

## ASX RELEASE

23 August 2023

### APPENDIX 4E AND FY23 FINANCIAL REPORT

HMC Capital (ASX: HMC) provides the attached Appendix 4E and FY23 Financial Report.

This announcement is authorised for release by the Board.

For further information please contact:

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#### ***About HMC Capital***

*HMC Capital is a leading ASX-listed alternative asset manager which specialises in real assets and private equity. We manage approximately \$8bn on behalf of institutional, high net worth and retail investors. We have a highly experienced and aligned team of over 80 professionals with deep investment and operational expertise. Our point of difference is our ability to execute large, complex transactions. This has underpinned our rapid growth in funds under management since listing in October 2019 and track record of generating outsized returns for our investors. Our investment strategies are exposed to sectors benefitting from powerful megatrends such as healthcare, life sciences and last mile retail logistics. We are well positioned to grow our funds under management to over \$20bn in the medium term by scaling our existing platform and expanding into new alternative sectors such as energy transition, infrastructure, and private credit.*

## 1. Company details

Name of entity:	HMC Capital Limited (formerly Home Consortium Limited)
ACN:	138 990 593
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

The comparative year included results for the stapled group comprising HMC Capital Limited (ACN 138 990 593) (HMC Capital) and Home Consortium Developments Pty Limited (ACN 635 859 700) (formerly Home Consortium Developments Limited (HCDL)). The shares of HMC Capital and HCDL were destapled on 24 December 2021. As a result, the comparative year results are for the stapled group until 24 December 2021 and for the destapled group from 25 December 2021 to 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 year.

	30 June 2023 \$'000	30 June 2022 \$'000	Change \$'000	Change %
Revenues from ordinary activities	68,732	78,592	(9,860)	(13%)
Profit from ordinary activities after tax	57,101	77,249	(20,148)	(26%)
Profit for the year for owners of HMC Capital Limited	57,101	77,249	(20,148)	(26%)
Profit for the financial year including non-controlling interest	83,333	107,262	(23,929)	(22%)

### Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2022 paid on 7 October 2022 to shareholders registered on 2 September 2022.	6.00	6.00
Interim dividend for the year ended 30 June 2023 paid on 6 April 2023 to shareholders registered on 2 March 2023.	6.00	6.00
Final dividend for the year ended 30 June 2023 will be paid on 4 October 2023 to shareholders registered on 30 August 2023.	6.00	0.60

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

## 3. Net tangible assets

	30 June 2023 \$	30 June 2022 \$
Net tangible assets per share	2.92	2.20

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

#### 4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss)	
	30 June 2023 %	30 June 2022 %	30 June 2023 \$'000	30 June 2022 \$'000
HomeCo Daily Needs REIT	14.1%	14.1%	14,482	60,911
HealthCo Healthcare and Wellness REIT	16.3%	20.9%	3,433	10,237
The George Trust	-	40.3%	-	-
General Medical Precinct Trust	25.0%	25.0%	-	-
Life Sciences Medical Precinct Trust	30.7%	30.2%	-	-
			<u>17,915</u>	<u>71,148</u>

Refer to note 14 of the notes to the consolidated financial statements for further information.

#### 5. Information about audit or review

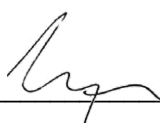
The financial statements have been audited and an unmodified opinion has been issued.

#### 6. Attachments

The Annual Report of HMC Capital Limited for the year ended 30 June 2023 is attached.

#### 7. Signed

As authorised by the board of directors

Signed  \_\_\_\_\_

Chris Saxon  
Chair

Date: 22 August 2023

# **HMC Capital Limited**

**(Formerly known as Home Consortium Limited)**

**ACN 138 990 593**

**Annual Report - 30 June 2023**

The directors of HMC Capital Limited (ACN 138 990 593) (formerly Home Consortium Limited) (referred to hereafter as the Company or HMC Capital) present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the group) consisting of HMC Capital and the entities it controlled at the end of, or during, the year ended 30 June 2023.

The comparative year included results for the stapled group comprising of HMC Capital and Home Consortium Developments Pty Limited (ACN 635 859 700) (formerly Home Consortium Developments Limited (HCDL)). The shares of HMC Capital and HCDL were destapled on 24 December 2021. As a result, the comparative year results are for the stapled group until 24 December 2021 and for the destapled group from 25 December 2021 to 30 June 2022.

### **Directors**

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

Chris Saxon	Independent Non-Executive Chair
David Di Pilla	Managing Director and Chief Executive Officer
Zac Fried	Non-Executive Director
Brendon Gale	Independent Non-Executive Director
Greg Hayes	Non-Executive Director
Kelly O'Dwyer	Independent Non-Executive Director
Susan Roberts	Independent Non-Executive Director (appointed on 23 November 2022)
Jane McAloon	Independent Non-Executive Director (retired on 23 November 2022)

### **Principal activity**

The principal activities of the group during the year was funds management via the ownership and management of real asset focused funds.

### **Significant changes in the state of affairs**

#### *HMC Capital Partners Fund I*

In September 2022, the group launched HMC Capital Partners Fund I (HMC-CP Fund I), an unlisted open-ended fund providing exposure to high-conviction investment strategies. HMC-CP Fund I targets public and private companies with real asset backing where there is potential to unlock 'trapped' value through improved capital allocation and portfolio management.

HMC Capital has a 51.6% interest in HMC-CP Fund I at 30 June 2023, which forms part of the consolidated group as at 30 June 2023.

#### *Sale of investment in The George Trust*

In December 2022, HealthCo Healthcare and Wellness REIT (HCW) acquired the group's interest in The George Trust for \$32.7 million. The George Trust developed The George Private Hospital in Camden, New South Wales.

#### *Last Mile Logistics Fund*

In February 2023, the group launched the Last Mile Logistics Fund (LML Fund). The LML Fund is a closed-ended unlisted vehicle that targets core plus transitional assets (sub-regional, neighbourhood and large format retail assets) with the potential to unlock additional upside through repositioning the assets into non-discretionary daily needs uses with essential last mile real estate infrastructure.

HMC Capital announced in June 2023 that the LML Fund had reached first financial close following receipt of \$400.0 million of equity commitments, comprising \$350.0 million from a major Australian institutional investor and \$50.0 million from the HomeCo Daily Needs REIT. The LML Fund acquired its maiden asset Menai Marketplace in Sydney, NSW in February 2023 for \$150.0 million.

#### *HMC Healthcare and Life Sciences Fund*

In March 2023, the group announced the acquisition of a portfolio of 11 private hospitals leased to private hospital operator Healthscope for \$1,200.0 million by funds managed by HMC Capital. 4 of the 11 hospitals were acquired by HealthCo Healthcare and Wellness REIT (HCW) for \$256.0 million with the remaining 7 hospitals to be acquired in 2 tranches by a new HMC Capital managed fund for \$944.0 million called the HMC Healthcare and Life Sciences Fund.

HMC Healthcare and Life Sciences Fund completed the settlement of the initial tranche of 3 assets (\$474 million) which was funded with HCW's initial equity commitment and debt. The remaining 4 hospitals from the final tranche (\$470.0 million) are expected to settle in September 2023 with equity funding proposed to be sourced from third party institutional investors. HMC Capital has backstopped the equity funding for the final tranche.

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

### **Review of operations and financial performance**

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Total revenue and other income including share of profit/loss of associates	95,393	150,095
Net profit for the year	83,333	107,262
Operating earnings	82,117	89,012
Weighted average securities on issue (million)	310.9	293.3
Operating earnings per security (cents)	26.4	30.3

The group recorded total revenue and other income (including share of profit/loss of associates) of \$95.4 million (30 June 2022: \$150.1 million) and a statutory profit after tax for the current financial year of \$83.3 million compared to \$107.3 million for the financial year ended 30 June 2022. The statutory profit is primarily attributable to share of associate profit from investments in HomeCo Daily Needs REIT and HealthCo Healthcare and Wellness REIT of \$17.9 million and net fair value gains of \$53.5 million.

Operating earnings was \$82.1 million for the current financial year compared to operating earnings of \$89.0 million for the financial year ended 30 June 2022. Operating earnings is a non-IFRS 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 Operating earnings to represent the core earnings of the group. Operating Earnings was previously described by HMC Capital as Funds from Operations (FFO).

#### *Operating earnings*

The table below provides a reconciliation between the net profit after tax for the year and Operating Earnings:

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Statutory profit after tax	83,333	107,262
Non-controlling interest adjustments	(26,232)	-
Deferred income tax expense	2,627	12,105
Straight-lining of rental income	-	563
Amortisation of borrowing costs	388	1,788
Acquisition and transaction costs	5,267	11,376
Net fair value movements	3,589	(725)
Depreciation expenses	1,247	520
Share of associate profit to Funds From Operations (FFO)	11,898	(48,316)
Gain on investment in associates	-	(16,900)
Impairment expenses	-	21,339
Operating earnings	<u>82,117</u>	<u>89,012</u>

*Summary of financial position*

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Total assets	1,344,816	912,950
Net assets	1,200,400	846,002
Net tangible assets <sup>1</sup>	1,013,626	659,228
Adjusted net tangible assets <sup>2</sup>	1,048,465	691,327
Number of securities on issue (million)	347.6	299.6
Net tangible assets (\$ per security) <sup>1</sup>	2.92	2.20
Adjusted net tangible assets (\$ per security) <sup>2</sup>	3.02	2.31
 <b>Capital management</b> <sup>3</sup>		
Debt facility limit	275,000	275,000
Drawn debt	36,500	-
Cash and undrawn debt	323,778	332,555
Gearing ratio (%)	1.8%	-
Hedged debt (%)	-	-
Weighted average cost of debt (% per annum) <sup>4</sup>	9.67%	n/m

<sup>1</sup> Net tangible assets include deferred tax assets and liabilities, right-of-use assets and lease liabilities.

<sup>2</sup> Adjusted net tangible assets exclude the following: right-of-use assets, lease liabilities, provisions, deferred tax assets and liabilities and non-controlling interests.

<sup>3</sup> 30 June 2023 balance excludes a \$50.0 million non-recourse debt facility in HMC Capital Partners Fund I utilised for acquiring investments in Australian listed equities.

<sup>4</sup> Includes commitment fee on undrawn debt (5.3% p.a. on drawn debt only).

*Financing*

Bank debt comprises a \$275.0 million secured syndicated debt facility.

**Dividends**

Dividends declared during the financial year were as follows:

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend to shareholders registered on 2 September 2022 of 6.0 cents (2021: 6.0 cents) per ordinary security	18,015	17,416
Interim dividend for the year ended 30 June 2023 of 6.0 cents (2022: 6.0 cents) per ordinary security	18,047	17,416
	<u>36,062</u>	<u>34,832</u>

On 22 August 2023, the directors determined to pay a 10% franked dividend of 6.0 cents per ordinary share. The dividends will be paid on 4 October 2023 to eligible shareholders on the register on 30 August 2023.

### **Matters subsequent to the end of the financial year**

In August 2023 the \$275.0 million secured syndicated debt facility maturity date was extended to November 2024.

In connection with funds management initiatives the group has invested \$24.0 million in an ASX listed entity.

In July 2023, an extraordinary general meeting of unitholders of HealthCo Healthcare and Wellness REIT (HCW) was held to obtain unitholder approval for three resolutions relating to HMC Capital's participation in, and support of the capital raising undertaken by HCW. 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 HMC Capital as investment manager, in lieu of cash, as well as a resolution to enter into a selective buy back agreement pursuant to which the responsible entity of HCW agreed to buy back, and HMC Capital agreed to sell, up to 8,465,608 units held by HMC Capital for nominal consideration. All resolutions were approved.

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**

#### ***HMC Capital objectives***

The group's objective is to provide securityholders with above average risk-adjusted returns via its funds management strategy. The group intends to achieve this objective by investing in high conviction and scalable real asset strategies on behalf of securityholders and HMC Capital managed funds (third party capital). The group will undertake these activities whilst maintaining an appropriate capital structure and approach to sustainability.

#### ***Risk considerations***

##### *Financial risks*

The group's performance is linked to the performance of its funds under management and property assets held by those funds, which derive their income through leasing arrangements with tenants. The group has sought to protect this property income by having a diversified group of national tenants that operate sustainable business models, maintaining high occupancy rates and setting sustainable rents with its tenants.

The key economic risk for the group's managed property assets 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 through the managed funds, maintaining an appropriate capital structure with a target gearing ratio of 30% - 40% within managed funds and having adequate interest rate hedging in place.

##### *Sustainability and climate-related and environmental risks*

Sustainability is a key element of HMC Capital's business approach, driven by the belief that sustainable investments are aligned to long-term value creation and should not be dilutive to returns. HMC Capital has established a sustainability subcommittee of the HMC Capital Board that governs the group's sustainability strategy and initiatives across its managed funds. The group became a signatory to the United Nations Principle 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 managed property 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.

#### **Environmental regulation**

The directors are satisfied that adequate systems are in place to manage the group's environmental responsibility and compliance with regulations. The directors 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.



**Information on directors**

**Name:** Chris Saxon  
**Title:** Independent Non-Executive Chair  
**Experience and expertise:** Chris is a leading Australian lawyer and was, until 2019, a partner with Baker McKenzie. Chris's practice included large-scale mergers and acquisition ('M&A') transactions across a range of sectors, notably energy (gas, electricity, renewable), industrials, infrastructure and mining. He has consistently been ranked as one of Australia's foremost project and M&A lawyers and has been lead adviser on government restructuring transactions and privatisations, major trade sales and infrastructure projects. Chris served as Chair of Baker McKenzie Australia for five years (2012-2017) and has held numerous leadership roles within the firm.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chair of the Remuneration and Nomination Committee  
**Interests in shares:** 255,371 ordinary shares  
**Interests in rights:** 28,420 share rights over ordinary shares  
**Interests in options:** 4,000 options over ordinary shares

**Name:** David Di Pilla  
**Title:** Managing Director and Chief Executive Officer  
**Experience and expertise:** David led the team that founded the consortium which led to the ultimate establishment 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 ~\$9.0 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:** Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) - appointed on 18 September 2020 and Non-Executive Director of HealthCo Healthcare and Wellness REIT (ASX: HCW) appointed on 28 July 2021.

**Former directorships (last 3 years):** None  
**Interests in shares:** 40,412,070 ordinary shares  
**Interests in rights:** 958,504 share rights over ordinary shares  
**Interests in options:** 40,000 options over ordinary shares

**Name:** Zac Fried  
**Title:** Non-Executive Director  
**Experience and expertise:** Zac worked closely with David Di Pilla and the team who founded and established the consortium to acquire the group in 2016. Zac is the Executive Deputy Chairman of the Spotlight Group ('SGH'). Established in 1973, SGH owns a number of major and iconic Australian retail brands: Spotlight, Anaconda, Mountain Designs and Harris Scarfe. SGH also controls one of Australia's largest privately-owned property portfolios, Spotlight Property Group, and operates a significant family office engaged in extensive investment and philanthropic activities. With over 10,000 employees and 260 big box retail outlets across four countries with large greenfield redevelopment opportunities, SGH is one of Australia's leading retail and property industry participants. Zac's focus at SGH includes the oversight of SGH's property development and leasing portfolio. He has almost 30 years of retail and property industry experience and a demonstrable track record of successful site identification, property value creation, and the fostering of many longstanding and close lessee relationships. Zac has played the central role at SGH in the development of many of Australia and New Zealand's premier retail, office, and homemaker centres. In addition to his role at SGH, Zac is the President of the Large Format Retail Association ('LFRA'). The LFRA is the preeminent industry association responsible for representing the Australian retail industry interests of operators, investors, property owners, developers and service providers that collectively generate approximately \$80 billion or 25% of all retail sales in Australia.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Interests in shares:** 26,153,892 ordinary shares  
**Interests in rights:** 5,182 share rights over ordinary shares  
**Interests in options:** 300,000 options over ordinary shares

**Name:** Brendon Gale  
**Title:** Independent Non-Executive Director  
**Experience and expertise:** Brendon is a leading Australian sporting administrator and is the current Chief Executive Officer and Executive Director of the Richmond Football Club, one of the largest and most diversified sports businesses in Australia. He is also an experienced company director, having previously served on the board of the Victorian Equal Opportunity and Human Rights Commission and is a current director of the Richmond Football Club Ltd and Aligned Leisure Pty Ltd. Brendon is experienced in leading high performing and profitable consumer businesses, operating in multi stakeholder environments, involving significant public investment. He has a proven track record in shaping positive corporate culture and setting the tone from the top through the alignment of purpose, values and strategy. Brendon holds a Master's Degree in Arts and Bachelor of Laws from Monash University, has completed the Advanced Management Program at Harvard Business School and is a Graduate of the Australian Institute of Company Directors.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chair of the Sustainability Committee and member of the Remuneration and Nomination Committee  
**Interests in shares:** 280,817 ordinary shares  
**Interests in rights:** 16,703 share rights over ordinary shares  
**Interests in options:** None

**Name:** Greg Hayes  
**Title:** Non-Executive Director  
**Experience and expertise:** Greg is currently a Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN); Non-Executive Director of Ingenia Communities (ASX: INA) & Non-Executive Director of Aurrum Holdings Pty Ltd. Having worked across a range of industries including property, infrastructure, energy and logistics, Greg's skills and experience include strategy, finance, mergers and acquisitions and strategic risk management, in particular in listed companies with global operations. Greg was previously Chief Financial Officer and executive director of Brambles Limited, Chief Executive Officer and Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim Chief Executive Officer of the Australian Gaslight Company, Chief Financial Officer Australia and New Zealand of Westfield Holdings, Executive General Manager, Finance of Southcorp Limited. Greg has also held Non-Executive Director roles at Incitec Pivot Limited and The Star Entertainment Group Ltd. Greg has a Master of Applied Finance, a Graduate Diploma in Accounting, a Bachelor of Arts, completed an Advanced Management Programme (Harvard Business School, Massachusetts) and is a Member of Chartered Accountants Australia and New Zealand.

**Other current directorships:** Non-Executive Director of Ingenia Communities (ASX: INA); Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) - appointed on 16 October 2020.

**Former directorships (last 3 years):** None

**Special responsibilities:** Member of the Audit and Risk Committee

**Interests in shares:** 10,998,637 ordinary shares

**Interests in rights:** 16,381 share rights over ordinary shares

**Interests in options:** None

**Name:** Kelly O'Dwyer  
**Title:** Independent Non-Executive Director  
**Experience and expertise:** Kelly is a Non-Executive Director of Equity Trustees, HealthCo Healthcare and Wellness REIT and Barrenjoey Capital Partners Group Holdings Pty Ltd. Kelly previously 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 HealthCo Healthcare and Wellness REIT (ASX: HCW) - appointed on 1 August 2021.

**Former directorships (last 3 years):** None

**Special responsibilities:** Member of the Audit and Risk Committee and member of the Sustainability Committee.

**Interests in shares:** 57,207 ordinary shares

**Interests in rights:** 11,651 share rights over ordinary shares

**Interests in options:** 1,000 options over ordinary shares

Name: Susan Roberts  
Title: Independent Non-Executive Director (appointed on 23 November 2022)  
Experience and expertise: Susan is an experienced director and CEO with over 30 years in the financial services, investment and insurance industries. Susan's current roles include Chair of Audit for AIG Australia and Teachers Health, and is a director of Metlife Australia. Susan has a technical actuarial and investment background coupled with risk management, business strategy, governance and stakeholder management skills. Susan has significant commercial and financial executive experience, including CEO and Managing Director of Lazard Asset Management Pacific, and Director, Strategy at Lend Lease Investment Services. Susan has previously served as a Non-Executive Director of Maple Brown Abbott and as Chair of the Audit and Risk, and Claims Committee for Zurich Australia Superannuation. Susan was also Chair of the Investor Working Group for the 30% Club in Australia. Susan holds a Bachelor of Economics from Macquarie University and is a Fellow of the Actuaries Institute of Australia.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Chair of the Audit and Risk Committee and member of the Sustainability Committee  
Interests in shares: 51,601 ordinary shares  
Interests in rights: None  
Interests in options: None

'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 joined the group in 2017 and is Group General Counsel and Company Secretary. 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. Before joining the group, 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), all 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 sat on the Law Society of NSW In-House Corporate Lawyers Committee. Andrew has also been recognised in The Legal 500 GC Powerlist and Doyles as a leading in-house lawyer.

