St Mary's, New South Wales that was sold to a third party and the property was settled in August 2022.

Note 13. Investments accounted for using the equity method

	Consolidated	
	30 Jun 2023 $m	30 Jun 2022 $m
Non-current assets		
Investment in joint ventures	11.9	28.6

Reconciliation of the group's carrying amount

Opening carrying amount	28.6	-
Additions during the year	27.4	28.6
Derecognition upon consolidation of The George Trust	(44.1)	-
Closing carrying amount	11.9	28.6

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 group are set out below:

		Ownership interest	
Name	Principal place of business / Country of incorporation	30 Jun 2023 %	30 Jun 2022 %
The George Trust *	Australia	-	40.3%
General Medical Precinct Trust	Australia	25.0%	25.0%
Life Sciences Medical Precinct Trust	Australia	30.7%	30.2%

* On 8 December 2022, the group purchased an additional interest in The George Trust from HMC Capital Limited for $32.7 million. The transaction increased the group's ownership interest to 91.5% and resulted in the group obtaining control over The George Trust. Consequently, the group ceased to equity account, and subsequently consolidated the entity from that date. The remaining 8.5% is interest held outside the group is presented as the non-controlling interest of $7.1 million.

Note 13. Investments accounted for using the equity method (continued)

Summarised financial information

	Camden Trusts	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Summarised statement of financial position		
Current assets	0.1	1.0
Non-current assets	40.5	87.0
Total assets	40.6	88.0
Current liabilities	-	5.9
Non-current liabilities	-	-
Total liabilities	-	5.9
Net assets	40.6	82.1
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	-
Expenses	-	-
Profit	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

Commitments

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	0.3	27.0

Note 14. Investment properties

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Non-current assets		
Investment properties - at fair value	1,625.7	609.0

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	30 Jun 2023 $m	30 Jun 2022 $m
Opening fair value	609.0	-
Additions on settlement from HMC Capital Limited	-	480.5
Acquisitions	962.7	81.0
Disposals	(48.8)	-
Straight-lining and amortisation of incentives	(0.5)	4.5
Capitalised expenditure (including property acquisition costs)	145.2	43.2
Net unrealised gain/(loss) from fair value adjustments	(3.5)	35.1
Classified as held for sale (note 12)	(41.4)	(35.3)
Right of use asset	3.0	-
Closing fair value*	1,625.7	609.0

* Included in the closing fair value of investment property at 30 June 2023 is $3.0 million (30 June 2022: $nil) relating to leasehold improvements and right-of-use assets of a leasehold property.

Refer to note 22 for further information on fair value measurement.

All investment properties generate rental income and are disclosed in note 5 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 2023 $m	**30 Jun 2022 $m**
Minimum lease commitments receivable but not recognised in the financial statements:		
1 year or less	56.3	27.0
Between 1 and 2 years	76.9	27.0
Between 2 and 3 years	78.6	27.5
Between 3 and 4 years	76.6	27.2
Between 4 and 5 years	76.7	25.7
Over 5 years	692.1	142.5
	1,057.2	276.9

Note 15. Derivative financial instruments

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Non-current assets		
Derivatives - interest rate swap contracts	21.6	-

During the financial year, HCW and the Unlisted Fund entered into interest rate swap contracts to partially hedge the group's risk against an increase in variable interest rates, with a combined notional value of $575.0 million and average hedge duration of 2.6 years as at the end of the financial year.

The interest rate swap contract requires settlement of net interest receivable or payable on a quarterly basis.

Refer to note 22 for further information on fair value measurement.

Note 16. Trade and other payables

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Current liabilities		
Trade payables	11.8	1.8
Rent received in advance	2.0	0.7
Accrued expenses	5.5	1.8
Interest payable	1.8	0.2
Capital expenditure accruals	28.0	3.9
Other payables	2.1	1.4
	51.2	9.8

Refer to note 21 for further information on financial instruments.

Note 17. Borrowings

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Non-current liabilities		
Bank loans	711.7	25.0
Capitalised borrowing costs	(11.1)	(2.7)
	700.6	22.3

Refer to note 21 for further information on financial instruments.

During the financial year, the group's $400.0 million senior secured debt facility was refinanced and upsized to $550.0 million, expiring in May 2026.

