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

ASX RELEASE

13 February 2024

APPENDIX 4D AND HY24 FINANCIAL REPORT

HealthCo Healthcare and Wellness REIT (ASX: HCW) provides the attached Appendix 4D and HY24 Financial Report.

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

For further information, please contact:

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About HealthCo Healthcare & Wellness REIT

HealthCo Healthcare & Wellness REIT (HCW) is a Real Estate Investment Trust listed on the ASX focused on owning healthcare and wellness property assets. The REIT's objective is to provide exposure to a diversified portfolio underpinned by healthcare sector megatrends, targeting stable and growing distributions, long-term capital growth and positive environmental and social impact. HCW is Australia's leading diversified healthcare REIT with a combined portfolio size of $1.6 billion and development pipeline of approximately $1 billion.

1. Company details

Name of entity:	HealthCo Healthcare and Wellness REIT
ARSN:	652 057 639
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

This Appendix 4D should be read in conjunction with the attached directors' report which includes details of the results for the period.

	31 Dec 2023 $m	31 Dec 2022 $m	Change $m	Change %
Revenue from ordinary activities	41.0	18.4	22.5	122%
(Loss)/profit from ordinary activities after tax	(5.0)	1.5	(6.5)	(433%)
(Loss)/profit for the half-year attributable to owners of HealthCo Healthcare and Wellness REIT	(5.0)	1.5	(6.5)	(433%)
(Loss)/profit for the half-year including non-controlling interest	(5.1)	1.5	(6.6)	(440%)

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

3. Distributions

	Amount per unit Cents
Interim distribution for the year ending 30 June 2024 declared on 18 September 2023. The distribution was paid on 29 November 2023 to unitholders registered on 29 September 2023.	2.000
Interim distribution for the year ending 30 June 2024 declared on 18 December 2023. The distribution will be paid on 21 February 2024 to unitholders registered on 29 December 2023.	2.000

4. Distribution reinvestment plans (DRP)

For the period 1 July 2023 to 31 December 2023 HealthCo Healthcare and Wellness REIT operated a DRP under which unitholders could elect to reinvest all or part of their distributions in new units rather than being paid in cash. The DRP price is determined as the average of the daily volume weighted average price (VWAP) of units sold on the Australian Securities Exchange (ASX) during a nominated five-day period, between the announcement date and payment date of the respective distribution, less a discount (if any).

The DRP price for the quarters ended 30 September 2023 and 31 December 2023 did not include a discount. Refer to note 17 to the consolidated financial statements for details of equity raised under the DRP.

5. Net tangible assets

	31 Dec 2023 $	30 Jun 2023 $
Net tangible assets per unit	1.65	1.70

The net tangible assets calculations above include right-of-use assets, lease liabilities and fair value of derivatives.

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6. Loss of control over entities

Name of entities (or group of entities)	HMC Wholesale Healthcare Fund (formerly referred as Healthcare and Life Sciences Unlisted Fund)
Date control lost	28 September 2023

	$m
Contribution of such entity to the reporting entity's profit/(loss) from ordinary activities during the period	2.7

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7. Details of joint venture entities

Name of joint venture	Reporting entity's percentage holding		Contribution to profit/(loss)	
	31 Dec 2023 %	30 Jun 2023 %	31 Dec 2023 $m	31 Dec 2022 $m
General Medical Precinct Trust	25.0%	25.0%	-	-
Life Sciences Medical Precinct Trust	31.0%	30.7%	-	-
HMC Wholesale Healthcare Fund (formerly referred as Healthcare and Life Sciences Unlisted Fund)	49.6%	-	21.0	-
Aggregate share of joint venture entities' profit/(loss)				
Profit from ordinary activities			21.0	-

Refer to note 11 to the consolidated financial statements for further details.

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8. Information about audit or review

The consolidated financial statements were subject to review by the auditors KPMG. A copy of KPMG's unqualified review report is attached as part of the half-year financial report.

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9. Attachments

The Interim Report of HealthCo Healthcare and Wellness REIT for the half-year ended 31 December 2023 is attached.

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10. Signed

As authorised by the board of directors

Signed ______________________________ Date: 12 February 2024

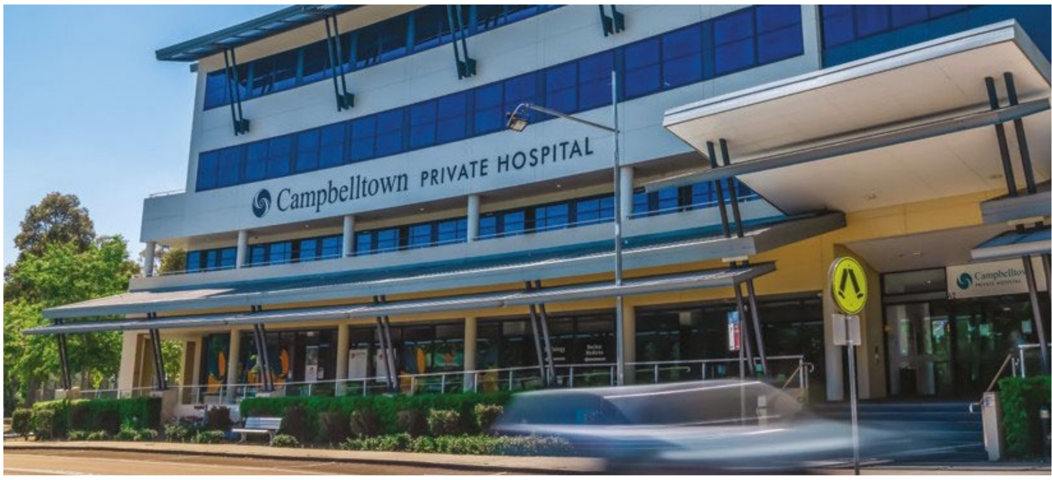
Joseph Carrozzi AM
Independent Non-Executive Chair