### Meetings of directors

The number of meetings of the Company'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 Attended	Full Board Held	Remunera- tion and Nomination Committee Attended	Remunera- tion and Nomination Committee Held	Audit and Risk Committee Attended	Audit and Risk Committee Held	Sustain- ability Committee Attended	Sustain- ability Committee Held
Chris Saxon	13	13	3	3	-	-	-	-
David Di Pilla*	13	13	-	-	-	-	-	-
Zac Fried	13	13	-	-	-	-	-	-
Brendon Gale	13	13	3	3	-	-	3	3
Greg Hayes	13	13	-	-	6	6	-	-
Kelly O'Dwyer	13	13	1	1	6	6	3	3
Susan Roberts**	9	9	-	-	4	4	1	1
Jane McAloon***	4	4	2	2	2	2	1	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

- \* David Di Pilla attended remuneration and nomination, audit and risk and sustainability committee meetings by invitation.
- \*\* Appointed on 23 November 2022.
- \*\*\* Retired on 23 November 2022.

### **Shares under option**

There are 2,801,102 unissued ordinary shares of HMC Capital under options outstanding at the date of this report. The exercise price per option is \$7 and the options expire on 30 November 2025.

### **Shares under share rights**

There were 2,814,577 unissued ordinary shares of HMC Capital under performance rights at the date of this report. The rights are exercisable at \$Nil exercise price.

No person entitled to exercise the share rights had or has any right by virtue of the share right to participate in any share issue of HMC Capital or of any other body corporate.

### **Shares issued on the exercise of options**

There were no ordinary shares of HMC Capital issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

### **Shares issued on the exercise of performance rights**

1,089,931 ordinary shares of HMC Capital were issued on the exercise of performance rights during the year ended 30 June 2023 and up to the date of this report. The performance rights were exercised at an exercise price of \$Nil per share.

### **Indemnity and insurance of officers**

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

### **Proceedings on behalf of HMC Capital**

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

### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## **Remuneration report (audited)**

### **Letter from the Chair of the Remuneration and Nomination Committee**

Dear Shareholders,

On behalf of the Board of Directors (the 'Board') and as Chair of the Remuneration and Nomination Committee, I am pleased to present HMC Capital's remuneration report for the year ended 30 June 2023 ('FY23').

### **Remuneration Philosophy and Framework**

The Group's executive remuneration philosophy is to ensure that reward for performance is competitive and appropriate for the results delivered. The remuneration framework is built on rewarding exceptional effort where value is created for shareholders and includes benchmarked total remuneration comprising fixed remuneration ('FR') (base salary and superannuation), short-term incentive plan ('STIP') awards and long-term incentive plan ('LTIP') awards.

The Board strives to ensure that executive reward satisfies key criteria consistent with good reward governance practices, such as competitiveness and fairness, acceptability to shareholders, performance alignment of executive compensation, sustainable asset management as well as transparency and clarity.

### **Overview of FY23 Performance**

The Board considers that the Group has performed strongly in FY23 to execute its funds management initiatives and each member of the management team has contributed significantly to this strategy.

Funds under external management increased by 40% during FY23 from \$5.6 billion as at 30 June 2022 to \$8.1 billion as at 30 June 2023.

Importantly this growth in FY23 was evidenced across new platforms with the establishment of 3 new unlisted funds:

- HMC Capital Partners Fund I: high-conviction private equity fund successfully launched in September 2022 with an initial equity raising of ~\$300m from HNW investors and family offices. In the first 10 months of trading the fund recorded total return of ~17%, outperforming the S&P/ASX 300 accumulation index by ~10%;
- Last Mile Logistics Fund: new unlisted real estate fund targeting last mile retail logistics properties. \$400m of equity was raised from institutional investors during FY23; and
- Healthcare & Life Sciences Fund: new unlisted real estate fund targeting hospitals and life sciences properties. HMC secured a highly strategic \$1.2bn hospital portfolio leased to Healthscope in Mar-23 to seed this fund. HMC is in the process of completing its equity raising with institutional investors.

The Group also delivered on its value accretive objectives with respect to financial performance and total shareholder returns with key highlights including:

- FY23 operating earnings (pre-tax) of \$82.1 million or 26.4 cents per share; and
- 86% total shareholder return from inception (HMC Capital's ASX listing in October 2019) to 30 June 2023, representing 61% outperformance versus the S&P/ASX 200 A-REIT index and 88% outperformance versus the S&P/ASX 200 index.

### **FY23 Remuneration Outcomes**

During FY23 the Board again reviewed the remuneration structure of the Executive KMP to ensure remuneration continued to align and reflect the rapid increase in the size of the Company and the complexity of the Group's business, including the increased emphasis on the development of the Group's diversified alternative asset management business such as HMC Capital Partners. Benchmarking continued to show that FR for some Executive KMP was positioned well below the median of the key comparator groups and their incentive opportunity was also positioned below the median of comparable organisations. To ensure key executives were retained, and that they were appropriately incentivised to continue to grow the Company, the following key remuneration changes were made during FY23. They continue to demonstrate the strong alignment between Group performance and executive remuneration outcomes.



- As disclosed in the FY22 Remuneration Report, the FR to the Group Managing Director and Chief Executive Officer (MD&CEO) increased by 32%, but his FR remains well below benchmarked comparator groups. The increase reflected that Mr Di Pilla's fixed remuneration was significantly below the median of both comparator groups (despite an increase in FY22). The Board decided to increase the MD&CEO's fixed remuneration to closer to the median of the market, given his critical role in the Company and the value he brings to the Group. Mr Di Pilla continues to decline participation in the STIP and his LTIP opportunity in FY23 remained unchanged at 200% of FR;
- The FR to the Group Chief Operating Officer (COO) Mr Sharma, increased by 9%, and target STI and maximum LTI opportunities were increased from 50% to 60% of fixed remuneration to bring his remuneration in line with benchmarked roles. This change reflected Mr Sharma's new role as Chief Executive Officer of the HomeCo Daily Needs REIT, from 1 July 2022.
- The Group Chief Financial Officer (CFO), Mr McMicking received an 11% increase in his fixed remuneration, and his target STI and maximum LTI opportunities increased from 50% to 60% of fixed remuneration. The increase to fixed remuneration reflected the benchmarking undertaken by the Board which showed the CFO's fixed remuneration and total target remuneration well below median of both market capitalisation and industry comparator groups. It also reflects the increased complexity of the Group, with the development of HMC Capital Partners and increased diversification into an alternative asset manager.
- STIP outcomes for the COO and CFO were assessed relative to delivery of the Group's FFO per share, funds under management targets and a number of individual KPIs. These were determined to have been successfully met, resulting in STIP payments of 100% of target to the COO (67% of his maximum opportunity) and 102% of target to the CFO (68% of his maximum opportunity). This demonstrates the company's strong performance in a challenging environment and the stretch nature of the STIP KPIs that apply to the COO and CFO.
- As a new STIP deferral policy was introduced in FY23, 25% of all STIP payments to Executive KMP above \$200,000 will be deferred for a year into share rights (and subject to a service condition). Further comment regarding STI outcomes is set out in Section 4.
- The Group's first LTIP awards awarded in 2020 vested in August 2022 based on performance from 14 October 2020 to 30 June 2022. This award was split into two equal tranches. Fifty percent (50%) of the award had a relative TSR hurdle and 50% had a FFO hurdle measuring aggregate FFO performance over the performance period. FFO is also described as Operating Earnings in other sections of this Annual Report.

The relative TSR hurdle measured the performance of HMC Capital against a comparator group of S&P/ASX 300 A-REITS as at the commencement of the performance period. During this period the HMC Capital TSR was 73%, putting it significantly above the 75th percentile of the comparator group, which will result in 100% of this tranche vesting. The FFO performance hurdle measures the actual Company Freehold FFO performance for each of the three years in the performance period against its annual FFO targets, as disclosed in its FFO guidance to the ASX for each relevant financial year. Over the three-year performance period the Company delivered Freehold FFO of 8.7c, 13.1c (post-tax) and 31.0c (pre-tax) per share, in aggregate 52.8c per share, against forecast FFO of 38.97c per share for the same period. This actual aggregate FFO result delivered is 135% above the target FFO pool for the period and resulting in 100% of this tranche vesting.

- There was no increase to any Non-Executive Director Board or Committee fees for FY23.
- The Board introduced a new mandatory minimum shareholding policy which is detailed further in section 3.

## **Looking Forward to FY24**

The Board regularly benchmarks the Executive KMP roles against comparator groups based on both market capitalisation and industry comparators. This is part of an annual review of the remuneration for all HMC Capital employees which considers broader factors such as inflation, market wage forecast increases and cost of living adjustments. To reflect these findings and to reflect the increased size and complexity of the business in terms of FUM and the continued expansion of the business into alternative asset management the Board has determined to make the following changes to the remuneration of Executive KMP for FY24:

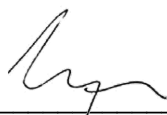
- An increase in the Fixed Remuneration (FR) of the MD&CEO by 5%, which is in line with increases for the broader employee population at HMC Capital. This increase reflected a cost of living adjustment consistent with the approach taken generally for HMC Capital executives. Despite this increase, Mr Di Pilla's fixed remuneration is significantly below the median of both comparator groups. The Board is determined to increase the MD&CEO's fixed remuneration over time closer to the median of the market, given his critical role in the Company and the value he

brings to the Group. There is no change to his STIP opportunity as it has been Mr Di Pilla's practice to decline participation in the STIP. Mr Di Pilla's LTIP opportunity in FY23 will remain unchanged as a percentage of FR.

- The COO, Mr Sharma and CFO, Mr McMicking will both receive a 5% increase in their fixed remuneration, and their target STI and maximum LTI opportunities will increase from 60% to 70% of fixed remuneration. These changes reflect the continued expansion of the Company's alternative asset business with the establishment on the three unlisted funds noted above.
- There will be no change to any Director base or committee fees in FY24.
- The Board will continue to review its structure and notes its commitment for 50% representation by women across the organisation by FY25, including Executive and Board Director positions.

Overall, the Board aims to ensure that the Group's remuneration platform is market competitive, aligns performance measures with the achievement of the Group's strategic objectives, reflects the growing complexity of the Group's operations and is fair to all stakeholders.

We will continue to review and assess the effectiveness of our remuneration framework in order to motivate and retain our Executive KMP and other senior executives.



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Chris Saxon  
Chair of the Board  
Chair of the Remuneration and Nomination Committee

22 August 2023



## 1. Key Management Personnel

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

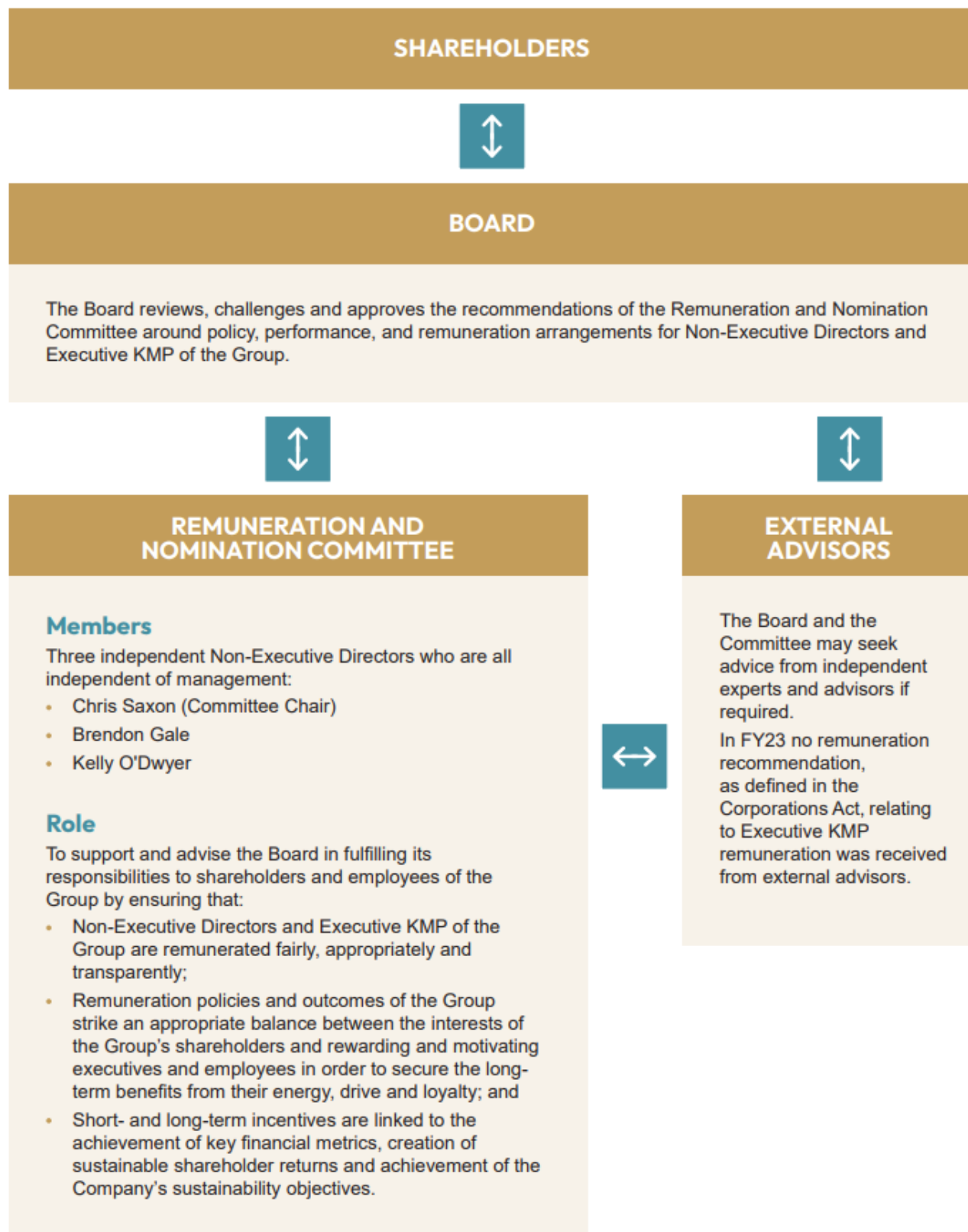
KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the HMC Capital Group, directly or indirectly, including all directors.

The MD&CEO and other senior executives considered KMP are collectively referred to as the Executive KMP of HMC Capital. All KMP were KMP for the full year unless noted otherwise.

<b>Non-Executive Directors</b>	<b>Role</b>
Chris Saxon	Chair and Independent Non-Executive Director
Zac Fried	Non-Executive Director
Brendon Gale	Independent Non-Executive Director
Greg Hayes	Non-Executive Director
Kelly O'Dwyer	Independent Non-Executive Director
Susan Roberts	Independent Non-Executive Director (appointed 23 November 2022)
<b>Former Non-Executive Directors</b>	
Jane McAloon	Independent Non-Executive Director (retired 23 November 2022)
<b>Executive KMP</b>	<b>Role</b>
David Di Pilla	Managing Director and Chief Executive Officer
Sid Sharma	Group Chief Operating Officer and Chief Executive Officer, HDN
Will McMicking	Group Chief Financial Officer

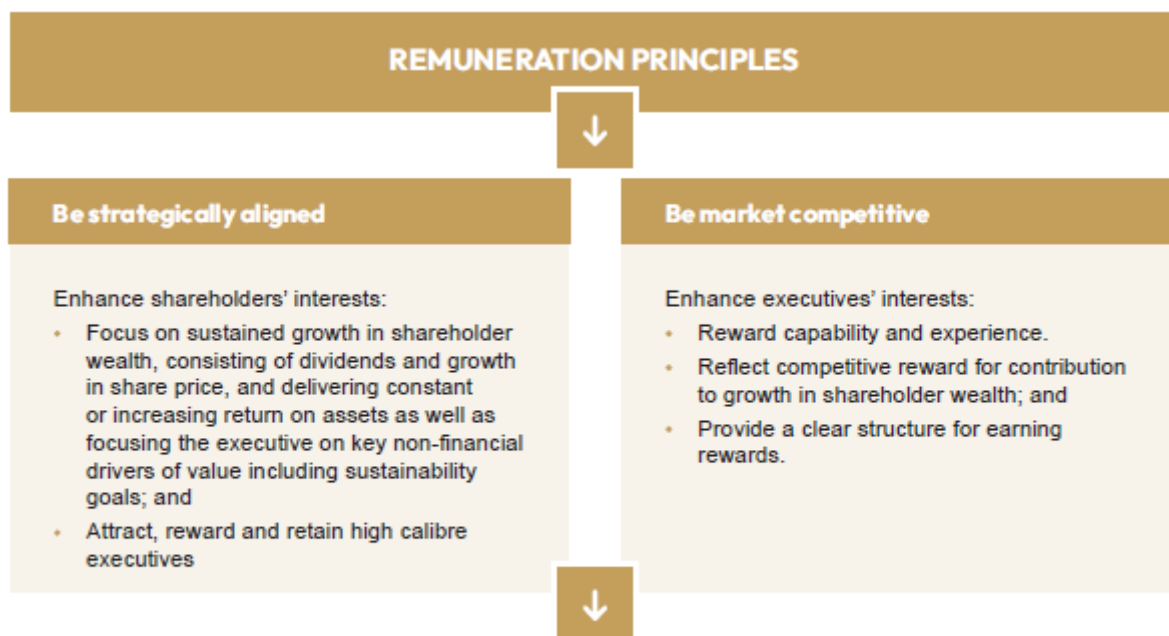
## 2. Executive Remuneration Governance and Structure

The following diagram illustrates HMC Capital's remuneration governance:



### 3. Executive Remuneration Principles and Structure

The diagram below shows the principles used to determine the nature and amount of executive remuneration paid as well as how remuneration is structured to reward executives with a mix of both fixed (FR) and variable (STIP and LTIP) components.



	FIXED	VARIABLE	
	Fixed remuneration	Short-term incentive	Long-term incentive
 <b>DELIVERY METHOD</b>	Base salary plus superannuation	Annual cash payment opportunity with portion deferred into share rights	Rights to shares
 <b>REWARDS FOR</b>	Performance, skills, and capabilities	Performance over a 12-month period against agreed key business objectives	Growth in total shareholder return relative to key comparators and achieving forecast FFO over three-year performance period
<b>IS</b>	<b>Fixed</b>	<b>At risk</b>	<b>At risk</b>
 <b>LINK TO PERFORMANCE</b>	Market aligned (both by market capitalisation and industry comparator groups) base salary commensurate with role size and complexity.	Key performance metric combination of critical business measures and individual achievement of key performance indicators ('KPIs'). FFO and behavioural gateways must be met before any STI is payable.	Key performance conditions aligned with long-term business goals and shareholder value creation.
 <b>HOW MEASURED</b>	Performance against key attributes of position.	Performance against critical key business metric FFO per share targets and individual KPIs.	50% - Relative TSR vs ASX 200 A-REIT comparator group 50% - aggregate FFO per share vs 3-year target pool.