In addition, the group's Unlisted Fund also entered into a senior secured debt facility for a total of $550.0 million, expiring in April 2027.

The interest comprises a base rate plus a variable margin, determined by the prevailing loan to valuation ratio. The bank loans are secured by first mortgages over the group's investment properties, including any classified as held for sale. The group has complied with the financial covenants during the financial year.

Note 17. Borrowings (continued)

The fair value of borrowings approximates their carrying value as the interest payable on borrowings reflects current market rates.

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

	Consolidated	
	30 Jun 2023 $m	30 Jun 2022 $m
Total facilities		
Bank loans	1,100.0	400.0
Used at the reporting date		
Bank loans	711.7	25.0
Unused at the reporting date		
Bank loans	388.3	375.0

Note 18. Lease liabilities

	Consolidated	
	30 Jun 2023 $m	30 Jun 2022 $m
Current liabilities		
Lease liability	-	-
Non-current liabilities		
Lease liability	3.1	-

Lease liability mainly represents 2 head lease agreements (ground leases) for the GC Urraween property. Both leases have 4 year terms remaining with 8 by 5 year options and 7 by 5 year options to extend respectively.

Note 19. Contributed equity

	Consolidated			
	30 Jun 2023 Units	30 Jun 2022 Units	30 Jun 2023 $m	30 Jun 2022 $m
Ordinary class units - fully paid	562,813,500	325,378,233	939.9	628.9

Note 19. Contributed equity (continued)

Movements in ordinary units

Details	Date	Units	$m
Balance	30 July 2021	10	-
Units issued to Home Consortium Developments Pty Ltd (at $2.00 per unit)	2 September 2021	65,000,000	130.0
Units issued on initial public offering (at $2.00 per unit)	2 September 2021	260,000,000	520.0
Units issued to Directors and advisory panel members of Responsible Entity	2 September 2021	153,603	0.3
Units issued as part of distribution reinvestment plan (at $1.92 per unit)	20 May 2022	224,620	0.4
Transaction costs on issue of units		-	(21.8)
Balance	30 June 2022	325,378,233	628.9
Units issued as part of distribution reinvestment plan (at $1.45 per unit)	22 August 2022	241,217	0.4
Units issued as part of distribution reinvestment plan (at $1.46 per unit)	25 November 2022	55,063	0.1
Units issued as part of distribution reinvestment plan (at $1.73 per unit)	24 February 2023	18,962	-
Units issued as part of institutional placement and entitlement offer (at $1.35 per unit)	18 April 2023	160,729,354	217.0
Units issued as part of retail entitlement offer (at $1.35 per unit)	28 April 2023	76,307,684	103.0
Units issued as part of distribution reinvestment plan (at $1.33 per unit)	23 June 2023	82,987	0.1
Transaction costs on issue of units		-	(9.6)
Balance	30 June 2023	562,813,500	939.9

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 plans ('DRP')
For the year ended 30 June 2023, the group operated a DRP under which unitholders could elect to reinvest all or part of their distributions in new units rather than being paid in cash. The DRP price is determined as the average of the daily volume weighted average price (VWAP) of units sold on the Australian Securities Exchange during a nominated five-day period, between the announcement date and payment date of the respective distribution, less a discount (if any). The DRP price for the quarters ended 30 September 2022, 31 December 2022, 31 March 2023 and 30 June 2023 did not include a discount.

Unit buy-back
In August 2022, the group announced an on-market buy-back program for a maximum of 32,515,361 units to be in place for one year. The group will only buy back units at such times as are considered beneficial to the efficient capital management of the group, and the group reserves the right to suspend or terminate the buy-back at any time. No units were bought in the year ended 30 June 2023.

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 year.

The capital risk management policy remains unchanged from the prior year.