Executive KMP have their remuneration benchmarked regularly by the Remuneration and Nomination Committee with assistance from external advisors where necessary. In benchmarking these roles, the Committee typically uses benchmarks comprising several groups of comparable companies. The most recent benchmarking peer groups included:

- A Market Capitalisation comparator group – companies in the S&P/ASX 200 with comparable average market cap in the range of 50%-200% of HMC Capital's market capitalisation; and
- A selected industry specific comparator group comprising 11-12 ASX listed companies who are a mix of diversified financial and A-REIT companies. These are companies with whom HMC Capital competes for capital and people. It also now includes a number of companies with whom the Company competes in the area of alternative asset management.

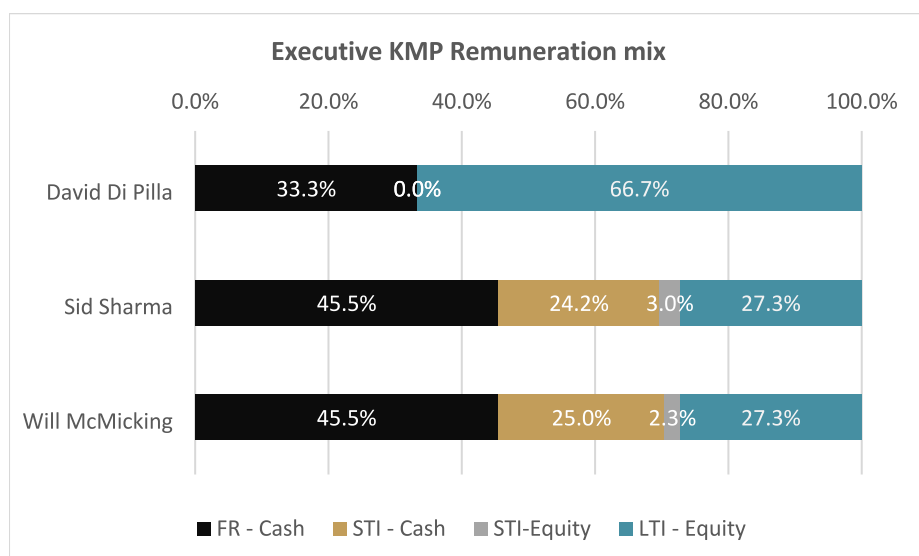
Each of the relevant Executive KMP's total remuneration is made up of a mix of Fixed Remuneration and Variable Remuneration, as set out below.

The remuneration structures for executives and Non-Executive Directors are structured and disclosed separately, in alignment with the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

**Remuneration Mix - FY23**

Executive KMP total target remuneration is broken down into the following four remuneration elements.

Table 1: Executive KMP remuneration mix for FY23.



As in prior years, the MD&CEO has elected not to participate in the short-term incentive plan in FY23.

*New minimum shareholding requirements*

The Board resolved in FY22 to introduce a new minimum shareholding policy which will apply to all Non-Executive Directors (replacing the existing minimum shareholding requirements for Non-Executive Directors under the terms of their appointment), all Executive KMP and selected other senior executives. This new policy was implemented in FY23 with the following key features:

- The minimum shareholding requirements under the Policy are as follows:
  - Non-Executive Directors: 200% of base annual Board fees (Chair and member respectively);
  - MD&CEO: 200% of annual fixed remuneration; and
  - Executive KMP: 100% of annual fixed remuneration.
- Minimum shareholding requirement should be met within 5 years of commencement of directorship / employment or commencement of the policy – whichever is later.
- Shares counted towards the minimum shareholding requirement under the policy include all shares in which the Non-Executive Director or senior executive has a relevant or economic interest.
- Shares are valued at the higher of price paid to acquire them (or if acquired via the vesting of awards under the EEP the VWAP of the vesting date) or the average of the closing HMC share price over the relevant financial year.
- Non-Executive Directors, the MD&CEO and Senior Executives will be required to retain all shares derived from participation in the HMC Capital Non-Executive Director Equity Plan or HMC Capital Employee Equity Plan (as applicable), except where required to sell shares for related tax obligations (or in cases of severe financial hardship), until such time as they meet the minimum holding requirement.

#### 4. Executive Short-term Incentive Plan ('STIP')

Term	Details
<b>Rationale</b>	The HMC Capital STIP is designed to attract, motivate and retain the Executive KMP and key employees who participate by providing an opportunity to be rewarded for outperformance based on performance against key critical business metrics over the FY23 financial year
<b>Eligibility</b>	All Executive KMPs are eligible to participate in the STIP. The Board may also invite other selected employees to participate from time to time.
<b>Opportunity</b>	The MD&CEO has elected not to participate in the FY23 STIP (as in prior years). Other Executive KMP have a target opportunity of 60% and a maximum opportunity of 90% of their annual fixed remuneration (base salary + superannuation).
<b>Performance Period</b>	The performance period for the Plan is the 12 months ending 30 June 2023.
<b>Gateways</b>	<p>Unless the below Gateways are met no STI is payable for Executive KMP</p> <ol style="list-style-type: none"> <li>1. HMC Group FFO Gateway      FY23 FFO per share of 21.5 cents (pre-tax).</li> <li>2. Behavioural gateway      Every STIP eligible employee must demonstrate they have met and continue to comply with HMC Group values as set out in the Code of Conduct.</li> </ol>
<b>Performance conditions</b>	<p>The FY23 STIP is subject to the following performance conditions tested over the performance period:</p> <ul style="list-style-type: none"> <li>○ the Group's FFO per share guidance;</li> <li>○ HMC Funds under Management (FUM); and</li> <li>○ individual KPIs agreed with each member of the KMP. KPIs vary according to the areas of responsibility for each STIP participant. Where participants have responsibility for specific managed funds, such as HDN or HCW, these employees may have FFO and Assets under Management (AUM) targets for these respective funds.</li> </ul> <p>In determining STIP performance the Board will consider performance against the HMC Capital Sustainability Commitments. Failure to achieve appropriate progress will result in the dial-down of STI outcomes for some or all employees.</p>
<b>Vehicle and Deferral</b>	<p>STIP awards are typically delivered in a mix of cash and deferred equity. For Executive KMP participating in the STIP, the Board has determined that 25% of any STI payment above a set limit of \$200,000 will be deferred into share rights. These rights have a one-year service condition, vesting after the FY24 results are released to the ASX, and are forfeitable if the Executive resigns or is terminated for cause.</p> <p>In determining the portion of STI to be deferred, the Board took into account that the majority of Executive KMP are significant HMC Capital shareholders, and all Executive KMP have already exceeded the required minimum shareholding requirements in the new Minimum Shareholding Policy.</p>
<b>Discretion</b>	The Board retains the right to apply discretion when determining annual STI outcomes. No such overriding discretion was applied in FY23.

### FY23 Executive KMP STIP performance and outcomes

For the FY23 all performance gateway metrics for Executive KMP participating the in the STIP were met as follows:

Performance category	Metric	FY23 Performance Outcome	Met / Not met
1. HMC Group FFO Gateway	FY23 FFO per share of 21.5 cents (pre-tax)	FFO per share of 26.4 cents	Met
2. Behavioural gateway	Every STIP eligible employee must demonstrate they have met and continue to comply with HMC Group values as set out in the Code of Conduct.		Met

Each of the Executive KMP, aside from the MD&CEO (who does not participate in the STIP), have the following Group KPIs. This applies to 40% of each of the Executive KMP's Target opportunity.

Performance category	Metric	FY23 STIP Outcome (40% of target opportunity) Group metrics – assessed at 95.6% of target
1. Financial	<ul style="list-style-type: none"> <li>Delivery of FFO per unit growth above gateway across HMC Group entities, with threshold of 21.5c.</li> </ul>	<ul style="list-style-type: none"> <li>HMC Capital FFO (pre-tax) performance of 26.4 cents per share materially exceeding the threshold of 21.5c per share and just under a very challenging target.</li> </ul>
2. FUM	<ul style="list-style-type: none"> <li>Increase in FUM across HMC Group which a threshold of \$7B.</li> </ul>	<ul style="list-style-type: none"> <li>HMC Capital Group FUM of \$8.1B significantly exceeded threshold and was just under the stretch target of \$8.5B.</li> </ul>

In addition, each Executive KMP eligible for an STI has metrics that are specific to their role. The following tables set out the role-specific metrics and performance outcomes. Where metrics are commercially sensitive, an appropriate overview of the metric has been provided.

#### Group Chief Operating Officer and HDN CEO, Sid Sharma

Performance category	Metric	FY23 STIP Outcome (60% of target opportunity) Individual metrics – assessed at 103% of target
1. Financial / FFO	<ul style="list-style-type: none"> <li>Achievement of HDN's agreed FFO.</li> <li>Achievement of HCW's agreed FFO.</li> <li>Establishment of new unlisted funds</li> </ul>	<ul style="list-style-type: none"> <li>HDN's FFO (pre-tax) performance of 8.6c per share met HDN market guidance.</li> <li>HCW's FFO (pre-tax) performance of 6.9c per share met HCW market guidance.</li> <li>Significant contribution to the establishment and successful first close of Last Mile Logistics fund and establishment of new Health &amp; Life Sciences fund.</li> </ul>
2. Sustainability / People	<ul style="list-style-type: none"> <li>Achievement of specific KPIs relating to the successful delivery of FY23 sustainability targets as set out in the 2022 Sustainability Report and specific people/leadership goals.</li> </ul>	<ul style="list-style-type: none"> <li>Significant progress made against FY23 sustainability targets (with the actual achievements set out below in the section).</li> <li>Strong leadership of Group's real estate related entities has significantly contributed to growth in listed and unlisted aspects of business.</li> </ul>

Final FY23 STI performance for COO assessed at 100% of target.

Group Chief Financial Officer, Will McMicking

Performance category	Metric	FY23 STIP Outcome (60% of target opportunity) Individual metrics – assessed at 106% of target
<b>1. Financial / Treasury</b>	<ul style="list-style-type: none"> <li>Achievement of investment goals for Capital Partners Fund.</li> <li>Achievement of specific HMC Group debt / treasury goals.</li> </ul>	<ul style="list-style-type: none"> <li>Investment goals for Capital Partners Fund were achieved with the investment return of 17%.</li> <li>All debt and treasury goals met, resulting in strong financial position of the HMC Capital Group.</li> </ul>
<b>2. Sustainability / People</b>	<ul style="list-style-type: none"> <li>Achievement of specific KPIs relating to the successful delivery of FY23 sustainability targets as set out in the 2022 Sustainability Report and specific people/leadership goals.</li> </ul>	<ul style="list-style-type: none"> <li>Significant progress made against of FY23 sustainability targets (with the actual achievements set out below in the section).</li> <li>Demonstrated leadership across all financial aspects of Group to lead team delivering the strong business results.</li> </ul>

Final FY23 STI performance for CFO assessed at 102% of target.

The Board views the FY23 STIP outcomes for both the COO and CFO as appropriate. They reflect the strong financial performance of the Group, as demonstrated by the strong FFO outcomes and significant increase in FUM. This was supplemented by a variety of other strong contributions made towards the growth of the business through the establishment of the three unlisted funds and substantial progress made towards the Group's sustainability targets.

The following table shows the actual STI outcomes for Executive KMP as a percentage of their maximum STIP opportunity.

Executive KMP	STIP awarded / Forfeited %	
	FY23	FY22
Sid Sharma	67% / 33%	61% / 39%
Will McMicking	68% / 32%	61% / 39%



In addition to the above KPIs, the Board has also taken into account performance against the HMC Capital Sustainability Commitments. The Board has reviewed the progress noted below against the Commitments, which supports the FY23 STIP outcomes (with no dial-down of FY23 outcomes required).

Category	Commitment
<b>Environment</b>	<p>Climate Action – To actively minimise carbon emissions.</p> <ul style="list-style-type: none"> <li>Decarbonisation strategy has progressed significantly since FY22:</li> <li>A total of 29 sites now have Smart Energy Management System installed, with an additional 5 assets progressing the installation (including the commencement of Round 4 sites) with achieved emissions reductions of 23%.</li> <li>Solar photovoltaics now active in 18 sites across HDN and HCW, with 4 additional sites under installation.</li> <li>HDN's South Nowra &amp; Mackay developments targeting 4 Star Green Star rating.</li> </ul>
	<p>Green future - To champion the preservation and restoration of the natural environment.</p> <ul style="list-style-type: none"> <li>Green Building ratings instituted across new developments as appropriate including Green Star and NABERS. WELL building rating system under review for new HCW assets.</li> <li>NABERS certifications complete for all eligible sites:                             <ul style="list-style-type: none"> <li>4 Star NABERS Energy rating for HealthCo and HDN</li> <li>5.1 Star NABERS Water rating for HealthCo and HDN</li> </ul> </li> <li>Minimum sustainability design standards being finalized across developments.</li> <li>Waste management strategy progressing with national procurement for waste removal underway.</li> <li>Green Star performance ratings completed across HDN assets</li> <li>73% LED lighting conversion achieved across assets, with ongoing roll-out plans committed.</li> </ul>
<b>Social</b>	<p>Connection – To respond to local and regional essential community needs as they relate to health, wellness and daily services</p> <ul style="list-style-type: none"> <li>Social Impact Framework “Needs Assessment” incorporated into acquisition due diligence process.</li> <li>The HMC Capital Foundation is now established as a standalone public ancillary fund registered with the Australian Charities and Not-for Profit Commission to support the development and scale of initiatives of beneficiaries and charities that are aligned to HMC Capital's social impact areas.</li> <li>Supported Lismore community post-flood during the rebuild and relaunch of our town centre. The re-opening was celebrated with a Family Community Day.</li> <li>Confirmed our CommunityCo. national charity partnership with Eat Up, commencing in FY24.</li> </ul>
	<p>Respect – To respect the inherent dignity, safety, diversity and human rights of all people we touch.</p> <ul style="list-style-type: none"> <li>Nil employee Lost-Time Injuries achieved in FY23.</li> <li>Commenced our Reflect Reconciliation Action Plan to implement in FY24.</li> <li>FY25 target of 50% female across the organisation was achieved in both FY22 and FY23 with current staff 52% female and 48% male. While HMC Board is currently 29% female and 71% male, we are progressing towards our FY25 target of 50% female. It is noted that across the managed funds, both listed and unlisted female representation is currently 44%.</li> </ul>

<b>Governance</b>	<p>Alignment – To have the skills, environment and culture that support and propel HMC Capital's ambition and Sustainability Commitments</p> <ul style="list-style-type: none"> <li>• HDN awarded 2023 ESG Regional Top-Rated company with Morningstar Sustainalytics</li> <li>• HMC Capital achieves "AA" ESG Rating from MSCI (improvement from "A" rating achieved in March 2022).</li> <li>• ESG KPI's introduced throughout the business.</li> <li>• Upskilling on ESG across the workforce through lunch &amp; learns. ESG strategy is embedded in our new hire and onboarding process.</li> </ul>
	<p>Accountability – To earn and keep the trust of our key stakeholders through transparent communication, processes and by doing what we say we will do.</p> <ul style="list-style-type: none"> <li>• Sustainability Committee quarterly meetings to assess progress against our ESG commitments.</li> <li>• HMC Capital becomes signatory to UN PRI &amp; UN Global Compact.</li> <li>• HDN lodged inaugural Modern Slavery Statement.</li> <li>• FY22 Sustainability report published.</li> <li>• Completed HDN's second GRESB rating submission.</li> </ul>

## 5. Executive Long-term Incentive Plan ('LTIP')

Term	Details
<b>Plan</b>	FY23 LTIP awards are made under the HMC Capital Employee Equity Plan (EEP).
<b>Rationale</b>	The EEP is designed to align executive rewards with shareholder expectations and to incentivise and retain the Executive KMP and key employees by providing an opportunity to be rewarded based on performance.
<b>Eligibility</b>	All Executive KMPs are eligible to participate in the EEP. The Board may also invite other selected employees to participate from time to time.
<b>Instrument</b>	Performance rights are granted by the Company for nil consideration. Each performance right is a right to receive one fully paid share in the Company.
<b>Opportunity</b>	The LTIP opportunity is set as a percentage of Fixed Remuneration (FR). The MD&CEO received a grant of performance rights based on a maximum stretch value of 200% of his FR. Other Executive KMP grants are based on 60% of FR.
<b>Allocation Methodology</b>	The number of performance rights awarded is determined by dividing the maximum opportunity by the five-day volume weighted average price of a share over the 5 trading days following announcement of the Company's FY22 full-year results.
<b>Performance Period</b>	The performance period for the FY23 awards is the three-year period commencing 1 July 2022 to 30 June 2025.

For the FY23 awards the performance measures are 50% relative TSR and 50% aggregate FFO per share.

### Relative TSR

Relative TSR is measured against a comparator group of S&P/ASX 200 A-REITs. The vesting schedule is as follows.

Performance scale	Percentage of rights to vest
Below 50 <sup>th</sup> percentile	Nil
At the 50 <sup>th</sup> percentile (threshold)	50 %
At or above the 75 <sup>th</sup> percentile (maximum)	100 %

### Performance conditions

Rights will vest on a straight-line basis if the Company's TSR performance is between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the comparator group.

### Company's FFO

The FFO condition is measured by the aggregate of the annual FFO pool tested against the aggregated disclosed annual FFO target pool. The vesting schedule is as follows.

Performance scale	Percentage of rights to vest
Below 95% of target FFO	Nil
At the 95% of target FFO (threshold)	50 %
At the 100% of target FFO (target)	75 %
At or above 105% of target FFO (maximum)	100 %

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Rights will vest on a straight-line basis if the Company's FFO performance is between 95% and 105% of target.

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**Disclosure of performance outcomes**

In the FY25 Remuneration Report the Board will set out how HMC Capital has performed against these targets. The FY23 FFO (pre-tax) target component is 21.5c per share, and the FY24 FFO target will be disclosed in the FY24 Remuneration Report.

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<b>Vesting Date</b>	Performance rights will vest when the Board determines the performance relative to the performance conditions (around the release of the FY25 results to the ASX). Rights are exercisable the day after vesting and each participant will have until one month after the full-year results are announced for FY27 to exercise their rights.
<b>Service condition</b>	<p>Unless the Board determines a different treatment:</p> <ul style="list-style-type: none"> <li>i. If a participant ceases to be an employee due to resignation (or termination for cause) all unvested rights will automatically lapse.</li> <li>ii. If a participant ceases employment for any other reason, all unvested rights (which may be pro-rated by the Board for time elapsed since the start of the Performance Period) will remain "on-foot" and will be performance tested at the end of the relevant Performance Period. To the extent that the relevant performance conditions are satisfied, the Rights will vest at the original Vesting Date.</li> </ul>
<b>Dividends</b>	Rights do not carry a right to vote or to dividends.
<b>Change of control</b>	In the event of change of control, unless the Board determines otherwise, a pro-rata number of the participant's unvested awards will vest to the extent that the conditions have been satisfied.
<b>Clawback</b>	The EEP provides the Board with broad clawback powers if the Board considers the participant's conduct, capability or performance justifies the variation. No clawback power has been exercised to date.
<b>Securities Trading Policy</b>	The HMC Capital Group's Securities Trading Policy prevents participants from entering into transactions or arrangements, including by way of derivatives or similar financial products which operate to limit the economic risk relating to awards made under the EEP which either have not vested or have vested but remain subject to a holding lock or other restriction on dealing.

**FY20 LTIP performance**

The Group's first LTIP awards vested in August 2022 based on performance from 14 October 2019 to 30 June 2022. The performance of this award is summarised in the table below.