Note 20. Distributions

Distributions declared during the financial year were as follows:

	Consolidated 30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Interim distribution for the year ended 30 June 2023 of 1.875 cents (2022: nil cents) per unit declared on 20 September 2022. The distribution was paid on 25 November 2022 to unitholders registered on 30 September 2022.	6.1	-
Interim distribution for the year ended 30 June 2023 of 1.875 cents (2022: 3.00 cents) per unit declared on 15 December 2022. The distribution was paid on 24 February 2023 to unitholders registered on 30 December 2022.	6.1	9.8
Interim distribution for the year ended 30 June 2023 of 1.875 cents (2022: 2.25 cents) per unit declared on 30 March 2023. The distribution was paid on 23 June 2023 to unitholders registered on 2 May 2023.	10.6	7.3
Final distribution for the year ended 30 June 2023 of 2.00 cents (2022: 2.25 cents) per unit declared on 13 June 2023. The distribution will be paid on 30 August 2023 to unitholders registered on 30 June 2023.*	11.3	7.3
	34.1	24.4

* Final distribution will be paid subsequent to the end of the financial year on 30 August 2023.

Note 21. 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 group 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 group 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 21. Financial instruments (continued)

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

	30 Jun 2023		30 Jun 2022	
Consolidated	**Weighted average interest rate %**	**Balance $m**	**Weighted average interest rate %**	**Balance $m**
Bank loans - variable rate	4.93%	711.7	1.89%	25.0
Derivatives - interest rate swap contracts (notional principal)		(575.0)		-
Net exposure to cash flow interest rate risk		136.7		25.0

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

Interest rate sensitivity
An official increase/decrease in interest rates of 50 (2022: 50) basis points would have an adverse/favourable effect on the profit for the year of $0.7 million (2022: $0.1 million) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Derivatives interest rate swap
The group has entered into interest rate swap contracts with notional/principal value as at 30 June 2023 of $575.0 million (2022: $nil). The interest rate swaps contract hedges the group's risk against an increase in variable interest rate. Refer to note 15 for further details of outstanding interest rate swap contracts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The group 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 group does not hold any collateral.

The group 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 group based on recent sales experience, historical collection rates and forward-looking information that is available.

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 group 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 group 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 17 for details of unused borrowing facilities at the reporting date.

Note 21. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the group'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 2023	1 year or less $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Remaining contractual maturities $m
Non-derivatives					
Non-interest bearing					
Trade payables	11.8	-	-	-	11.8
Distributions payable	11.3	-	-	-	11.3
Other payables	2.1	-	-	-	2.1
Interest-bearing - variable					
Bank loans	45.8	45.8	768.0	-	859.6
Interest-bearing - fixed rate					
Lease liability	0.2	0.2	0.5	8.9	9.8
Total non-derivatives	71.2	46.0	768.5	8.9	894.6

Consolidated - 30 Jun 2022	1 year or less $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Remaining contractual maturities $m
Non-derivatives					
Non-interest bearing					
Trade payables	1.8	-	-	-	1.8
Distributions payable	7.3	-	-	-	7.3
Other payables	5.4	-	-	-	5.4
Interest-bearing - variable					
Bank loans	-	-	25.0	-	25.0
Total non-derivatives	14.5	-	25.0	-	39.5

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

Note 22. 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 2023	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Investment properties	-	-	1,625.7	1,625.7
Investment properties - held for sale	-	-	41.4	41.4
Derivative financial instruments	-	21.6	-	21.6
Total assets	-	21.6	1,667.1	1,688.7

Consolidated - 30 Jun 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Investment properties	-	-	609.0	609.0
Investment properties - held for sale	-	-	35.3	35.3
Total assets	-	-	644.3	644.3

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 year.

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.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments have been valued using observable market inputs. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

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 2023	Range (weighted average) 30 Jun 2022
Investment properties	(i) Capitalisation rate	4.38% to 6.25% (5.03%)	3.88% to 6.25% (4.94%)
	(ii) Discount rate	6.00% to 7.13% (6.43%)	4.88% to 7.25% (6.17%)
	(iii) Terminal yield	4.63% to 6.75% (5.35%)	4.00% to 6.50% (5.30%)

Note 22. Fair value measurement (continued)

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 properties 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 $82.2 million and a 25 basis point decrease in capitalisation rate would result in an increase in the fair value of investment properties by $90.8 million.

Note 23. 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 27 and the Director's report for further details of payments made to the Responsible Entity.

Note 24. Remuneration of auditors

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

	Consolidated	
	30 Jun 2023 $'000	Period from 30 Jul 2021 to 30 Jun 2022 $'000
Audit services - KPMG		
Audit or review of the consolidated financial statements	262	240
Other assurance services - KPMG		
Compliance plan audit	11	10
	273	250

Note 25. Contingent liabilities

The group had no contingent liabilities as at 30 June 2023 (2022: $nil).