<b>Performance hurdle</b>	Relative TSR vs a comparator group of S&P/ASX 300 A-REITS as at 14 October 2020.	Aggregate FFO performance vs FFO target pool.
<b>Percent of total award</b>	50%	50%
<b>How assessed</b>	HMC's relative TSR ranked on a percentile basis against all companies in the comparator group	Actual HMC Capital FFO performance for each year in the performance period against Company's annual FFO targets, as disclosed in its ASX FFO guidance to the ASX for relevant financial year.
<b>Actual performance</b>	73% TSR, resulting in HMC Capital being ranked significantly above the 75 <sup>th</sup> percentile of the comparator group for TSR performance over the FY20-FY22 period.	Company delivered FFO of 8.7c, 13.1c (post-tax) and 31.0c (pre-tax) per share, in aggregate 52.8c per share over the FY20-FY22 period. This was measured against aggregate forecast FFO pool of 38.97c per share for the same period, based on FFO forecasts of 7.67c, 12.8c (post-tax) and 18.5c (pre-tax) respectively. Actual aggregate FFO result delivered was 135% above the target FFO pool.
<b>Percentage of applicable tranche vesting</b>	100%	100%

## 6. Non-Executive Director's Remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Director's fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Director's fees and payments are appropriate and in line with the market.

Subject to ASX listing rules, HMC Capital may from time to time determine the maximum aggregate remuneration to be provided to the directors in a general meeting. In the 2020 Annual General Meeting shareholders approved an increase in the maximum director fee pool to \$1,200,000 per annum. The FY23 Non-Executive Director fees are set out below.

Table 3: Non-Executive Director fees.

	Board		Committee*	
	Chair	Member	Committee Chair	Member
FY23 Fee**	\$250,000	\$100,000	\$30,000	\$10,000

\* Comprising the Audit and Risk Committee, Remuneration and Nomination Committee and Sustainability Committee. As the Board Chair is also the Chair of the Remuneration and Nomination Committee Mr Saxon did not receive any additional fee for chairing this Committee.

\*\* Non-Executive Director fees are paid inclusive of 10.5% superannuation.

In addition, HMC Capital Non-Executive Directors serving on the Boards of HMC Capital managed funds will be paid Board and Committee fees commensurate with other Board members (which are to be reimbursed by the respective HMC Capital managed fund).

HMC Capital has established a Non-Executive Director Equity Plan (NEDEP) which was approved by shareholders at the 2020 Annual General Meeting. The key terms of the NEDEP are as follows:

Term	Details
<b>Plan</b>	Awards are made under the NEDEP.
<b>Rationale</b>	<p>The purpose of the NEDEP is to provide the opportunity for Non-Executive Directors to acquire Rights to receive Shares through sacrificing a portion of their annual remuneration (Fee Sacrifice Rights) thereby:</p> <ul style="list-style-type: none"> <li>allowing Non-Executive Directors to become shareholders and share in the success of the Company;</li> <li>aligning the interests of Non-Executive Directors with those of shareholders; and</li> <li>allowing Non-Executive Directors the opportunity to acquire Shares in a tax-effective manner.</li> </ul>
<b>Eligibility</b>	All Non-Executive Directors are eligible to participate in the NEDEP.
<b>Instrument</b>	Fee sacrifice rights are granted by the Company for nil consideration. Each right is a right to receive one fully paid share in the Company.
<b>Opportunity</b>	Under the NEDEP Non-Executive Directors can voluntarily elect to acquire rights, in lieu of up to 50% of their annual Board fees in any 12-month period.
<b>Allocation methodology</b>	<p>The following formulae is used to calculate the number of Fee Sacrifice Rights issued.</p> $\text{No. of Rights} = A/B$ <p>Where:</p> <p>A = the amount of remuneration that a Non-Executive Director wishes to sacrifice for the relevant period.</p> <p>B = the volume weighted average price (VWAP) of a share over the 5 trading days following the Company's half or full-year results announcement for the relevant period.</p>
<b>Vesting period</b>	Fee Sacrifice Rights will automatically vest and Restricted Shares will then be allocated to the Non-Executive Director on or around the first trading day of the next available trading window after the end of the relevant financial year.

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<b>Disposal restrictions</b>	The Restricted Shares issued to the Non-Executive Directors are subject to disposal restrictions until the Non-Executive Director retires from the Board.
<b>Mandatory share - holding requirement</b>	It is a requirement of appointment that Non-Executive Directors acquire a shareholding of HMC Capital shares equivalent to 200% of their annual Board fees within five years of appointment.
<b>Dividends</b>	Fee Sacrifice Rights do not carry any dividend or voting rights prior to vesting into Restricted Shares.

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## **7. FY24 Remuneration**

### *Executive KMP remuneration*

The fixed remuneration (FR) of the MD&CEO will increase by 5% in FY23. There is no change to his STIP opportunity as it has been Mr Di Pilla's practice to decline participation in the STIP. Mr Di Pilla's LTIP opportunity will also remain unchanged as a percentage of FR (at 200%).

The COO, Mr Sharma will receive a 5% increase in his FR, and his target STI and maximum LTI opportunities will increase to 70% of FR.

The CFO, Mr McMicking will receive a 5% increase in his FR, and his target STI and maximum LTI opportunities will increase to 70% of FR.

### *Executive Short-term incentive Plan*

No significant changes are proposed to the STI Plan in FY24.

### *Executive Long-term incentive Plan*

The FY21 LTIP awards will vest in August 2023 (after the FY23 results are released to the ASX), based on performance from 1 July 2020 to 30 June 2023. This award is split into two equal tranches, each with a separate performance hurdle. Fifty percent (50%) of the award has a relative TSR hurdle and 50% a FFO hurdle measuring aggregate FFO performance over the performance period.

The relative TSR hurdle measures the performance of HMC Capital against a comparator group of S&P/ASX 300 A-REITs as at the commencement of the performance period. During this period the HMC Capital TSR was 84.5%, ranking it 1<sup>st</sup> out of the 28 companies in the S&P/ASX 300 A-REITs comparator group with 100<sup>th</sup> percentile ranking. This will result in 100% of this tranche vesting.

The FFO performance hurdle measures the actual Company Freehold FFO performance for each of the three years in the performance period against its annual FFO targets, as disclosed in its FFO guidance to the ASX for each relevant financial year. Over the FY21 – 23 performance period the Company delivered Freehold FFO of 13.1c (post-tax), 31.0c (pre-tax) and 26.4c per share (pre-tax), in aggregate 70.5c per share, against forecast FFO of 52.3 per share (with the FY21 LTIP FFO forecasts being 12.8c (post-tax), 18.5c (pre-tax) and 21.5c (pre-tax) respectively). It is noted that the FFO target pool for the FY21 award is 34% higher than the FFO target pool used for the FY20 FFO LTI awards (of 38.97c).

The FY21 LTI aggregate FFO result delivered is 135% above the target FFO pool for the period and will result in 100% of this tranche vesting. Each participant has until one month after the FY25 awards are announced to exercise their rights.

### *FY24 LTIP awards*

The Board has determined that there will be no significant changes to the structure of the LTI awards in FY24. The only proposed change is a change in description of the metric used to measure earnings where operating earnings (OE) will replace FFO reflecting the Company's development as an alternative asset manager. The measure will be calculated in the same fashion as in prior year's LTI awards with actual OE is each of the three years aggregated and measured against the aggregate target OE for the performance period.



## 8. Employment agreements

Remuneration and other terms of employment for Executive KMP are formalised in employment agreements which outline their duties and remuneration. All agreements are open ended (i.e., ongoing until notice is provided by either party). Key terms of the agreements are set out below.

Table 4: Executive KMP key employment terms

Executive KMP	Notice Period - Company	Notice Period – Executive KMP
MD&CEO	6 months	6 months
Other Executive KMP	6 months	6 months

The MD&CEO's employment agreement contains post-employment restraints including non-compete clauses and restrictions against soliciting and enticing customers. The restrictions operate for up to 12 months post-employment and the enforceability of these restraints is subject to all usual legal restrictions. The Group may summarily terminate the employment agreement in certain circumstances, including acts of serious misconduct, gross negligence, a serious breach of the employment agreement or bankruptcy.

Other than prescribed notice periods, there are no special termination benefits payable under the employment agreements. All payments on termination will be subject to the termination benefits cap under the Corporations Act 2001.

## 9. Details of remuneration for the financial year

### Amounts of remuneration

Details of the remuneration expense of KMP of the Group for the current and previous financial year are set out in the following tables.

### Remuneration for Executive KMP for FY23 and FY22

Table 5: Executive KMP total remuneration (statutory disclosures)

	Short-term benefits			Post-employment	Long-term benefits	Share-based payments	Total
	Base Salary	Cash Bonus	Annual leave	Superannuation	Long service leave	Rights benefits <sup>2</sup>	Total
<b>Current Executive KMP</b>							
David Di Pilla, MD&CEO							
<b>FY23</b>	<b>869,543<sup>1</sup></b>	-	<b>104,676</b>	<b>19,374</b>	-	<b>1,213,358</b>	<b>2,206,951</b>
FY22	682,139	-	90,999	25,433	-	860,808	1,659,379
Sid Sharma, COO							
<b>FY23</b>	<b>569,309</b>	<b>320,000</b>	<b>4,626</b>	<b>20,686</b>	-	<b>328,545</b>	<b>1,243,166</b>
FY22	526,432	250,000	29,288	24,333	-	441,433	1,271,486
Will McMicking, CFO							
<b>FY23</b>	<b>468,769</b>	<b>278,750</b>	<b>(10,946)</b>	<b>21,561</b>	-	<b>201,502</b>	<b>959,636</b>
FY22	426,432	205,000	3,220	24,162	-	182,302	841,117
<b>Total Remuneration</b>							
<b>FY23</b>	<b>1,907,621</b>	<b>598,750</b>	<b>98,356</b>	<b>61,621</b>	-	<b>1,743,405</b>	<b>4,409,753</b>
FY22	1,635,003	455,000	123,507	73,929	-	1,484,543	3,771,982

Explanatory notes to the Remuneration for Executive KMP for FY23 and FY22 table are below.

<sup>1</sup> Mr Di Pilla's base salary also includes the FBT car parking expense of \$4,940.

<sup>2</sup> Rights benefits for Mr Sharma and Mr McMicking include the amortised FY23 portion of their deferred FY23 STI rights which will vest after the FY24 results are released to the ASX. The FY23 Rights benefit expense for Mr Sharma is lower than the FY22 expense due to the impact of COVID rights and IPO Rights which vested in September 2022 and October 2022 respectively.

Remuneration for Non-Executive Directors for FY23 and FY22

Table 6: Non-Executive Director total remuneration (statutory disclosures)

	Short-term benefits	Post-employment	Long-term benefits	Share-based payments	Total
	Cash Fees <sup>1</sup>	Superannuation	Long service leave	Rights benefits <sup>2</sup>	
Chris Saxon, Chair					
<b>FY23</b>	<b>113,080</b>	<b>23,841</b>		<b>114,114</b>	<b>251,035</b>
FY22	102,100	22,804	-	125,000	249,905
Zac Fried					
<b>FY23</b>	<b>90,464</b>	<b>9,536</b>		<b>1,293</b>	<b>101,293</b>
FY22	40,840	9,122	-	50,000	99,962
Brendon Gale					
<b>FY23</b>	<b>63,325</b>	<b>13,351</b>		<b>64,101</b>	<b>140,777</b>
FY22	57,187	12,772	-	70,000	139,958
Greg Hayes					
<b>FY23</b>	<b>49,755</b>	<b>10,490</b>		<b>51,177</b>	<b>111,422</b>
FY22	44,924	10,034	-	55,000	109,958
Kelly O'Dwyer					
<b>FY23</b>	<b>57,021</b>	<b>12,023</b>		<b>57,020</b>	<b>126,064</b>
FY22	49,012	10,946	-	60,000	119,958
Susan Roberts					
<b>FY23</b>	<b>76,783</b>	<b>8,115</b>		-	<b>84,898</b>
<b>Former Non-executive Director</b>					
Jane McAloon					
<b>FY233</b>	<b>57,432</b>	<b>2,376</b>		<b>1,035</b>	<b>60,843</b>
FY22	73,763	1,188	-	75,000	149,951
<b>Total Remuneration</b>					
<b>FY23</b>	<b>507,860</b>	<b>79,732</b>		<b>288,740</b>	<b>876,332</b>
FY22	367,826	66,866	-	435,000	869,692

Explanatory notes to the Remuneration for Non-Executive KMP for FY23 and FY22 table are below.

<sup>1</sup>A number of Non-Executive Directors participate in the Non-Executive Director Equity Plan and receive a portion of their fees in Fee Sacrifice Rights, which are expensed and shown under the Rights Benefits column.

<sup>2</sup>The FY23 and FY22 Rights benefits includes the value each Director sacrificed during FY23 and FY22 to acquire Rights under the NEDEP.

<sup>3</sup>The remuneration for Ms McAloon is for the FY23 until 23 November 2022, the date she retired from the Board.

Non-Executive Director's salaries are 100% fixed. The fixed and variable remuneration proportions for Executive KMPs for FY23 is as follows:

Table 7: Executive KMP mix of fixed and variable remuneration (based on statutory remuneration table)

<b>Executive KMP</b>	<b>Fixed Remuneration %</b>	<b>Variable remuneration % (including STIP and LTIP payments)</b>
David Di Pilla	45%	55%
Sid Sharma	48%	52%
Will McMicking	50%	50%

## 10. Share-based compensation

### Share rights

The terms and conditions of each award of rights over ordinary Shares affecting remuneration of directors and other KMP in the year are set out below. Rights granted have a \$nil exercise price and carry no dividend or voting rights.

Table 8: FY23 KMP rights awards

Award details and recipient	Grant Date	Fair value at grant date	Number of Rights awarded	Estimated Vesting	Percentage of award vesting / (forfeited) in year (%)	Performance hurdles	Maximum value to be recognised in future years
FY23 LTIP (Executive KMP) - David Di Pilla - Sid Sharma - Will McMicking	1/12/2022 18/10/2022 18/10/2022	\$3.38 <sup>1</sup>	359,232 69,904 58,254	Aug 2025	- / - - / - - / -	50% Relative TSR vs ASX/S&P200 50% FFO	\$958,007 \$178,565 \$148,805
FY23 NEDEP Fee Sacrifice rights <sup>2</sup> - Chris Saxon - Brendon Gale - Greg Hayes - Kelly O'Dwyer	24/10/2022	\$4.18	24,273 13,593 10,680 11,651	Aug 2023	- / - - / - - / - - / -	None	- - - -
FY22 LTIP <sup>3</sup> (Executive KMP) - David Di Pilla - Sid Sharma - Will McMicking	14/3/2022	\$5.13 <sup>3</sup>	223,189 43,840 35,870	Aug 2024	- / - - / - - / -	50% Relative TSR vs ASX/S&P300 50% FFO	\$541,207 \$106,331 \$86,981
FY21 LTIP <sup>4,5</sup> (Executive KMP) - David Di Pilla - Sid Sharma - Will McMicking	25/11/2020 18/1/2021 18/1/2021	\$3.17 \$3.24 \$3.24	376,083 71,456 44,245	Aug 2023	- / - - / - - / -	50% Relative TSR vs ASX/S&P300 - 50% FFO	\$68,803 \$14,120 \$8,743
COVID Rights <sup>5</sup> - Chris Saxon - Zac Fried - Brendon Gale - Greg Hayes - Jane McAloon	27/8/2020	\$1.54	4,147 5,182 3,110 5,701 4,147	Aug 2022	100 / - 100 / - 100 / - 100 / - 100 / -	None	- - - - -
COVID Rights <sup>5</sup> - David Di Pilla - Sid Sharma - Will McMicking	27/8/2020	\$1.54	51,829 70,902 39,183	Sept 2022	100 / - 100 / - 100 / -	Share price target of \$3.35	- - -
IPO Rights <sup>5</sup> - Sid Sharma	14/10/2019	\$2.81	154,770	Oct 2022	100 / -	None	-
FY20 LTIP <sup>5,6</sup> (Executive KMP) - David Di Pilla	16/10/2019	\$2.17	260,848	Aug 2022	100 / -		-

- Sid Sharma			66,081		100 / -	50% Relative	-
- Will McMicking			36,518		100 / -	TSR vs ASX/S&P300	-
						50% FFO	

<sup>1</sup> This is the weighted average fair value. The fair value of the relative TSR hurdled performance rights was calculated at \$2.46 and the fair value of FFO hurdled performance rights was calculated at \$4.30.

<sup>2</sup> The entire value of the FY23 NEDEP KMP rights awards were expensed in FY23.

<sup>3</sup> This is the weighted average fair value. The fair value of the relative TSR hurdled performance rights was calculated at \$4.03 and the fair value of FFO hurdled performance rights was calculated at \$6.22.

<sup>4</sup> This is the weighted average fair value. The fair value of the relative TSR hurdled performance rights was calculated at \$2.88 and the fair value of FFO hurdled performance rights was calculated at \$3.59.

<sup>5</sup> These awards include Top-up awards made to compensate Executive KMP and Non-Executive Directors for the capital reduction in the Company's share capital approved by shareholders at the FY20 AGM associated with the establishment of the HomeCo Daily Needs REIT. These additional rights were issued to preserve the value of any unvested rights, were awarded on the same terms and conditions as the original rights held by the participants and resulted in a 'top-up' of an additional 16.5% rights per impacted award (but for the FY21 LTIP award only the MD&CEO as other Executive KMP received their FY21 LTIP after the capital reduction). All top-up awards were all made on 13 January 2021 with the following fair values (IPO Grant – \$3.96, FY20 COVID Grant - \$3.01, FY20 LTIP – \$3.60, FY21 LTIP – MD&CEO - \$3.54). The fair value at grant date for each of these awards shown in the table is the fair value of the original awards at the date of grant.

<sup>6</sup> This is the weighted average fair value. The fair value of the relative TSR hurdled performance rights was calculated at \$1.52 and the fair value of FFO hurdled performance rights was calculated at \$2.81.

The FY23 Deferred STIP rights to Executive KMP will be awarded in FY24 and their grant details and fair value will be disclosed in the FY24 Remuneration Report.

*Share rights holding*

The number of share rights (including rights granted and vested as part of the compensation during the financial year) and options over ordinary shares in HMC Capital held during the financial year by each Non-Executive Director and Executive KMP of the Group, including their personally related parties, are set out below. Details of options awarded to KMP who choose to take up these awards as part of fundraising in HMC Capital Partners Fund 1 are also included.

Table 9: FY23 Rights and option holdings by KMP

Instrument <sup>1</sup>		Rights held at 30 June 2022	Granted in FY23	Vested and exercised in FY23	Lapsed or expired in FY23	Rights held at 30 June 2023	
						Vested & exercisable	Unvested
<b>Non-Executive Directors</b>							
Chris Saxon	Rights	24,083	24,273	(19,936)	-	4,147	24,273
	Options	-	4,000	-	-	-	4,000
Zac Fried	Rights	13,156	-	(7,974)	-	5,182	-
	Options	-	300,000	-	-	-	300,000
Brendon Gale	Rights	14,274	13,593	(11,164)	-	3,110	13,593
Greg Hayes	Rights	14,473	10,680	(8,772)	-	5,701	10,680
Kelly O'Dwyer	Rights	9,569	11,651	(9,569)	-	-	11,651
	Options	-	1,000	-	-	-	1,000
Susan Roberts	Rights	-	-	-	-	-	-
<b>Former Non-Executive Directors</b>							
Jane McAloon <sup>2</sup>	Rights	16,109	-	(11,962)	-	4,147	-
<b>Executive KMP</b>							
David Di Pilla	Rights	911,949	359,232	(312,677)	-	-	958,504
	Options	-	40,000	-	-	-	40,000
Sid Sharma	Rights	414,233	69,904	(228,035)	-	70,902	185,200
Will McMicking	Rights	163,000	58,254	(82,885)	-	-	138,369

<sup>1</sup>Options were granted to KMP due to investments made by the applicable KMP in HMC Capital Partners Fund 1 (Fund). To assist in driving initial investment and overall success of the Fund, early investors were provided with the opportunity to apply for one Option in the HMC Capital for every 50 units allocated in the Fund. Options were allocated on same terms as other investors in the Fund and are not considered as compensation or remuneration (and no expense is recognised in the remuneration disclosures). All Options awarded to Directors were disclosed in the 2022 Notice of Annual General Meeting (AGM) and approved by shareholders at the 2022 AGM.