Note 26. Commitments

	Consolidated	
	30 Jun 2023 $m	30 Jun 2022 $m
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	60.7	89.5
Property acquisitions	64.4	113.8
	125.1	203.3

The group is not a contracted party in relation to the settlement of Tranche 3 of the Healthscope Hospital Portfolio Acquisition.

Note 27. Related party transactions

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

Note 27. Related party transactions (continued)

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 Limited (ASX: HMC).

Parent entity
HealthCo Healthcare and Wellness REIT is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

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) of the Trust and its subsidiaries 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.

Following is a summary of fees paid to the Responsible Entity, Investment and Property Managers:

Type of fee	Method of fee calculation	Consolidated 30 Jun 2023 $'000	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $'000
Base management fees*	0.65% per annum of Gross Asset Value ('GAV') up to $0.8 billion 0.55% per annum of GAV thereafter	5,732	3,530
Property management fees	3.0% of gross property income	1,478	849
Leasing fees	15.0% on new leases 7.5% of year 1 gross income on renewals	127	352
Development management fees	5.0% of project spend up to $2.5 million 3.0% of project spend thereafter	1,905	962
Acquisition fees	1.0% purchase price	9,003	530
Disposal fees	0.5% of sale price	421	-
Reimbursement of Responsible Entity expenses	Cost recovery	812	1,272

* From May 2023, following the Hospital Portfolio Acquisition, the base management fee threshold in the investment management agreement was amended from $1.5 billion to $0.8 billion.

Note 27. Related party transactions (continued)

The following other transactions occurred with related parties:

	Consolidated	
	30 Jun 2023 $'000	Period from 30 Jul 2021 to 30 Jun 2022 $'000
Payment for goods and services:		
Payments to Home Consortium Developments Pty Limited and HMC Capital Limited	1,324	12,858
Payments to Home Consortium Developments Pty Limited (Proxima)	-	5,000
Other transactions:		
HMC Capital Limited unit acquisition on IPO	-	130,000
Income from Home Consortium Developments Pty Limited (rental guarantee)	1,156	2,690
Development related capital expenditure paid to joint venture (Camden)	27,399	28,589
Payment to HMC Capital Limited for the acquisition of the units in The George Trust	32,700	-
HMC Capital Limited's share of distributions declared as a unitholder of HCW	5,668	-

During the financial year, the group's Unlisted Fund entered into interest rate swap contract ("contract") to partially hedge risk against an increase in variable interest rates. Initially, the contracted party to the interest rate swap was HMC Capital who novated the contract, including the obligation to settle the contract, for nil consideration.

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 2023 $'000	30 Jun 2022 $'000
Current receivables:		
Trade and other receivables from Home Consortium Developments Pty Limited	-	1,556
Current payables:		
Trade and other payables to the Investment, Development and Property Manager	13,067	2,221
Distribution payable to HMC Capital Limited	1,837	1,533

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

	Consolidated	
	30 Jun 2023 $'000	30 Jun 2022 $'000
Current receivables:		
Loan receivable from joint venture (Camden Trusts)	18	518

Note 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022* $m
Gain/(Loss)	11.0	17.1
Total comprehensive income	11.0	17.1

Statement of financial position

	Parent	
	30 Jun 2023 $m	30 Jun 2022 $m
Total current assets	38.7	28.5
Total assets	1,480.3	632.1
Total current liabilities	28.2	9.6
Total liabilities	570.7	10.5
Equity		
Contributed equity	939.9	628.9
Accumulated losses	(30.3)	(7.3)
Total equity	909.6	621.6

*The prior year comparative has been restated to account for distributions received.

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 2023 and 30 June 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 and 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 2023 and 30 June 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures 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 29. 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 2023 %	Ownership interest 30 Jun 2022 %
HomeCo (Erina) Property Trust	Australia	100.0%	100.0%
HomeCo (Concord) Property Trust	Australia	100.0%	100.0%
HomeCo (Five Dock) Property Trust	Australia	100.0%	100.0%
HomeCo (Greystanes) Property Trust	Australia	100.0%	100.0%
HomeCo (Rouse Hill) Property Trust	Australia	100.0%	100.0%
HomeCo (St Marys) Property Trust	Australia	100.0%	100.0%
HomeCo (Tarneit) Property Trust	Australia	100.0%	100.0%
HomeCo (Ballarat) Property Trust	Australia	100.0%	100.0%
HomeCo (Essendon) Property Trust	Australia	100.0%	100.0%
HomeCo (Armadale) Property Trust	Australia	100.0%	100.0%
HomeCo (Nunawading) Property Trust	Australia	100.0%	100.0%
HomeCo (Hawthorn East) Development Trust	Australia	100.0%	100.0%
HomeCo (Everton Park) Property Trust	Australia	100.0%	100.0%
HomeCo (Woolloongabba) Property Trust	Australia	100.0%	100.0%
HomeCo (Morayfield HH) Property Trust	Australia	100.0%	100.0%
HomeCo (Cairns) Property Trust	Australia	100.0%	100.0%
HomeCo (Springfield) Property Trust	Australia	100.0%	100.0%
HomeCo (Southport) Property Trust	Australia	100.0%	100.0%
HomeCo (Beaconsfield) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Shepparton) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Ringwood) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Nambour) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Chermside) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Southport) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Wembley) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Wembley Salvado) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Bundaberg) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Urraween UC) Property Trust	Australia	100.0%	100.0%
HomeCo (GC Urraween SSR) Property Trust	Australia	100.0%	100.0%
HomeCo (Avondale Heights) Property Trust	Australia	100.0%	100.0%
HomeCo (Boronia) Property Trust	Australia	100.0%	100.0%
HomeCo (Bulleen) Property Trust	Australia	100.0%	100.0%
HomeCo (Chadstone) Property Trust	Australia	100.0%	100.0%
HomeCo (Chirnside Park) Property Trust	Australia	100.0%	100.0%
HomeCo (Croydon) Property Trust	Australia	100.0%	100.0%
HomeCo (Frankston) Property Trust	Australia	100.0%	100.0%
HomeCo (Melton) Property Trust	Australia	100.0%	100.0%
HomeCo (Ormond) Property Trust	Australia	100.0%	100.0%
HomeCo (Seaford) Property Trust	Australia	100.0%	100.0%
HomeCo (Yallambie) Property Trust	Australia	100.0%	100.0%
HomeCo (Maylands) Property Trust	Australia	100.0%	100.0%
HomeCo (Glen Huntly) Property Trust	Australia	100.0%	100.0%
HCW (Bundoora) Property Trust	Australia	100.0%	100.0%
HCW (Clyde North) Property Trust	Australia	100.0%	100.0%
HCW (Donnybrook) Property Trust	Australia	100.0%	100.0%
HCW (Forest Hill) Property Trust	Australia	100.0%	100.0%
HCW (Junction Village) Property Trust	Australia	100.0%	100.0%
HCW (Mitcham) Property Trust	Australia	100.0%	100.0%
HCW (Reservoir) Property Trust	Australia	100.0%	100.0%
HCW (Sunshine) Property Trust	Australia	100.0%	100.0%
HCW (View B) Property Trust	Australia	100.0%	100.0%

Note 29. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 30 Jun 2023 %	Ownership interest 30 Jun 2022 %
HomeCo (HCW First) Property Trust	Australia	100.0%	100.0%
HomeCo (HCW Vitality Village) Property Trust	Australia	100.0%	100.0%
HomeCo (HCW Third) Property Trust	Australia	100.0%	100.0%
HomeCo HCW Finance Pty Ltd	Australia	100.0%	100.0%
HCW (Geelong) Property Trust	Australia	100.0%	-
HCW (Northpark) Property Trust	Australia	100.0%	-
HCW (Pine Rivers) Property Trust	Australia	100.0%	-
HCW (Victoria Rehab Centre) Property Trust	Australia	100.0%	-
HMC WHF NO1. PTY LTD	Australia	100.0%	-
HWHF (Knox) Property Trust	Australia	100.0%	-
HWHF (The Mount) Property Trust	Australia	100.0%	-
HWHF (Nepean) Property Trust	Australia	100.0%	-
HWHF (Ringwood) Property Trust	Australia	100.0%	-
HWHF (SB) Property Trust	Australia	100.0%	-
HWHF (Sydney Southwest) Property Trust	Australia	100.0%	-
HWHF (Campbelltown) Property Trust	Australia	100.0%	-