<sup>2</sup> Rights held by Ms McAloon are disclosed at the date she ceased to be a Non-Executive Director on 23 November 2022.

**Additional information**

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

Table 10: Factors impacting Group performance

	30 June 2023	30 June 2022	30 June 2021	30 June 2020
Share price at reporting date (\$)	\$5.06	\$4.51 <sup>1</sup>	\$5.44 <sup>1</sup>	\$3.00
Dividends (cents per security)	12.0	12.0	12.0	12.0
Net Profit/(Loss) after Tax (\$m)	83.3	107.3	(85.9)	(2.8)
FFO post-tax (cents per security)	26.4	30.3	13.1	6.0
TSR of HMC Capital (%) <sup>2</sup>	12.8%	(14.3%)	113.2%	(9.4%)
TSR of S&P/ASX 300 A-REIT Index (%) <sup>2</sup>	6.0%	(10.8%)	30.6%	(21.8%)
TSR of S&P/ASX 200 A-REIT Index (%) <sup>3</sup>	6.5%	-	-	-

<sup>1</sup> Excludes the 0.5 HDN in-specie units received for every 1 HMC security (HDN IPO price of \$1.33 = \$0.67 value per HMC security)

<sup>2</sup> TSR for year to 30 June 2020 is from 11 October 2019 (ASX listing date).

<sup>3</sup> TSR of the S&P/ASX 200 A-REIT Index is measured from FY23, as it is only from FY23 that HMC Capital began to measure its TSR against companies from this index for its FY23 LTI award.



## 11. Additional disclosures relating to KMP

### KMP Shareholdings

The number of shares in HMC Capital held during the financial year by each Non-Executive Director and Executive KMP, including their personally related parties, are set out below:

Table 11: Shareholdings of key management personnel

	Balance held at 30 June 2022	Acquired <sup>1</sup>	Received on vesting of a share right	Sold	Balance held at 30 June 2023
<b>Non-Executive Directors</b>					
Chris Saxon	226,863	8,572	19,936	-	255,371
Zac Fried	26,126,717	19,201	7,974	-	26,153,892
Brendon Gale	250,307	19,346	11,164	-	280,817
Greg Hayes	10,978,088	11,777	8,772	-	10,998,637
Kelly O'Dwyer	39,066	8,572	9,569	-	57,207
Susan Roberts	-	51,601	-	-	51,601
<b>Former Non-Executive Directors</b>					
Jane McAloon <sup>2</sup>	200,888	-	11,962	-	212,850
<b>Executive KMP</b>					
David Di Pilla	40,053,372	46,021	312,677	-	40,412,070
Sid Sharma	-	-	228,035	-	228,035
Will McMicking	2,802,781	13,070	82,885	(82,885)	2,815,851

<sup>1</sup> Shares acquired by KMP are acquired for market value.

<sup>2</sup> Details of shareholdings for Ms McAloon are as at the date she ceased to be a Non-Executive Director on 23 November 2022.

	Balance held at 30 June 2021	Acquired	Received on vesting of a share right	Sold	Balance held at 30 June 2022
<b>Non-Executive Directors</b>					
Chris Saxon	175,776	18,825	32,262	-	226,863
Zac Fried	24,536,064	1,572,217	18,436	-	26,126,717
Brendon Gale	231,871	-	18,436	-	250,307
Greg Hayes	10,190,683	768,969	18,436	-	10,978,088
Kelly O'Dwyer	-	-	39,066	-	39,066
<b>Former Non-Executive Directors</b>					
Jane McAloon	165,175	17,277	18,436	-	200,888
<b>Executive KMP</b>					
David Di Pilla	37,310,930	2,742,442	-	-	40,053,372
Sid Sharma	-	-	-	-	-
Will McMicking	2,606,437	196,344	-	-	2,802,781

**Other transactions**

There are a number of related party transactions between KMP and the Group as disclosed in the notes to the Financial Statements. The terms and conditions of these transactions are considered to be no more favourable than those which it is reasonable to expect would have been adopted if dealing with an unrelated individual at arm's length in the same circumstances.

***This concludes the remuneration report, which has been audited in accordance with section 308(3c) of the Corporations Act 2001.***

**Officers of the Company who are former partners of KPMG**

There are no officers of the Company who are former partners of KPMG.

**Rounding of amounts**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Related party confirmation**

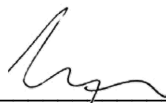
The directors confirm that since listing the Company has complied with, and continues to comply with, its related party transaction policy which is publicly available.

**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



Chris Saxon  
Chair



David Di Pilla  
Director

22 August 2023



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

To the Directors of HMC Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of HMC Capital Limited for the financial year ended 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

Brendan Twining

*Partner*

Sydney

22 August 2023

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**HMC Capital Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**



	Note	Consolidated 30 June 2023 \$'000	30 June 2022 \$'000
Revenue	5	68,732	78,592
<b>Other income</b>			
Share of profits of associates and joint ventures accounted for using the equity method	14	17,915	71,148
Gain recognised on investments in associates		-	16,900
Other income		798	100
Interest income		3,094	255
Dividend income		4,854	-
Change in assets/liabilities at fair value through profit or loss	6	58,294	28,755
<b>Expenses</b>			
Impairment expenses	14	-	(21,339)
Property and fund management expenses		(24,967)	(14,354)
Corporate expenses		(27,642)	(21,572)
Acquisition and transaction costs	7	(6,553)	(11,376)
Finance costs	7	(8,565)	(5,773)
<b>Profit before income tax expense</b>		85,960	121,336
Income tax expense	8	(2,627)	(14,074)
<b>Profit after income tax expense for the year</b>		83,333	107,262
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u>83,333</u>	<u>107,262</u>
Profit for the year is attributable to:			
Non-controlling interest		26,232	30,013
Owners of HMC Capital Limited		57,101	77,249
		<u>83,333</u>	<u>107,262</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		26,232	30,013
Owners of HMC Capital Limited		57,101	77,249
		<u>83,333</u>	<u>107,262</u>
Non-controlling interest (NCI) for the year ended 30 June 2023 relates to HMC Capital Partners Fund I. NCI for the year ended 30 June 2022 relates to HCDL for the period that it was stapled to HMC Capital.			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per security	37	18.37	26.34
Diluted earnings per security	37	18.27	26.16

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

	Note	Consolidated 30 June 2023 \$'000	30 June 2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	48,778	57,555
Trade and other receivables	10	32,999	32,296
Derivative financial instruments	12	-	14,425
Financial assets at fair value through profit or loss	13	66,891	-
Other assets	11	41,747	2,411
<b>Total current assets</b>		<u>190,415</u>	<u>106,687</u>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	13	346,294	-
Investments accounted for using the equity method	14	612,547	608,712
Property, plant and equipment	15	2,089	3,140
Intangible assets	16	186,774	186,774
Right-of-use assets	17	3,828	4,806
Convertible notes	18	2,869	2,282
Other assets	11	-	549
<b>Total non-current assets</b>		<u>1,154,401</u>	<u>806,263</u>
<b>Total assets</b>		<u>1,344,816</u>	<u>912,950</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	17,482	22,777
Borrowings	20	86,340	-
Employee benefit obligations	21	1,928	4,797
Lease liabilities	22	790	717
Income tax	8	-	1,984
<b>Total current liabilities</b>		<u>106,540</u>	<u>30,275</u>
<b>Non-current liabilities</b>			
Lease liabilities	22	2,847	3,628
Provisions		485	485
Deferred tax liability	8	34,544	32,560
<b>Total non-current liabilities</b>		<u>37,876</u>	<u>36,673</u>
<b>Total liabilities</b>		<u>144,416</u>	<u>66,948</u>
<b>Net assets</b>		<u>1,200,400</u>	<u>846,002</u>
<b>Equity</b>			
Contributed equity	23	5,204,448	5,036,746
Reserves	24	(1,228,589)	(1,227,485)
Accumulated losses		(2,942,220)	(2,963,259)
Equity attributable to the owners of HMC Capital Limited		1,033,639	846,002
Non-controlling interest		166,761	-
<b>Total equity</b>		<u>1,200,400</u>	<u>846,002</u>

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

**HMC Capital Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2023**



<b>Consolidated</b>	<b>Contributed equity \$'000</b>	<b>Profits reserve \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>NCI reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest* \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2021	3,710,382	1,885	2,128	-	(3,007,503)	4,087	710,979
Profit after income tax expense for the year	-	-	-	-	77,249	30,013	107,262
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	77,249	30,013	107,262
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs (note 23)	1,326,364	-	(478)	(1,265,167)	-	-	60,719
Share-based payments	-	-	3,404	-	-	-	3,404
Transfer from NCI on de-stapling (note 24)	-	-	-	34,100	-	(34,100)	-
Destapling transaction costs	-	-	-	(1,472)	-	-	(1,472)
Other	-	-	-	-	(58)	-	(58)
Dividends declared (note 24)	-	(1,885)	-	-	-	-	(1,885)
Dividends declared (note 25)	-	-	-	-	(32,947)	-	(32,947)
Balance at 30 June 2022	<u>5,036,746</u>	<u>-</u>	<u>5,054</u>	<u>(1,232,539)</u>	<u>(2,963,259)</u>	<u>-</u>	<u>846,002</u>
<b>Consolidated</b>	<b>Contributed equity \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>NCI reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest* \$'000</b>	<b>Total equity \$'000</b>	
Balance at 1 July 2022	5,036,746	5,054	(1,232,539)	(2,963,259)	-	-	846,002
Profit after income tax expense for the year	-	-	-	57,101	26,232	-	83,333
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	57,101	26,232	-	83,333
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs (note 23)	168,030	-	-	-	-	-	168,030
Acquisition of treasury shares	(5,935)	-	-	-	-	-	(5,935)
Share-based payments	-	4,503	-	-	-	-	4,503
Vesting of employee awards	5,607	(5,607)	-	-	-	-	-
Contributions by NCI	-	-	-	-	-	140,529	140,529
Dividends declared (note 25)	-	-	-	(36,062)	-	-	(36,062)
Balance at 30 June 2023	<u>5,204,448</u>	<u>3,950</u>	<u>(1,232,539)</u>	<u>(2,942,220)</u>	<u>166,761</u>	<u>-</u>	<u>1,200,400</u>

\* Non-controlling interest (NCI) for the year ended 30 June 2023 relates to HMC Capital Partners Fund I. NCI for the year ended 30 June 2022 relates to HCDL for the period that it was stapled to HMC Capital.

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

**HMC Capital Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2023**



	Note	Consolidated 30 June 2023 \$'000	30 June 2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers and tenants (inclusive of GST)		79,933	52,422
Payments to suppliers and employees (inclusive of GST)		(69,795)	(45,151)
Interest paid		(7,789)	(3,959)
Income taxes paid		(1,988)	(1,707)
Net cash from operating activities	39	361	1,605
<b>Cash flows from investing activities</b>			
Payment for purchase of subsidiary, net of cash acquired	34	-	(78,504)
Payments for investments		-	(117,972)
Payment for investment properties		-	(9,916)
Payment for deposits		(37,600)	-
Payment for financial instruments		(565,024)	-
Payment for equity accounted investments		(48,516)	(176,616)
Proceeds on disposal of financial instruments		219,767	-
Proceeds on disposal of investments in joint ventures		32,700	-
Proceeds on disposal of investments		4,790	718,570
Distributions received		33,704	16,928
Other investing activities		(674)	(16,064)
Net cash from/(used in) investing activities		(360,853)	336,426
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		163,591	-
Proceeds from borrowings		365,000	429,750
Repayment of borrowings		(278,500)	(684,500)
Dividends paid	25	(36,062)	(34,832)
Other financing activities		(2,843)	(2,588)
Cash contributed by non-controlling entity		140,529	-
Net cash (used in)/from financing activities		351,715	(292,170)
Net (decrease)/increase in cash and cash equivalents		(8,777)	45,861
Cash and cash equivalents at the beginning of the financial year		57,555	11,694
Cash and cash equivalents at the end of the financial year	9	48,778	57,555

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



## **Note 1. General information**

The financial statements cover HMC Capital Limited (ACN 138 990 593) (the Company or HMC Capital) and the entities it controlled at the end of, or during, the financial year (collectively referred as the group). The financial statements are presented in Australian dollars, which is the group's functional and presentation currency.

The comparative period included results for the stapled group comprising of HMC Capital and Home Consortium Developments Pty Limited (HCDL) (ACN 635 859 700) (formerly Home Consortium Developments Limited). The shares of HMC Capital and HCDL were destapled on 24 December 2021. As a result, the comparative period results are for the stapled group until 24 December 2021 and for the destapled group from 25 December 2021 to 30 June 2022.

HMC Capital is a listed public company limited by shares, 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 financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 August 2023. The directors have the power to amend and reissue the financial statements.

## **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.

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

### **Basis of preparation**

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

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of certain financial assets and liabilities, including derivative financial instruments.

#### *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 the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 33.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of HMC Capital as at 30 June 2023 and the results of all subsidiaries for the year then ended.

## **Note 2. Significant accounting policies (continued)**

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.

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. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Revenue recognition**

The group recognises revenue as follows:

#### *Management fee income*

Management fees comprise investment management and property management fees for properties managed on behalf of third parties.

Investment management fees are recognised over time based on a percentage of Gross Asset Value (GAV) of the investment being managed. Acquisition fees and disposal fees are recognised at a point in time as a percentage of purchase or disposal values on completion of the service.

Property management fees are recognised over time based on the percentage of gross income. New tenant and lease renewal fees are recognised at a point in time as a percentage of annual rental on the successful execution of tenancy agreements. Development management fees are recognised over time based on a percentage of the development costs.

#### *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.

#### *Other property income*

Other property income represents direct and indirect outgoings. The group recognises direct and indirect outgoings based on actual costs incurred in accordance with the terms of the related leases on an accrual basis and billed monthly in arrears. 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.

Other property income includes recoveries from tenants recognised in accordance with AASB 15 'Revenue from contracts with customers'.

#### *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.

## **Note 2. Significant accounting policies (continued)**

### *Distribution income*

Revenue is recognised when the group's right to receive the payment is established, which is generally when the directors of the investee approve the dividends.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

HMC Capital (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### **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.

Deferred tax assets and liabilities are always classified as non-current.

## **Note 2. Significant accounting policies (continued)**

### **Cash and cash equivalents**

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

### **Trade and other receivables**

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

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

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

### **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.

### **Investment in associates**

Associates are entities over which the group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The net investment in the associate is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is impaired includes observable data such as significant financial difficulty of the associate or it is probable that the associate will enter bankruptcy.

The group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### **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 consent of the parties sharing control.

The group's investments in its joint ventures are 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.

## Note 2. Significant accounting policies (continued)

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### *Financial assets at fair value through profit or loss*

Investments in listed equity securities are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *Convertible notes*

Convertible notes are accounted for on an amortised cost basis.

### Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Fixtures, fittings and equipment	3 years
----------------------------------	---------

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### 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 the tenant incentives is reflected in the fair value of investment properties.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

## Note 2. Significant accounting policies (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

#### *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### *Management rights*

Management rights acquired in a business combination are not amortised, on the basis of indefinite life, which is reassessed every year. Instead, they are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses. Management considers that the useful life of management rights is indefinite because there is no foreseeable limit to the cash flows this asset can generate.

### Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### 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

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.

### 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.



## **Note 2. Significant accounting policies (continued)**

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; 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.

### **Provisions**

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

Equity-settled share-based compensation benefits are provided to directors and employees.

Equity-settled transactions are awards of shares, rights over shares or options over shares, that are provided to directors and employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

## **Note 2. Significant accounting policies (continued)**

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### **Fair value measurement**

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

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

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

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Contributed capital**

Ordinary shares are classified as equity.

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

### **Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.



## **Note 2. Significant accounting policies (continued)**

Where the business combination is achieved in stages, the group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### **Earnings per security**

#### *Basic earnings per security*

Basic earnings per security is calculated by dividing the profit attributable to the owners of HMC Capital, excluding any costs of servicing equity other than ordinary securities, by the weighted average number of ordinary securities outstanding during the financial year, adjusted for bonus elements in ordinary securities issued during the financial year.

#### *Diluted earnings per security*

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of additional ordinary securities that would have been outstanding assuming conversion of all dilutive potential ordinary securities.

### **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 Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the 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 2024. 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 and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

### *Goodwill and other indefinite life intangible assets*

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

### *Investments in associates accounted for using the equity method*

The investment in associates is tested whether the group has significant influence over an investee. The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether the net investment in the associate has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of these investments have been determined based on value in use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of estimated future cash flows.

### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences and taxable losses only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and taxable losses.

The group assesses the recoverability of deferred tax assets at each reporting date. In making this assessment, the group considers, in particular, the future business plans, reasons for past losses, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the period in which the taxable losses can be utilised. The recognised net deferred tax liability of \$34.5 million (2022: \$32.6 million) comprises \$0.6 million (2022: \$5.7 million) of carry forward tax losses and \$6.0 million (2022: \$6.5 million) of deductible temporary differences. The group has made a judgement that they will be able to generate sufficient taxable profits over the foreseeable future, based upon its future business plans.

#### Note 4. Operating segments

##### Identification of reportable operating segments

The group is organised into three operating segments: Investments, Funds management and Corporate. The operating segments are based on the internal reports that are reviewed by the Chief Operating Decision Maker ('CODM') in assessing performance and in determining the allocation of resources.

The CODM monitor the performance of the business on the basis of Operating Earnings for each segment. Operating Earnings represents the group's underlying and recurring earnings from its operations, and is determined by adjusting the statutory net profit or loss after tax 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. Operating Earnings was previously described by HMC Capital as Funds from Operations (FFO) and is a non-IFRS financial measure.

The information reported to the CODM is on a monthly basis. The group only operates in Australia.

##### Major customers

During the year ended 30 June 2023, there were two (30 June 2022: two) major customers of the group generating more than 10% of the group's external revenue.