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 2:

			Parent		Non-controlling interest	
Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest 30 Jun 2023 %	Ownership interest 30 Jun 2022 %	Ownership interest 30 Jun 2023 %	Ownership interest 30 Jun 2022 %
The George Trust	Australia	Property investment	91.5%	-	8.5%	-

Note 29. Interests in subsidiaries (continued)

Summarised financial information
Summarised financial information of the subsidiary with non-controlling interests that are material to the group are set out below:

	The George Trust 30 Jun 2023 $m	The George Trust 30 Jun 2022 $m
Summarised statement of financial position		
Current assets	1.1	-
Non-current assets	18.1	-
Total assets	19.2	-
Current liabilities	1.6	-
Total liabilities	1.6	-
Net assets	17.6	-
Summarised statement of profit or loss and other comprehensive income		
Revenue and other income	11.7	-
Expenses	(0.1)	-
Profit	11.6	-
Other comprehensive income	-	-
Total comprehensive income	11.6	-
Statement of cash flows		
Net cash used in investing activities	(10.0)	-
Net cash from financing activities	10.8	-
Net increase in cash and cash equivalents	0.8	-
Other financial information		
Profit attributable to non-controlling interests	1.0	-
Accumulated non-controlling interests at the end of reporting period	7.1	-

Note 30. Earnings per unit

	Consolidated	
	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Profit	21.2	49.6
Non-controlling interest	(1.0)	-
Profit attributable to owners of HealthCo Healthcare and Wellness REIT	20.2	49.6
	Number	**Number**
Weighted average number of units used in calculating basic earnings per unit	371,592,591	325,179,460
Weighted average number of ordinary units used in calculating diluted earnings per unit	371,592,591	325,179,460
	Cents	**Cents**
Basic earnings per unit	5.44	15.26
Diluted earnings per unit	5.44	15.26

Note 31. Cash flow information

Reconciliation of profit to net cash from operating activities

	Consolidated	
	30 Jun 2023 $m	Period from 30 Jul 2021 to 30 Jun 2022 $m
Profit for the year	21.2	49.6
Adjustments for:		
Net unrealised gain from fair value adjustments	(18.0)	(35.1)
Finance costs - non-cash	3.4	0.9
Straight lining and amortisation	0.5	(1.9)
Other	(0.2)	-
Change in operating assets and liabilities:		
Movement in trade and other receivables	4.0	3.0
Movement in trade and other payables	11.8	7.1
Net cash from operating activities	22.7	23.6

Note 31. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated 30 Jun 2023 $m	Consolidated Period from 30 Jul 2021 to 30 Jun 2022 $m
Units issued to HMC Capital Limited (non-cash)	-	130.0
Units issued under distribution reinvestment plan	0.6	0.4
	0.6	130.4

Changes in liabilities arising from financing activities

Consolidated	Bank loans $m	Distributions payable $m	Lease liabilities $m	Total $m
Balance at 30 July 2021	-	-	-	-
Net cash from financing activities	25.0	-	-	25.0
Distribution declared during the year	-	24.4	-	24.4
Payments relating to current year	-	(16.6)	-	(16.6)
Non-cash issuance of units (note 19)	-	(0.4)	-	(0.4)
Balance at 30 June 2022	25.0	7.3	-	32.3
Net cash (used in)/from financing activities	686.7	-	-	686.7
Distribution declared during the year	-	34.1	-	34.1
Payments relating to current year	-	(22.2)	-	(22.2)
Payments relating to prior year	-	(7.3)	-	(7.3)
Additions to investment properties	-	-	3.1	3.1
Non-cash issuance of units (note 19)	-	(0.6)	-	(0.6)
Balance at 30 June 2023	711.7	11.3	3.1	726.1

Note 32. Events after the reporting period

In June 2023, the contracts for the sale of Armadale, Croydon, Tarneit and Yallambie properties became unconditional and these assets were recognised as assets held for sale as at 30 June 2023. In July and August 2023, 3 of these assets were settled for $33.2 million with Tarneit due to settle in late August 2023.