##### Operating segment information

<b>Consolidated - 30 June 2023</b>	Investments \$'000	Funds management \$'000	Corporate \$'000	Total \$'000
<b>Revenue</b>				
Management fee income	-	68,418	-	68,418
Other property income	314	-	-	314
<b>Total revenue</b>	<u>314</u>	<u>68,418</u>	<u>-</u>	<u>68,732</u>
<b>Operating earnings (before income tax)</b>	60,707	46,935	(25,525)	82,117
Depreciation expenses	-	-	(2,116)	(2,116)
Leasehold rent	-	-	869	869
Fair value movements	(3,589)	-	-	(3,589)
Acquisition and transaction costs	(2,288)	(2,979)	-	(5,267)
Amortisation of borrowing costs	(388)	-	-	(388)
Share of associate profit (adjusted)	(11,898)	-	-	(11,898)
Non-controlling interest	26,232	-	-	26,232
<b>Profit/(loss) before income tax expense</b>	<u>68,776</u>	<u>43,956</u>	<u>(26,772)</u>	<u>85,960</u>
Income tax expense				(2,627)
<b>Profit after income tax expense</b>				<u>83,333</u>
<b>Assets</b>				
Segment assets	1,111,653	225,046	8,117	1,344,816
<b>Total assets</b>				<u>1,344,816</u>
<i>Total assets includes:</i>				
Investments in associates	<u>612,547</u>	<u>-</u>	<u>-</u>	<u>612,547</u>
<b>Liabilities</b>				
Segment liabilities	91,485	43,271	9,660	144,416
<b>Total liabilities</b>				<u>144,416</u>

**Note 4. Operating segments (continued)**

<b>Consolidated - 30 June 2022</b>	Investments \$'000	Funds management \$'000	Corporate \$'000	Total \$'000
<b>Revenue</b>				
Management fee income	-	64,088	-	64,088
Property rental income	13,303	-	-	13,303
Other property income	1,201	-	-	1,201
<b>Total revenue</b>	<u>14,504</u>	<u>64,088</u>	<u>-</u>	<u>78,592</u>
<b>Operating earnings (before income tax)</b>				
Depreciation expenses	-	-	(520)	(520)
Fair value movements	725	-	-	725
Acquisition and transaction costs	(1,711)	(9,665)	-	(11,376)
Impairment expenses	(21,339)	-	-	(21,339)
Amortisation of borrowing costs	(1,788)	-	-	(1,788)
Straight-lining of rental income	(563)	-	-	(563)
Share of associate profit (adjusted)	48,316	-	-	48,316
Gain on investment in associates	16,900	-	-	16,900
<b>Profit/(loss) before income tax expense</b>	<u>98,839</u>	<u>44,069</u>	<u>(21,572)</u>	<u>121,336</u>
Income tax expense				(14,074)
<b>Profit after income tax expense</b>				<u>107,262</u>
<b>Assets</b>				
Segment assets	680,130	223,996	8,824	912,950
<b>Total assets</b>				<u>912,950</u>
<i>Total assets includes:</i>				
Investments in associates	608,712	-	-	608,712
<b>Liabilities</b>				
Segment liabilities	5,688	46,553	14,707	66,948
<b>Total liabilities</b>				<u>66,948</u>

**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Management fee income	68,418	64,088
Property rental income	-	13,303
Other property income	314	1,201
	<u>68,732</u>	<u>78,592</u>

*Disaggregation of revenue*

Management fees are recognised over time as services are rendered. 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. Revenue from operating segments are disclosed in note 4.

**Note 6. Change in assets/liabilities at fair value through profit or loss**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Net fair value gain on investment properties	-	5,003
Net fair value gain/(loss) on remeasurement of derivatives instruments	-	(4,278)
Net fair value gain/(loss) on remeasurement of financial instruments	48,930	-
Realised gain/(loss) on disposal of derivative instruments	14,709	-
Realised gain/(loss) on disposal of financial instruments	(10,135)	-
Realised gain on disposal of investments	4,790	28,030
	<u>58,294</u>	<u>28,755</u>

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges on borrowings	8,001	3,962
Interest and finance charges on lease liabilities	161	23
Amortisation of borrowing costs*	388	1,788
Interest expense - other	15	-
Finance costs expensed	<u>8,565</u>	<u>5,773</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>1,536</u>	<u>1,100</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	<u>26,991</u>	<u>17,995</u>
<i>Acquisition and transaction costs</i>		
Transaction and group reorganisation costs	<u>6,553</u>	<u>11,376</u>

\* Amortisation of borrowing costs include \$nil million (2022: \$1.3 million) written off upon refinancing and limit reduction of debt facilities.



**Note 8. Income tax (continued)**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Provision for income tax</i>		
Provision for income tax	-	1,984

*Tax losses not recognised*

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Unused tax losses for which no deferred tax asset has been recognised	2,496,623	2,511,680
Potential tax benefit at statutory tax rates	748,988	753,504

Tax losses carried forward at 30 June 2023 represent losses incurred by the group since the IPO date and are subject to the Continuity of Ownership Test.

The group has not brought to account \$2,496.6 million (2022: \$2,511.7 million) of tax losses, which includes the benefit arising from tax losses incurred prior to the Company's IPO. The benefits of unused tax losses will only be brought to account (with the recognition of a deferred tax asset) when there is convincing evidence that it is probable that they will be realised. Given the change in ownership on IPO and subsequent changes to the underlying business, the likelihood of this is considered to be remote.

This benefit of tax losses will only be obtained if:

- the group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the group continues to comply with the conditions for deductibility imposed by tax legislation, in particular the group continues to meet the Business Continuity Test or Similar Business Test; and
- no changes in tax legislation adversely affect the group in realising the benefit from the deductions for the losses.

**Note 9. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Cash at bank	48,778	57,555

**Note 10. Trade and other receivables**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Trade receivables	14,286	16,431
Allowance for expected credit losses	(241)	(263)
	<u>14,045</u>	<u>16,168</u>
Distributions receivables	7,543	7,735
Accrued income	10,947	6,127
Other receivables	464	2,266
	<u>18,954</u>	<u>16,128</u>
	<u><u>32,999</u></u>	<u><u>32,296</u></u>

**Note 11. Other assets**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Prepayments	39,903	473
Deposits	1,844	1,938
	<u>41,747</u>	<u>2,411</u>
<i>Non-current assets</i>		
Capitalised borrowing costs	-	549
	<u>41,747</u>	<u>2,960</u>

*HMC Healthcare and Life Sciences Fund*

In March 2023, the group announced the acquisition of a portfolio of 11 private hospitals leased to private hospital operator Healthscope for \$1,200.0 million by funds managed by HMC Capital. 4 of the 11 hospitals were acquired by HealthCo Healthcare and Wellness REIT (HCW) for \$256.0 million with the remaining 7 hospitals to be acquired in 2 tranches by a new HMC Capital managed fund for \$944.0 million called the HMC Healthcare and Life Sciences Fund.

The HMC Healthcare and Life Sciences Fund completed settlement of the initial tranche of 3 assets (\$474 million) which was funded with HCW's initial equity commitment and debt. The remaining 4 hospitals from the final tranche (\$470.0 million) are expected to settle in September 2023 with equity funding proposed to be sourced from third party institutional investors. HMC Capital has backstopped the equity funding for the final tranche and the prepayments balance as at 30 June 2023 includes \$37.6 million of deposits paid.

**Note 12. Derivative financial instruments**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Derivative asset - equity total return swap	-	14,425
	<u>-</u>	<u>14,425</u>

Refer to note 27 for further information on fair value measurement.



**Note 13. Financial assets at fair value through profit or loss**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Cash backed - equity total return swap	66,891	-
<i>Non-current assets</i>		
Australian listed equity securities	346,294	-
	<u>413,185</u>	<u>-</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	-	-
Additions	565,024	-
Disposals	(190,633)	-
Revaluation increments	38,794	-
Closing fair value	<u>413,185</u>	<u>-</u>

Refer to note 27 for further information on fair value measurement.

**Note 14. Investments accounted for using the equity method**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Associate - HomeCo Daily Needs REIT	434,030	443,194
Associate - HealthCo Healthcare and Wellness REIT	166,644	136,924
Joint venture - The George Trust	-	17,150
Joint venture - General Medical Precinct Trust	2,511	2,511
Joint venture - Life Sciences Medical Precinct Trust	9,362	8,933
	<u>612,547</u>	<u>608,712</u>

**Interests in associates and joint ventures**

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

Name	Principal place of business/ Country of incorporation	<b>Ownership interest</b>	
		<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>%</b>	<b>%</b>
HomeCo Daily Needs REIT	Australia	14.1%	14.1%
HealthCo Healthcare and Wellness REIT	Australia	16.3%	20.9%
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%

During the financial year, the group sold its interest in The George Trust to HealthCo Healthcare and Wellness REIT for \$32.7 million.

**Note 14. Investments accounted for using the equity method (continued)**

*Summarised financial information*

	HDN		HCW		Joint ventures	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Summarised statement of financial position</i>						
Current assets	52,200	52,622	65,300	55,995	63	1,042
Non-current assets	4,773,200	4,803,567	1,659,200	637,602	40,472	87,002
<b>Total assets</b>	<b>4,825,400</b>	<b>4,856,189</b>	<b>1,724,500</b>	<b>693,597</b>	<b>40,535</b>	<b>88,044</b>
Current liabilities	106,000	117,067	62,500	17,213	41	5,876
Non-current liabilities	1,643,300	1,601,375	703,700	22,294	-	-
<b>Total liabilities</b>	<b>1,749,300</b>	<b>1,718,442</b>	<b>766,200</b>	<b>39,507</b>	<b>41</b>	<b>5,876</b>
<b>Net assets</b>	<b>3,076,100</b>	<b>3,137,747</b>	<b>958,300</b>	<b>654,090</b>	<b>40,494</b>	<b>82,168</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>						
Revenue and fair value changes	273,700	488,255	67,100	64,269	6,779	-
Expenses	(171,500)	(153,143)	(45,900)	(14,657)	-	-
<b>Profit before income tax</b>	<b>102,200</b>	<b>335,112</b>	<b>21,200</b>	<b>49,612</b>	<b>6,779</b>	<b>-</b>
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>102,200</b>	<b>335,112</b>	<b>21,200</b>	<b>49,612</b>	<b>6,779</b>	<b>-</b>
<i>Reconciliation of the group's carrying amount</i>						
Opening carrying amount	443,194	263,878	136,924	-	28,594	-
Additional investments acquired during the year	630	146,243	32,000	136,094	15,386	28,594
Share of profit after income tax	14,482	60,911	3,433	10,237	-	-
Share of distributions paid/payable	(24,227)	(19,922)	(5,668)	(4,968)	-	-
HDN bonus unit reduction	-	(7,916)	-	-	-	-
Impairment expense	-	-	-	(21,339)	-	-
Fair value gain on investments in HCW	-	-	-	16,900	-	-
Disposal/others	(49)	-	(45)	-	(32,107)	-
<b>Closing carrying amount</b>	<b>434,030</b>	<b>443,194</b>	<b>166,644</b>	<b>136,924</b>	<b>11,873</b>	<b>28,594</b>

A \$21.3 million impairment to the carrying value of the investment in HCW was recognised for the year ended 30 June 2022. No impairment expense was recognised for the year ended 30 June 2023 to the carrying value of any of the equity accounted investments.

**Note 14. Investments accounted for using the equity method (continued)**

*Commitments*

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	120,000	116,582
Property acquisitions	75,300	127,558

**Note 15. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Fixtures, fittings and equipment - at cost	3,407	3,320
Less: Accumulated depreciation	<u>(1,318)</u>	<u>(180)</u>
	<u>2,089</u>	<u>3,140</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Furniture, fittings and equipment \$'000
Balance at 1 July 2021	-
Additions	3,320
Depreciation expense	<u>(180)</u>
Balance at 30 June 2022	3,140
Additions	87
Depreciation expense	<u>(1,138)</u>
Balance at 30 June 2023	<u>2,089</u>

**Note 16. Intangible assets**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Goodwill	<u>49,337</u>	<u>49,337</u>
Management rights	<u>137,437</u>	<u>137,437</u>
	<u>186,774</u>	<u>186,774</u>

**Note 16. Intangible assets (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Goodwill \$'000	Management rights \$'000	Total \$'000
Balance at 1 July 2021	-	-	-
Additions through business combinations (note 34)	<u>49,337</u>	<u>137,437</u>	<u>186,774</u>
Balance at 30 June 2022	<u>49,337</u>	<u>137,437</u>	<u>186,774</u>
Balance at 30 June 2023	<u><u>49,337</u></u>	<u><u>137,437</u></u>	<u><u>186,774</u></u>

*Impairment testing*

Goodwill and management rights are allocated to the Funds Management group of cash generating units ('Funds Management CGU') and are tested annually for impairment or when there are indicators of impairment. Goodwill and management rights are considered to be impaired if their recoverable amount is less than their carrying amount. As part of annual impairment testing, goodwill generated as a result of the recognition of deferred tax on management rights acquired in a business combination is offset against a corresponding and equal deferred tax liability when calculating the carrying value of the cash generating unit.

No impairment expense was recognised for the year ended 30 June 2023 and 30 June 2022 as the estimated recoverable amount is greater than the carrying value for the Funds Management CGU.

The recoverable amount of goodwill and management rights was determined using the value in use approach and valued using discounted cash flow projections. Key assumptions adopted in the discounted cash flow valuation are as follows:

Cash flows	5 years (2022: 10 years)
Discount rate (post-tax)	13.2% (2022: 7.6%)
Management fee revenue	17.3% (5 year compound annual growth rate, 'CAGR')
Terminal growth rate	3.0% (2022: 3.0%)

Cash flow projections were based on financial budgets for the year ending 30 June 2024. Cash flows beyond the projected period are extrapolated using estimated growth rates.

Terminal growth rates are estimated based on the expected long-term earnings growth and macro-economic factors. Discount rates applied to cash flow projections are calculated by reference to the group's weighted average cost of capital. Discount rates are adjusted for risks specific to the cash generating unit which include funds under management growth assumptions.

At the reporting date, there is no reasonable change in key assumptions that could cause the carrying amount to exceed the recoverable amount. Even if a scenario is considered where the 5-year CAGR for management fee revenue is reduced to the long-term inflation rate of 3%, and simultaneously, the post-tax discount rate is adjusted within a range of 10% to 12% to account for reduced cashflows, this does not result in an impairment.

**Note 17. Right-of-use assets**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Right-of-use assets	4,887	4,887
Less: Accumulated amortisation	<u>(1,059)</u>	<u>(81)</u>
	<u><u>3,828</u></u>	<u><u>4,806</u></u>

The group leases office premises under an agreement expiring in four years, with an option to extend. The lease has various escalation clauses.

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Office premises \$'000
Balance at 1 July 2021	277
Additions	4,887
Amortisation expense	<u>(358)</u>
Balance at 30 June 2022	4,806
Amortisation expense	<u>(978)</u>
Balance at 30 June 2023	<u><u>3,828</u></u>

For other AASB 16 lease-related disclosures refer to the following:

- note 7 for details of interest on lease liabilities and other lease expenses;
- note 22 and note 39 for details of lease liabilities at the beginning and end of the reporting period;
- note 26 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

**Note 18. Convertible notes**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Convertible notes	<u>2,869</u>	<u>2,282</u>

Convertible notes represent an investment in a related party and derive interest at a variable rate plus a margin. The convertible notes have a 7-year term and may be converted between a date that is five years after the commencement date and the maturity date.

**Note 19. Trade and other payables**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Trade payables	286	3,198
Rent received in advance	124	265
Accrued expenses	14,419	15,783
Other payables	2,653	3,531
	<u>17,482</u>	<u>22,777</u>

Refer to note 26 for further information on financial instruments.

**Note 20. Borrowings**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Secured bank debt (HMC Capital)	36,500	-
Secured margin loan (HMC Capital Partners Fund 1, non-recourse borrowings)	50,000	-
Capitalised borrowing costs	(160)	-
	<u>86,340</u>	<u>-</u>

\* Capitalised borrowing costs of \$549,000 as at 30 June 2022 is included in other assets (note 11).

Refer to note 26 for further information on financial instruments.

Bank debt comprises a \$275.0 million secured syndicated debt facility. During the year, the maturity date of the facility was extended from 30 November 2023 to 31 January 2024. The bank debt is secured by group assets.

During the year, HMC Capital Partners Fund I entered into a \$50.0 million non-recourse debt facility which has been utilised for acquiring investments in Australian listed equities. The facility is secured by the Fund's investments in Australian listed equities. The facility's maturity date is 1 September 2023.

**Note 20. Borrowings (continued)**

*Financing arrangements*

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Secured bank debt	275,000	275,000
Secured margin loan	50,000	-
	<u>325,000</u>	<u>275,000</u>
Used at the reporting date		
Secured bank debt	36,500	-
Secured margin loan	50,000	-
	<u>86,500</u>	<u>-</u>
Unused at the reporting date		
Secured bank debt	238,500	275,000
Secured margin loan	-	-
	<u>238,500</u>	<u>275,000</u>

*Compliance with loan covenants*

The group has complied with the financial covenants of its debt facilities during the financial year ended 30 June 2023 and 30 June 2022.

**Note 21. Employee benefit obligations**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Annual leave	956	1,038
Other employee benefits	972	3,759
	<u>1,928</u>	<u>4,797</u>

**Note 22. Lease liabilities**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Lease liability	<u>790</u>	<u>717</u>
<i>Non-current liabilities</i>		
Lease liability	<u>2,847</u>	<u>3,628</u>
	<u>3,637</u>	<u>4,345</u>

Refer to note 26 for maturity analysis of lease liabilities.

**Note 23. Contributed equity**

	Consolidated			
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	347,613,058	299,617,806	5,204,776	5,036,746
Less: Treasury shares	(72,462)	-	(328)	-
	<u>347,540,596</u>	<u>299,617,806</u>	<u>5,204,448</u>	<u>5,036,746</u>

*Movements in ordinary share capital*

Details	Date	Shares	\$'000
Balance	1 July 2021	290,121,283	3,710,382
Issue of shares on vesting of share rights	27 August 2021	145,072	478
Share issue upon acquisition of HCDL	17 December 2021	478,994,382	1,265,167
Share consolidation	17 December 2021	(478,994,382)	-
Issue of shares on acquisition of Aventus Holdings Limited (refer note 34)	4 March 2022	9,351,451	60,784
Share issue transaction costs, net of tax		-	(65)
Balance	30 June 2022	299,617,806	5,036,746
Issue of shares to the Trust (at \$4.92 per ordinary share)	25 August 2022	635,264	3,125
Issue of shares to the Trust (at \$4.72 per ordinary share)	28 September 2022	524,075	2,474
Issue of shares under Share Purchase Plan (SPP) (at \$3.50 per ordinary share)	5 April 2023	35,714,286	125,000
Issue of shares under SPP (at \$3.50 per ordinary share)	28 April 2023	11,053,908	38,689
Issue of shares under SPP (at \$3.50 per ordinary share)	5 May 2023	67,719	237
Share issue transaction costs, net of tax		-	(1,495)
Balance	30 June 2023	<u>347,613,058</u>	<u>5,204,776</u>

Until 24 December 2021, the issued shares of the group were made up of stapled securities comprising of one share of HMC Capital and one share of HCDL. The stapled securities were destapled effective from 24 December 2021.

*Issue of options in HMC Capital Limited*

During the year, the group issued 2,801,102 options in HMC Capital Limited, for nil consideration, to eligible early investors that subscribed for units in HMC Capital Partners Fund I. Each option has an exercise price of \$7.00 and expires on 30 November 2025. The options are quoted on the ASX under the ticker code HMCO.

*Movements in treasury shares*

Details	Date	Shares	\$'000
Balance	1 July 2021	-	-
Balance	30 June 2022	-	-
Acquisition of shares by the Trust (at \$4.92 per ordinary share)	25 August 2022	(635,264)	(3,125)
Acquisition of shares by the Trust (at \$4.72 per ordinary share)	28 September 2022	(524,075)	(2,475)
Acquisition of shares through on-market purchase	30 September 2022	(74,116)	(335)
Vesting of employee awards		1,160,993	5,607
Balance	30 June 2023	<u>(72,462)</u>	<u>(328)</u>



**Note 23. Contributed equity (continued)**

*Ordinary shares*

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to securityholders should the company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and HMC Capital does not have a limited amount of authorised capital.

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 share shall have one vote.

*Treasury shares*

Treasury shares are shares in HMC Capital Limited held by the HMC Capital Limited Employee Share Plan Trust (Trust) for the purposes of issuing shares under the group's employee share scheme and executive incentive plans. Shares issued to employees, upon satisfaction of relevant vesting conditions, are recognised on a first in first out basis.

*Share buy-back*

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

*Capital risk management*

The group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for security holders 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 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 dividends paid to security holders, return capital to security holders, issue new shares or sell assets to reduce debt.

The group is subject to certain financing arrangements covenants 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 24. Reserves**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Share-based payments reserve	3,950	5,054
Non-controlling interest ('NCI') reserve	<u>(1,232,539)</u>	<u>(1,232,539)</u>
	<u><u>(1,228,589)</u></u>	<u><u>(1,227,485)</u></u>

*Profits reserve*

In the prior year, the profits reserve was an amount arising from previous years profits and retained as a separate reserve to be used for distribution as dividends in future years.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

*Non-controlling interest reserve*

The reserve is used to recognise the difference between the amount of the adjustment to non-controlling interests in HCDL and any consideration paid or received attributable to HMC Capital on de-stapling from the group.

**Note 24. Reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Profits reserve \$'000	Share-based payments reserve \$'000	NCI reserve \$'000	Total \$'000
Balance at 1 July 2021	1,885	2,128	-	4,013
Dividends paid	(1,885)	-	-	(1,885)
Share-based payments	-	3,404	-	3,404
Transfer to contributed equity on vesting of rights (note 23)	-	(478)	-	(478)
Transfer from contributed equity on destapling (note 23)	-	-	(1,265,167)	(1,265,167)
Transfer from non-controlling interest	-	-	34,100	34,100
Destapling transaction costs	-	-	(1,472)	(1,472)
Balance at 30 June 2022	-	5,054	(1,232,539)	(1,227,485)
Share-based payments	-	4,503	-	4,503
Vesting of employee awards (note 23)	-	(5,607)	-	(5,607)
Balance at 30 June 2023	<u>-</u>	<u>3,950</u>	<u>(1,232,539)</u>	<u>(1,228,589)</u>

**Note 25. Dividends**

*Dividends*

Dividends declared during the financial year were as follows:

	<b>Consolidated</b> <b>30 June 2023</b> <b>\$'000</b>	<b>30 June 2022</b> <b>\$'000</b>
Final dividend to shareholders registered on 2 September 2022 of 6.0 cents (2021: 6.0 cents) per ordinary security	18,015	17,416
Interim dividend for the year ended 30 June 2023 of 6.0 cents (2022: 6.0 cents) per ordinary security	<u>18,047</u>	<u>17,416</u>
	<u><u>36,062</u></u>	<u><u>34,832</u></u>

On 22 August 2023, the directors determined to pay a 10% franked dividend of 6.0 cents per ordinary share. The dividends will be paid on 4 October 2023 to eligible shareholders on the register on 30 August 2023.

*Franking credits*

	<b>Consolidated</b> <b>30 June 2023</b> <b>\$'000</b>	<b>30 June 2022</b> <b>\$'000</b>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>1,063</u>	<u>12,889</u>

The above amounts represent the balance of the franking account as at the end of the financial year.

## Note 26. Financial instruments

### Financial risk management objectives

The group's activities expose it to a variety of financial risks: market 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 derivative financial instruments such as interest rate swap contracts to hedge certain risk exposures. 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 senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the group's operating units. Finance reports to the Board on a monthly basis.

### Market risk

#### Foreign currency risk

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

#### Price risk

The group's main exposure to price risk arises from the equity total return swap (equity swap) and investment in financial assets at fair value through profit or loss disclosed in note 12 and note 13 to the financial statements.

#### Australian listed equity securities and cash backed equity swaps

All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument as recorded in the statement of financial position.

The table below demonstrates the impact of a 10% movement in price of investments with direct equity exposure in active markets with quoted prices or prices that are observable either directly or indirectly. This sensitivity analysis has been performed to assess the direct risk of holding equity securities with all other variables held constant. It assumes that the relevant changes occur at the reporting date.

Consolidated - 30 June 2023	% change	Average price increase		Average price decrease		
		Effect on profit before tax \$'000	Effect on equity \$'000	% change	Effect on profit before tax \$'000	Effect on equity \$'000
Australian listed equity securities	10%	41,319	28,923	(10%)	(41,319)	(28,923)

### 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. Borrowings obtained at fixed rates expose the group to fair value risk. The policy is to maintain approximately 50% of borrowings at fixed rates using interest rate swaps to achieve this when necessary.

As at the reporting date, the group had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	30 June 2023		30 June 2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans *	9.67%	36,500	0.66%	-
Margin loan	6.44%	50,000	-	-
Net exposure to cash flow interest rate risk		86,500		-

\* Weighted average interest rate includes commitment fee on undrawn debt (5.3% per annum on drawn debt only)

**Note 26. Financial instruments (continued)**

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

An official increase/decrease in interest rates of 50 (2022: 50) basis points per annum would have an adverse/favourable effect on profit before tax of \$433,000 (2022: \$nil). The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the 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 tenants of the group based on recent 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 one 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 20 for details of unused borrowing facilities at the reporting date.

**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.

<b>Consolidated - 30 June 2023</b>	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	286	-	-	-	286
Other payables	2,653	-	-	-	2,653
<i>Interest-bearing - variable</i>					
Bank loans	38,570	-	-	-	38,570
Margin loan	50,547	-	-	-	50,547
<i>Interest-bearing - fixed rate</i>					
Lease liability	922	2,020	1,006	-	3,948
<b>Total non-derivatives</b>	<b>92,978</b>	<b>2,020</b>	<b>1,006</b>	<b>-</b>	<b>96,004</b>

**Note 26. Financial instruments (continued)**

<b>Consolidated - 30 June 2022</b>	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	3,198	-	-	-	3,198
Other payables	3,531	-	-	-	3,531
<i>Interest-bearing - variable</i>					
Bank loans	1,815	761	-	-	2,576
<i>Interest-bearing - fixed rate</i>					
Lease liability	869	922	3,026	-	4,817
<b>Total non-derivatives</b>	<b>9,413</b>	<b>1,683</b>	<b>3,026</b>	<b>-</b>	<b>14,122</b>

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

**Note 27. Fair value measurement**

*Fair value hierarchy*

The following tables detail 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

<b>Consolidated - 30 June 2023</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Cash backed - equity total return swap	66,891	-	-	66,891
Australian listed equity securities	346,294	-	-	346,294
<b>Total assets</b>	<b>413,185</b>	<b>-</b>	<b>-</b>	<b>413,185</b>

<b>Consolidated - 30 June 2022</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Derivative financial instruments	-	14,425	-	14,425
<b>Total assets</b>	<b>-</b>	<b>14,425</b>	<b>-</b>	<b>14,425</b>

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.

## Note 28. Key management personnel disclosures

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	\$	\$
Short-term employee benefits	3,112,586	2,581,336
Post-employment benefits	141,352	140,795
Share-based payments	2,032,144	1,919,543
	<u>5,286,082</u>	<u>4,641,674</u>

## Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG (30 June 2022: PricewaterhouseCoopers), the auditor of the Company:

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	\$	\$
<i>Audit services - KPMG (30 June 2022: PricewaterhouseCoopers)</i>		
Audit or review of the financial statements	366,000	392,416
<i>Other services - KPMG (30 June 2022: PricewaterhouseCoopers)</i>		
Other assurance services	-	8,731
Review of destapling shareholder booklet	-	76,500
	-	85,231
<i>Total remuneration to KPMG (30 June 2022: PricewaterhouseCoopers)</i>	<u>366,000</u>	<u>477,647</u>
<i>Other auditors</i>		
Audit or review of the financial statements	-	18,000
<i>Other services</i>		
Other assurance services	-	13,000
<i>Total remuneration to other auditors</i>	<u>-</u>	<u>31,000</u>

## Note 30. Contingent liabilities

The group had no contingent liabilities as at 30 June 2023 and 30 June 2022.

**Note 31. Commitments**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	-	26,950
Property acquisitions	432,400	-
	432,400	-
	432,400	26,950

In March 2023, the group announced the acquisition of a portfolio of 11 private hospitals for \$1,200.0 million by funds managed by HMC Capital. 4 of the 11 hospitals were acquired by HealthCo Healthcare & Wellness REIT (HCW) for \$256.0 million with the remaining 7 hospitals to be acquired in 2 tranches by a new HMC Capital managed fund for \$944.0 million called the HMC Healthcare & Life Sciences Fund.

The HMC Healthcare & Life Sciences Fund completed settlement of the initial tranche of 3 assets (\$474.0 million) which was funded with HCW's initial equity commitment and debt. The remaining 4 hospitals from the final tranche (\$470.0 million) are expected to settle in September 2023 with equity funding proposed to be sourced from third party institutional investors.

HMC Capital backstopped the final tranche of 4 hospitals and the property acquisitions of \$432.4 million as at 30 June 2023 represents the acquisition contract prices of \$470.0 million less deposits paid of \$37.6 million (and excludes the HMC Healthcare & Life Sciences Fund's senior secured debt facility to be used for settlement of the 4 properties).

**Note 32. Related party transactions**

*Parent entity*

HMC Capital Limited is the parent entity of the group.

*Subsidiaries*

Interests in subsidiaries are set out in note 35.

*Associates*

Interests in associates are set out in note 14.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

*Related party transactions with HealthCo Healthcare and Wellness REIT ('HCW')*

HCW Funds Management Limited was appointed as the responsible entity of HCW in the previous financial year. 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 and development management services to HCW in accordance with an Investment Management and Property and Development Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are wholly owned subsidiaries of the group.

In May 2023 the base management fee threshold under the HCW Investment Management Agreement was amended from 0.65% to 0.55% on incremental GAV above \$800 million (previously \$1.5 billion).

*Related party transactions with HomeCo Daily Needs REIT ('HDN')*

HMC Funds Management Limited was appointed as the responsible entity of HDN in financial year 2021. The Responsible Entity has appointed HMC Property Management Limited (the 'Property Manager') and HMC Investment Management Pty Ltd (the 'Investment Manager') to provide certain asset management, investment management and development management services to HDN in accordance with an Investment Management and Property and Development Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are wholly owned subsidiaries of the group.

**Note 32. Related party transactions (continued)**

*Transactions with related parties entered during the current financial year:*

*HomeCo Daily Needs REIT (HDN) – acquisition of Southlands Boulevard*

In November 2022, the group paid a \$4,625,000 non-refundable procurement and exclusivity fee, exclusive of GST, to a vendor in relation to HDN's acquisition of Southlands Boulevard. HDN subsequently reimbursed the group for the \$4,625,000.

*Last Mile Logistics Fund (LML Fund)*

In November 2022, the group paid a deposit of \$7,500,000 to secure the acquisition of Menai Marketplace on behalf of the LML Fund. \$7,500,000 was reimbursed by the LML Fund in February 2023.

*Sale of interest in The George Trust to HealthCo Healthcare and Wellness REIT (HCW)*

In December 2022, the group sold its interest in The George Trust to HCW for \$32,700,000. The disposal price represented a 5% discount to the independent valuation undertaken in September 2022.

*Material related party transactions entered during the financial year are disclosed below:*

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	\$	\$
<b>Sale of goods and services:</b>		
Property rental and other property income derived from director and shareholder related entities	-	839,970
Investment management and property management fees derived from HDN and HCW	65,609,166	62,607,034
Responsible Entity expenses reimbursed from HDN and HCW	1,736,580	1,981,868
Management fees derived from director and KMP related entity	362,762	918,750
<b>Payment for goods and services:</b>		
Payment for settlement adjustments relating to tenant rent and property expenses	464,408	2,192,165
<b>Other transactions:</b>		
(i) Rental guarantee expenses payable to HDN and HCW	1,156,323	2,689,997
(ii) Receipts from HDN and HCW (reimbursement of property deposits, capital expenditure and IPO transaction costs)	12,239,264	15,392,422
(iii) Sale of 50% interest in Proxima (Southport) QLD to HCW	-	5,000,000
(iv) Novation of interest rate swap to HDN	-	198,791
(v) Acquisition of HCW units	32,000,000	-
(vi) Sale of The George Trust to HCW	32,700,000	-

*Receivable from and payable to related parties*

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	\$	\$
<b>Current receivables:</b>		
Trade receivables from the director and shareholder related entities	-	56,474
Receivables from HDN and HCW	22,612,277	22,300,644
Receivables from director and KMP related entity	-	55,000
<b>Current payables:</b>		
Payables to HDN and HCW	371,750	1,593,661



**Note 32. Related party transactions (continued)**

*Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Non-current receivables:		
Convertible notes in a director and KMP related entity	2,869,434	2,281,500

All related party receivables are considered to be recoverable.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 33. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) after income tax	(1,000,369)	49,061
Total comprehensive income	(1,000,369)	49,061

*Statement of financial position*

	<b>Parent</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	60,942	11,141
Total assets	1,299,270	2,079,380
Total current liabilities	48,141	9,536
Total liabilities	48,141	9,536
Equity		
Contributed equity	5,204,448	5,036,746
Profits reserve	39,660	24,821
Share-based payments reserve	3,950	4,837
Accumulated losses	(3,996,929)	(2,996,560)
Total equity	<u>1,251,129</u>	<u>2,069,844</u>

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

The parent entity and its wholly owned subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries. Refer to note 36 for further details.

**Note 33. Parent entity information (continued)**

*Contingent liabilities*

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

*Capital commitments*

Refer to note 31 for commitments of the group which is the same for the parent entity.

*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 associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries and distributions received from associates are recognised as other income by the parent entity.

**Note 34. Business combinations**

*Prior period acquisition:*

*Aventus Holdings Limited ('AHL')*

On 4 March 2022, the group acquired 100% of the ordinary shares of AHL for the total consideration of \$143.7 million. AHL was listed on the Australian Securities Exchange and its activities included management of large format retail property assets.

The values identified in relation to the AHL acquisition as at 30 June 2022 were provisional and have been finalised during the current financial year. The finalisation of provisional accounting did not result in any change to the previously recognised asset and liabilities.

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>Fair value \$'000</b>
Cash and cash equivalents	4,440
Trade and other receivables	2,395
Management rights	137,437
Trade and other payables	(8,896)
Provision for income tax	(16)
Deferred tax liabilities	(40,090)
Employee benefits	(879)
	<hr/>
Net assets acquired	94,391
Goodwill	49,337
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>143,728</u>
Representing:	
Cash consideration paid	82,944
HMC Capital Limited shares issued	60,784
	<hr/>
	<u>143,728</u>
	<hr/>
Acquisition costs expensed to profit or loss	<u>3,519</u>
	<hr/>
Cash used to acquire business, net of cash acquired:	
Cash consideration	82,944
Less: cash and cash equivalents acquired	(4,440)
	<hr/>
Net cash used	<u>78,504</u>

#### Note 34. Business combinations (continued)

The goodwill of \$49.3 million comprises of \$8.1 million relating to the profitability of the acquired business and the synergistic opportunities that will arise from the acquisition plus \$41.2 million relating to deferred tax liabilities recognised for management rights.

#### Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policies described in note 3:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2023 %	30 June 2022 %
Home Consortium Property Pty Ltd	Australia	100.0%	100.0%
Home Consortium Property Trust	Australia	100.0%	100.0%
Aventus Holdings Pty Limited	Australia	100.0%	100.0%
HMC Capital Partners Trust B	Australia	100.0%	100.0%
Home Consortium Developments Pty Ltd	Australia	100.0%	100.0%
HomeCo Childcare Pty Ltd	Australia	100.0%	100.0%
HMC Funds Management Limited	Australia	100.0%	100.0%
HMC Investment Management Pty Ltd	Australia	100.0%	100.0%
HMC Property Management Pty Ltd	Australia	100.0%	100.0%
HCW Funds Management Limited	Australia	100.0%	100.0%
HMC Capital Funds Management Pty Ltd	Australia	100.0%	100.0%
HMC Capital Investments Limited	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:

Name	Principal place of business/ Country of incorporation	Principal activities	Parent		Non-controlling interest	
			Ownership interest 30 June 2023 %	Ownership interest 30 June 2022 %	Ownership interest 30 June 2023 %	Ownership interest 30 June 2022 %
HMC Capital Partners Fund 1	Australia	Equity Investments	51.6%	-	48.4%	-

**Note 35. 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 summarised financial information represents amounts before intragroup eliminations.

	<b>HMC Capital Partners Fund 1 30 June 2023 \$'000</b>
<i>Summarised statement of financial position</i>	
Current assets	53,449
Non-current assets	346,294
Total assets	<u>399,743</u>
Current liabilities	54,984
Non-current liabilities	-
Total liabilities	<u>54,984</u>
Net assets	<u><u>344,759</u></u>
<i>Summarised statement of profit or loss and other comprehensive income</i>	
Revenue and other income	63,621
Expenses	<u>(9,390)</u>
Profit before income tax expense	54,231
Income tax expense	-
Profit after income tax expense	54,231
Other comprehensive income	-
Total comprehensive income	<u><u>54,231</u></u>
<i>Statement of cash flows</i>	
Net cash (outflow) from operating activities	(1,499)
Net cash used in investing activities	(310,693)
Net cash from financing activities	<u>340,529</u>
Net increase/(decrease) in cash and cash equivalents	<u><u>28,337</u></u>
<i>Other financial information</i>	
Profit attributable to non-controlling interests	26,232
Accumulated non-controlling interests at the end of reporting period	<u>166,761</u>

At 30 June 2023, HMC Capital Partners Fund 1 is in a current net liability position due to the \$50.0 million non-recourse debt facility which matures on 1 September 2023. The facility has been utilised to acquire investments in Australian listed equities which are highly liquid.

**Note 36. Deed of cross guarantee**

HMC Capital and its wholly owned subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under ASIC Legislative Instrument 2016/785.

HMC Capital and its wholly owned subsidiaries represent a 'Closed Group' for the purposes of the Instrument, and as there were no other parties to the deed of cross guarantee that are controlled by HMC Capital, they also represented the 'Extended Closed Group'. HMC Capital Partners Fund 1 is not a wholly-owned entity and is therefore not part of the Closed Group.

The statement of profit or loss and other comprehensive income for the year ended 30 June 2022 and statement of financial position as at 30 June 2022 are the same as the group and therefore have not been separately disclosed.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group' for the year ended 30 June 2023.

	<b>30 June 2023</b>
	<b>\$'000</b>
<b>Statement of profit or loss and other comprehensive income</b>	
Revenue	70,007
Share of profits of associates and joint ventures accounted for using the equity method	17,915
Other income	798
Interest income	1,287
Dividend income	1,250
Change in assets/liabilities at fair value through profit or loss	84
Property and fund management expenses	(21,483)
Corporate expenses	(26,957)
Acquisition and transaction costs	(5,267)
Finance costs	(5,906)
	<hr/>
<b>Profit before income tax expense</b>	31,728
Income tax expense	(2,627)
	<hr/>
<b>Profit after income tax expense</b>	29,101
Other comprehensive income for the year, net of tax	-
	<hr/>
<b>Total comprehensive income for the year</b>	<u>29,101</u>
	<hr/>
<b>Equity - accumulated losses</b>	
Accumulated losses at the beginning of the financial year	(2,963,259)
Profit after income tax expense	29,101
Dividends paid	(36,062)
	<hr/>
Accumulated losses at the end of the financial year	<u>(2,970,220)</u>

**Note 36. Deed of cross guarantee (continued)**

**Statement of financial position**

**30 June 2023**  
**\$'000**

**Current assets**

Cash and cash equivalents	20,441
Trade and other receivables	32,999
Financial assets at fair value through profit or loss	41,965
Other assets	41,561
	<u>136,966</u>

**Non-current assets**

Investments accounted for using the equity method	612,547
Other financial assets	150,000
Property, plant and equipment	2,089
Intangible assets	186,774
Right-of-use assets	3,828
Convertible notes	2,869
	<u>958,107</u>

**Total assets**

1,095,073

**Current liabilities**

Trade and other payables	12,500
Borrowings	36,340
Employee benefit obligations	1,928
Lease liabilities	790
	<u>51,558</u>

**Non-current liabilities**

Lease liabilities	2,847
Provisions	485
Deferred tax liability	34,544
	<u>37,876</u>

**Total liabilities**

89,434

**Net assets**

1,005,639

**Equity**

Contributed equity	5,204,448
Reserves	(1,228,589)
Accumulated losses	(2,970,220)
	<u>(2,970,220)</u>

**Total equity**

1,005,639

**Note 37. Earnings per security**

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Profit after income tax	83,333	107,262
Non-controlling interest	<u>(26,232)</u>	<u>(30,013)</u>
Profit after income tax	<u>57,101</u>	<u>77,249</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per security	310,893,576	293,292,529
Adjustments for calculation of diluted earnings per share:		
Options/rights over ordinary shares	<u>1,588,570</u>	<u>2,017,991</u>
Weighted average number of ordinary shares used in calculating diluted earnings per security	<u>312,482,146</u>	<u>295,310,520</u>
	Cents	Cents
Basic earnings per security	18.37	26.34
Diluted earnings per security	18.27	26.16

**Note 38. Share-based payments**

The share-based payment expense for the year was \$4.5 million (2022: \$3.4 million).