In July 2023, an extraordinary general meeting of unitholders of the group was held to obtain unitholder approval for three resolutions relating to HMC's participation in, and support of, the capital raising. This included a resolution to amend the Investment Management Agreement to permit the payment of acquisition or disposal fees by way of issues of units to the investment manager, HMC, in lieu of cash, in order to reduce the group's upfront cash funding from the Healthscope Hospital Portfolio acquisition. All three resolutions were approved.

In July 2023, the group entered into a contract for the sale of Avondale Heights. The contract became unconditional and the sale of asset settled for $7.9 million in August 2023.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

In the opinion of the directors of HCW Funds Management Limited, the Responsible Entity of HealthCo Healthcare and Wellness REIT (the Trust):

- 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 2 to the financial statements;

- the attached consolidated financial statements and notes give a true and fair view of the group's financial position as at 30 June 2023 and of its performance for the financial year 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 declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2023.

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	David Di Pilla
Independent Non-Executive Chair	Non-Executive Director

14 August 2023

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 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

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.

KPMG

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.

<table>
<tr><th colspan="2">Valuation of investment property and investment property under development ($1,622m)</th></tr>
<tr><td colspan="2">Refer to accounting policy note 2 and notes 14 and 22 of the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The valuation of investment property is a key audit matter as it is significant in value (being 94% of total assets) and requires auditor judgement in evaluating the significant inputs in 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 projections, terminal yields and other key 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:

• Costs 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.</td><td>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 the Group's 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, assessing 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;

• Assessing the Group's key leasing assumptions, where significant, against each property's recorded rental income, lease expiry and current vacancy levels;

• Checking a sample of contractual rental income, lease expiries and vacancy levels to tenancy schedules as per lease agreements;

• Assessing the assumptions used by the Group in 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 valuation of investment properties; and</td></tr>
</table>

	• 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 of HCW Funds Management Limited (the Responsible Entity) 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.

Responsibilities of the Directors for the Financial Report

The Directors of HCW Funds Management Limited (the Responsible Entity) 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; and
- 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.

KPMG

KPMG

J Davis

Jessica Davis

Partner

Sydney

14 August 2023

The unitholder information set out below was applicable as at 31 July 2023.

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	530	0.06
1,001 to 5,000	1,805	1.04
5,001 to 10,000	1,867	2.62
10,001 to 100,000	3,838	18.10
100,001 and over	199	78.18
	8,239	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
HSBC Custody Nominees (Australia) Limited	88,890,226	15.79
Home Consortium Developments Limited	88,703,714	15.76
Citicorp Nominees Pty Limited	53,496,999	9.51
J P Morgan Nominees Australia Pty Limited	38,227,218	6.79
National Nominees Limited	36,177,235	6.43
Buttonwood Nominees Pty Ltd	31,912,867	5.67
Netwealth Investments Limited (Wrap Services A/C)	12,574,836	2.23
UBS Nominees Pty Ltd	11,759,003	2.09
BNP Paribas Noms Pty Ltd (DRP)	10,824,072	1.92
HSBC Custody Nominees (Australia) Limited – A/C 2	5,490,122	0.98
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	5,030,905	0.89
Netwealth Investments Limited (Super Services A/C)	3,260,890	0.58
Home Consortium Limited	3,121,526	0.55
BNP Paribas Nominees Pty Ltd (Pitcher Partners DRP)	2,596,359	0.46
Goat Properties Pty Ltd	1,907,894	0.34
Sword Equity Investments Pty Ltd	1,597,222	0.28
Bridgebox Pty Limited (Bridgebox A/C)	1,500,000	0.27
Glengallan Investments Pty Ltd	1,160,208	0.21
Premium Capital (Aust) Pty Ltd	1,082,000	0.19
Seymour Group Pty Ltd	1,078,000	0.19
	400,391,296	71.13

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**
HMC Capital Limited*	91,825,240	16.31

* 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

There are no restricted securities.

Directors	Joseph Carrozzi AM Stephanie Lai Natalie Meyenn Dr Chris Roberts AO David Di Pilla The Hon. Kelly O'Dwyer
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 financial year 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/]