*Share rights*

The following share rights are issued to employees and key management personnel of the group.

*Share rights issued in the 2023 financial year*

During the financial year, the group made a number of equity awards. These included the following:

- FY23 awards (performance rights with predetermined relative TSR and aggregated Operating Earnings performance hurdles and service conditions);
- FY23 NED fee sacrifice rights (which upon vesting are only subject to disposal restrictions);
- Retention awards (Rights only subject to service conditions); and
- A number of sign-on awards to newly appointed executives in compensation for equity awards forgone from prior employers (rights with service conditions only).

**Note 38. Share-based payments (continued)**

Set out below are summaries of share rights granted under the plans:

30 June 2023	Grant date	Estimated vesting date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
IPO employee grant	14/10/2019	14/10/2022	335,624	-	(335,624)	-	-
FY20 LTIP	14/10/2019	27/08/2022	436,485	-	(436,485)	-	-
FY20 COVID-19 grant	25/08/2020	30/09/2022	262,567	-	(173,525)	-	89,042
FY21 LTIP (MD & CEO)	25/11/2020	27/08/2023	376,083	-	-	-	376,083
FY21 LTIP (Executive KMP, excluding MD & CEO)	18/01/2021	27/08/2023	338,344	-	-	-	338,344
Sign-on award	14/03/2022	25/08/2022	25,235	-	(25,235)	-	-
Sign-on award	14/03/2022	27/08/2023	14,399	-	-	-	14,399
Sign-on award	14/03/2022	31/01/2024	9,885	-	-	(9,885)	-
FY22 LTIP	14/03/2022	28/08/2024	488,985	-	-	(10,558)	478,427
FY22 NEDEP fee sacrifice rights	14/03/2022	25/08/2022	69,377	-	(69,377)	-	-
Recognition rights	14/03/2022	30/06/2022	104,167	-	(85,489)	-	18,678
Sign-on award	14/03/2022	01/04/2024	37,500	-	-	-	37,500
Sign-on award	19/05/2022	26/04/2024	20,172	-	-	-	20,172
Sign-on award	19/05/2022	26/04/2025	20,172	-	-	-	20,172
Sign-on award	19/05/2022	26/04/2023	20,172	-	(20,172)	-	-
Retention awards	18/10/2022	24/08/2023	-	25,250	-	(2,500)	22,750
Retention awards	18/10/2022	24/08/2023	-	25,250	-	(2,500)	22,750
FY23 LTIP	18/10/2022	25/08/2025	-	1,054,394	-	(65,170)	989,224
FY23 NEDEP fee sacrifice rights	24/10/2022	24/08/2023	-	60,197	-	-	60,197
Sign-on award	05/12/2022	01/07/2023	-	125,701	-	-	125,701
Sign-on award	05/12/2022	01/07/2024	-	125,701	-	-	125,701
Sign-on award	05/12/2022	01/07/2025	-	125,701	-	-	125,701
Sign-on award	26/06/2023	27/02/2024	-	28,728	-	-	28,728
Sign-on award	26/06/2023	27/02/2025	-	28,728	-	-	28,728
			<u>2,559,167</u>	<u>1,599,650</u>	<u>(1,145,907)</u>	<u>(90,613)</u>	<u>2,922,297</u>

30 June 2022	Grant date	Estimated vesting date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
FY20 LTIP	14/10/2019	27/08/2022	436,485	-	-	-	436,485
IPO employee grant	14/10/2019	14/10/2022	344,319	-	-	(8,695)	335,624
FY20 COVID-19 grant	25/08/2020	30/09/2022	262,567	-	-	-	262,567
FY21 LTIP (MD & CEO)	25/11/2020	27/08/2023	376,083	-	-	-	376,083
FY21 NEDEP fee sacrifice rights	25/11/2020	27/08/2021	145,072	-	(145,072)	-	-
FY21 LTIP (Executive KMP, excluding MD & CEO)	18/01/2021	27/08/2023	305,290	33,054	-	-	338,344
FY22 LTIP	14/03/2022	28/08/2024	-	508,115	-	(19,130)	488,985
FY22 NEDEP fee sacrifice rights	14/03/2022	25/08/2022	-	69,377	-	-	69,377
Recognition rights	14/03/2022	30/06/2022	-	107,041	-	(2,874)	104,167
Sign-on award	14/03/2022	01/04/2024	-	37,500	-	-	37,500
Sign-on award	14/03/2022	25/08/2022	-	25,235	-	-	25,235
Sign-on award	14/03/2022	27/08/2023	-	14,399	-	-	14,399
Sign-on award	14/03/2022	31/01/2024	-	9,885	-	-	9,885
Sign-on award	19/05/2022	26/04/2023	-	20,172	-	-	20,172
Sign-on award	19/05/2022	26/04/2024	-	20,172	-	-	20,172
Sign-on award	19/05/2022	26/04/2025	-	20,172	-	-	20,172
			<u>1,869,816</u>	<u>865,122</u>	<u>(145,072)</u>	<u>(30,699)</u>	<u>2,559,167</u>



**Note 38. Share-based payments (continued)**

There are 107,720 share rights that are vested and exercisable as at 30 June 2023 (2022: 104,167). The weighted average remaining contractual life of share rights outstanding at the end of the financial year was 1.1 years (2022: 0.9 years).

For the share rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Plan details	Grant date	Estimated Vesting date	Share price at grant date \$	Expected Volatility %	Dividend yield %	Risk-free interest rate %	Fair value at grant date \$
FY23 LTI awards	18/10/2022	25/08/2025	4.63	39.0%	2.6%	3.4%	3.38
Retention awards *	18/10/2022	26/08/2024	4.63	39.0%	2.4%	2.2%	4.49
Sign-on award **	05/12/2022	01/07/2025	4.81	40.0%	2.4%	2.2%	4.61
Sign-on award ***	26/06/2023	27/02/2025	4.80	40.0%	2.4%	3.2%	4.67

\* Awards vest in two tranches on 26 August 2023 and 26 August 2024.

\*\* Awards vest in three tranches on 1 July 2023, 1 July 2024, and 1 July 2025.

\*\*\* Awards vest in two tranches on 27 February 2024 and 27 February 2025.

**Note 39. Cash flow information**

*Reconciliation of profit after income tax to net cash from operating activities*

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax expense for the year	83,333	107,262
Adjustments for:		
Depreciation expenses	2,115	520
Impairment expenses	-	21,339
Share-based payments expenses	4,504	3,404
Share of profit from associates and joint ventures	(17,915)	(71,148)
Net gain on disposal of investments	(4,790)	(28,030)
Net fair value adjustment to investment property - freehold	-	(5,003)
Net fair value adjustment on remeasurement of financial instruments	(53,503)	6,324
Gain recognised on investments in associates	-	(16,900)
Straight-lining of rental income	-	563
Amortisation of capitalised borrowing costs	388	1,788
Management fees not received in cash	-	(22,300)
Dividend income recognised as investing activities	(4,854)	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
Decrease/(increase) in trade and other receivables	342	(7,653)
Decrease in deferred tax assets	2,623	12,105
(Increase)/decrease in other operating assets	(1,737)	(3,212)
Increase/(decrease) in trade and other payables	(5,293)	1,351
Decrease in derivative liabilities	-	(1,847)
Increase/(decrease) in other operating liabilities	(4,852)	3,042
Net cash from operating activities	<u>361</u>	<u>1,605</u>

**Note 39. Cash flow information (continued)**

*Non-cash investing and financing activities*

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Additions to the right-of-use assets	-	4,887
Shares issued in relation to business combinations (note 34)	-	60,784
Units acquired in HDN	-	140,272
	<u>-</u>	<u>205,943</u>

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	Secured margin loan \$'000	Secured bank debt \$'000	Lease liabilities \$'000	Total \$'000
Balance at 1 July 2021	-	254,750	277	255,027
Net cash used in financing activities	-	(254,750)	(334)	(255,084)
Acquisition of leases	-	-	4,402	4,402
	<u>-</u>	<u>-</u>	<u>4,345</u>	<u>4,345</u>
Balance at 30 June 2022	-	-	4,345	4,345
Net cash (used in)/from financing activities	50,000	36,500	(708)	85,792
	<u>50,000</u>	<u>36,500</u>	<u>3,637</u>	<u>90,137</u>

**Note 40. Events subsequent to the end of the financial year**

In August 2023 the \$275.0 million secured syndicated debt facility maturity date was extended to November 2024.

In connection with funds management initiatives the group has invested \$24.0 million in an ASX listed entity.

In July 2023, an extraordinary general meeting of unitholders of HealthCo Healthcare and Wellness REIT (HCW) was held to obtain unitholder approval for three resolutions relating to HMC Capital's participation in, and support of the capital raising undertaken by HCW. 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 HMC Capital as investment manager, in lieu of cash, as well as a resolution to enter into a selective buy back agreement pursuant to which the responsible entity of HCW agreed to buy back, and HMC Capital agreed to sell, up to 8,465,608 units held by HMC Capital for nominal consideration. All resolutions were approved.

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 directors' opinion:

- the attached financial statements and notes of HMC Capital Limited comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached 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 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;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36 to the financial statements.

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.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Chris Saxon  
Chair



David Di Pilla  
Director

22 August 2023



# Independent Auditor's Report

To the shareholders of HMC Capital Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of HMC Capital Limited (the Company).

In our opinion, the accompanying Financial Report of the Company 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 Company 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.

## Key Audit Matters

The **Key Audit Matters** we identified are:

- Valuation of intangibles;
- Revenue recognition; and
- Investments accounted for using the equity method

**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.

These matters were 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 these matters.

### Valuation of intangibles (\$186.8m)

Refer to Note 2: Significant accounting policies and Note 16: Intangible assets in the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Valuation of intangibles is a Key Audit Matter due to:</p> <ul style="list-style-type: none"> <li>• the size of the balance (being 14% of total assets); and</li> <li>• the high level of judgement involved by us in assessing the inputs to the Group's annual assessment of impairment model.</li> </ul> <p>We focused on significant forward-looking assumptions the Group applied in its value in use model, including:</p> <ul style="list-style-type: none"> <li>• forecast cash flows, growth rates and terminal growth rates which are influenced by subjective drivers and market conditions. The growth rates rely on the Group's expectation of growth in future.</li> <li>• discount rates, which are subjective in nature and vary according to the specific conditions and environment of the Cash Generating Unit (CGU).</li> </ul> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>Working with our valuation specialists, our procedures included:</p> <ul style="list-style-type: none"> <li>• considering the applicability of the value in use method applied by the Group to perform the annual test of intangibles for impairment against the requirements of the accounting standards.</li> <li>• assessing the integrity of the value in use model used, and the accuracy of the underlying calculations.</li> <li>• assessing the historical accuracy of the Group's forecasts by comparing to actual results, to use in our evaluation of forecasts incorporated in the value in use model.</li> <li>• challenging the Group's significant forecast cash flow and growth rate assumptions. We compared key forecast assumptions to the Board approved plan and strategy. We compared forecast growth rates and terminal growth rates to publicly available data of a group of comparable entities and the industry trends, and considered differences for the Group's operations.</li> <li>• using our knowledge of the Group and its industry to independently develop a discount rate range using publicly available reports for comparable entities, and compared it to the Group's discount rate.</li> <li>• considering the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those</li> </ul>

	<p>assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.</p> <ul style="list-style-type: none"> <li>assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</li> </ul>
<p><b>Revenue recognition (\$68.7m)</b></p>	
<p>Refer to Note 2: Significant accounting policies and Note 5: Revenue in the Financial Report</p>	
<p><b>The key audit matter</b></p>	<p><b>How the matter was addressed in our audit</b></p>
<p>Revenue recognition is a Key Audit Matter due to:</p> <ul style="list-style-type: none"> <li>its significance to the financial performance of the Group;</li> <li>the significant audit effort required as a result of: <ul style="list-style-type: none"> <li>the various streams of revenue generated from a diverse range of services, each with varying rates and contractual terms</li> </ul> </li> </ul> <p>Significant revenue streams include fees from the provision of investment management services and property management services for properties managed on behalf of third parties.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>inquiring of the Group to obtain an understanding of processes for significant revenue streams, and testing the controls at the Group relating to review and approval of investment management fee invoices for these revenue streams.</li> <li>assessing the Group's accounting policies related to revenue recognition against the requirements of the accounting standard and our understanding of the business.</li> <li>testing statistical samples of revenue across each key revenue stream. We: <ul style="list-style-type: none"> <li>evaluated the terms and conditions of the respective contracts with investment funds against the requirements of AASB 15 Revenue from Contracts with Customers, checking for contractual features which distinguish the accounting treatment between over time or point in time recording of revenue. We checked our evaluation against the Group's accounting policies.</li> <li>recalculated the investment management and property management services revenue recognised based on the fee rates in the underlying contracts, and the underlying Funds under Management ("FuM"). We compared this to invoices and the revenue recognised by the Group.</li> <li>using the terms and conditions of the respective contracts for acquisitions and disposals services we tested revenue amounts and the timing thereof to underlying settlement contracts and the</li> </ul> </li> </ul>

	<p>Group's revenue recognition policy.</p> <ul style="list-style-type: none"> <li>assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.</li> </ul>
<p><b>Investments accounted for using the equity method (\$612.5m)</b></p>	
<p>Refer to Note 2: Significant accounting policies and Note 14: Investments accounted for using the equity method in the Financial Report</p>	
<p><b>The key audit matter</b></p>	<p><b>How the matter was addressed in our audit</b></p>
<p>Investments accounted for using the equity method is a Key Audit Matter due to the:</p> <ul style="list-style-type: none"> <li>the size of the balance (being 46% of total assets);</li> <li>the high level of judgement involved by us in assessing if the Group has control or significant influence over the equity accounted investees, as these drive differing accounting outcomes</li> <li>the high level of judgement involved by us in assessing the inputs to the Group's impairment assessment for the equity accounted investments.</li> </ul> <p>We focused on discount rates, which are subjective in nature and vary according to the specific conditions and environment of equity accounted investees as the significant forward-looking assumption the Group applied in its value in use model for the impairment assessment of the equity accounted investments.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>instructing appointed auditors of the equity accounted investments to perform procedures we've determined relevant to our role in gathering evidence on the share of profit that is attributable to the Group and forms a significant part of the Group's financial results.</li> <li>discussing with those audit teams to identify and address any issues that may impact results of the Group.</li> <li>reading the reporting provided to us by those auditors in conjunction with inspecting their files for consistency between the reporting provided to us, our instructions, and the underlying audit work.</li> <li>evaluating group's assessment for any indicators of impairment. Where any such indicators exist, evaluating the impairment assessment methodology and the significant assumptions used.</li> <li>assessing the applicability of the value in use method applied by the Group to perform the impairment assessment for the carrying value of the equity accounted investments against the accounting standards and our knowledge of the investment arrangements.</li> <li>assessing the integrity of the value in use model used, and the accuracy of the underlying calculations.</li> <li>considering the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application.</li> </ul>

	<ul style="list-style-type: none"> <li>• together with our valuation specialists using our knowledge of the Group and its industry to independently develop a discount rate range using publicly available reports for comparable entities, and compared it to the Group's discount rate.</li> <li>• assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.</li> </ul>
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## Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Operating and Financial Review and Remuneration Report. The Chair and Chief Executive Officer's Letter and Additional Shareholder Information are expected to be made available to us after the date of the Auditor's Report.

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

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 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 the Company'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 the Company 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](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of the Group for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 10 to 37 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG



Brendan Twining  
Partner

Sydney  
22 August 2023

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

**Distribution of equitable securities**

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

	<b>Ordinary securities Number of holders of securities</b>	<b>% of total securities issued</b>
1 to 1,000	768	0.08
1,001 to 5,000	953	0.82
5,001 to 10,000	717	1.57
10,001 to 100,000	991	6.45
100,001 and over	67	91.08
	<u>3,496</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>183</u>	<u>-</u>

**Equity security holders**

*Twenty largest quoted equity security holders*

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

	<b>Ordinary securities Number held</b>	<b>% of total securities issued</b>
Home Investment Consortium Trust*	90,371,681	26.00
HSBC Custody Nominees (Australia) Limited	87,657,433	25.22
J P Morgan Nominees Australia Pty Limited	35,366,746	10.17
Citicorp Nominees Pty Limited	28,512,977	8.20
National Nominees Limited	13,243,052	3.81
Aurum Holdings Pty Ltd	7,018,990	2.02
Goat Properties Pty Ltd	6,724,990	1.93
BNP Paribas Noms Pty Ltd	6,506,128	1.87
UBS Nominees Pty Ltd	5,379,089	1.55
Netwealth Investments Limited	4,160,460	1.20
Bridgebox Pty Ltd	2,759,639	0.79
HSBC Custody Nominees (Australia) Limited	2,588,940	0.74
Citicorp Nominees Pty Limited	2,416,775	0.70
CW Property Nominees Pty Ltd	2,238,806	0.64
Balmoral Financial Investments Pty Ltd	1,851,779	0.53
BNP Paribas Nominees Pty Ltd	1,635,644	0.47
Longmorn Pty Ltd	1,350,000	0.39
Goat Properties Pty Ltd	1,133,579	0.33
Pacific Custodians Pty Limited	1,091,755	0.31
SG Foundation Investments Pty Ltd	1,071,014	0.31
	<u>303,079,477</u>	<u>87.18</u>

\* Home Investment Consortium Trust holding includes all subsidiaries.



*Unquoted equity securities*

	Number on issue	Number of holders
Share rights	2,814,577	32

**Substantial security holders**

Substantial holders in the Company are set out below:

	Ordinary securities Number held	% of total securities issued
Home Investment Consortium Trust*	90,371,681	26.00

\* Home Investment Consortium Trust holding includes all subsidiaries.

**Voting rights**

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

*Ordinary shares*

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 share shall have one vote.

There are no other classes of equity securities.

**Restricted securities**

Class	Expiry date	Number of securities
Ordinary securities	Upon retirement from the Board	285,544

Directors	Chris Saxon David Di Pilla Zac Fried Brendon Gale Greg Hayes Kelly O'Dwyer Susan Roberts
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	HMC Capital Limited shares are listed on the Australian Securities Exchange (ASX code: HMC)
Website	<a href="https://www.hmccapital.com.au/">https://www.hmccapital.com.au/</a>
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of HMC Capital Limited in an ethical manner and in accordance with the highest standards of corporate governance. HMC Capital Limited has adopted and has fully complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations').</p> <p>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 approved and released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and HMC Capital Limited's other corporate governance policies and charters can be found on its website at <a href="https://hmccapital.com.au/investor-centre">https://hmccapital.com.au/investor-centre</a></p>