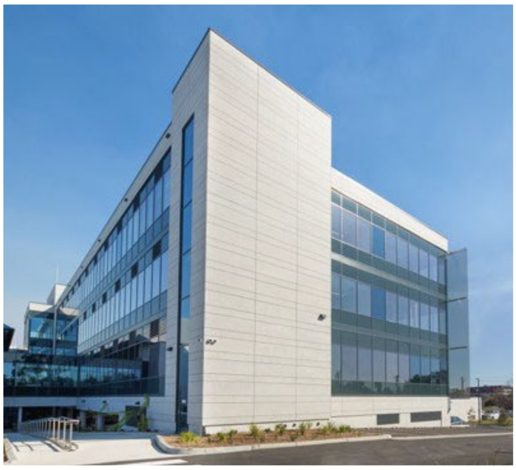
HealthCo Healthcare and Wellness REIT

HCW Funds Management Limited
ACN 104 438 100 AFSL 239882

Interim Report

For the year ended 31 December 2023





The directors of HCW Funds Management Limited (ABN 58 104 438 100, AFSL 239882) (the Responsible Entity), present their report together with the consolidated financial statements of HealthCo Healthcare and Wellness REIT. The consolidated financial statements cover HealthCo Healthcare and Wellness REIT (the Trust or HCW) and the entities it controlled at the end of, or during the period ended 31 December 2023 (collectively referred to as the group).

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

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

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

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

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

As at 30 June 2023, the group had a direct 100% interest in Tranche 1 and a 100% interest in a newly established HMC Wholesale Healthcare Fund, formerly referred as Healthcare and Life Sciences Unlisted Fund (Unlisted Fund), which had a direct 100% interest in Tranche 2.

On 28 September 2023, the Unlisted Fund, a 100% owned subsidiary of HCW at the time, issued new units to external investors. The equity raising diluted HCW's ownership interest in the Unlisted Fund from 100% to 49.6%. Consequently, the group lost control and stopped consolidating the Unlisted Fund. The units were issued at a price which was consistent with the valuation of Tranches 2 and 3 as at 31 March 2023, and lower than the net asset value at 28 September 2023, thus a loss on deconsolidation of $26.4 million was recognised. HCW's retained interest in the Unlisted Fund has been accounted for as an equity accounted investment.

In October 2023, the Unlisted Fund settled on Tranche 3 of the Healthscope Hospital Portfolio acquisition.

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

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

Review of operations and financial performance

The group's financial performance for the financial half-year was materially influenced by the group's interest in the Unlisted Fund and the active undertaking of investment activities, including an asset recycling program which led to a reduction in the portfolio from 39 properties as at 30 June 2023 to 30 properties as at 31 December 2023.

A summary of the group's financial performance for the period ended 31 December 2023 is detailed below.

	Consolidated 31 Dec 2023 $m	Consolidated 31 Dec 2022 $m
Property income	39.6	18.4
Net (loss)/profit for the period	(5.1)	1.5
Funds from operations ('FFO')	22.6	10.0
Weighted average units on issue (million)	566.4	325.6
FFO per unit (cents)	4.0	3.1
Distribution per unit (cents)	4.0	3.8

The group recorded property income of $39.6 million (31 December 2022: $18.4 million), a net loss of $5.1 million (31 December 2022: profit of $1.5 million) and FFO of $22.6 million (31 December 2022: $10.0 million) for the half-year ended 31 December 2023. FFO is a financial measure which is not prescribed by Australian Accounting Standards and represents the group's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit after tax for items that are non-cash, unrealised or capital in nature. The directors consider FFO to represent the core earnings of the group.

A reconciliation between net (loss)/profit and FFO for the period ended 31 December 2023 is detailed below.

	Consolidated 31 Dec 2023 $m	Consolidated 31 Dec 2022 $m
Net (loss)/profit for the period	(5.1)	1.5
Straight lining and amortisation of rental income	(0.7)	(0.7)
Acquisition and transaction costs	1.2	0.6
Loss on deconsolidation of interest in a subsidiary	26.4	-
Rent guarantee income	0.1	1.2
Amortisation of borrowing costs	1.5	0.6
Net fair value movements	14.4	6.4
Proxima coupon	1.3	0.4
Share of profits of equity accounted investees	(21.0)	-
Distribution of profits of equity accounted investees	4.7	-
Other	(0.2)	-
FFO	22.6	10.0

Summary of financial position
A summary of the group's financial position as at 31 December 2023 is outlined below.

	Consolidated 31 Dec 2023 $m	Consolidated 30 Jun 2023 $m
Assets		
Investment properties (including assets held for sale)	1,055.2	1,667.1
Total assets	1,457.7	1,724.5
Net assets	937.9	958.3
Net tangible assets	937.9	958.3
Number of units on issue (million)	568.3	562.8
Net tangible assets ($ per unit)	1.65	1.70
Capital management		
Debt facility limit	550.0	1,100.0
Drawn debt	492.8	711.7
Cash and undrawn debt	61.9	395.9
Gearing ratio (%)*	33.7%	41.1%
Hedged debt (%)	76.1%	80.8%
Cost of debt (% per annum)**	5.6%	4.9%

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

Property portfolio:
At 31 December 2023, the group owned 30 (30 June 2023: 39) investment properties including assets held for sale with a combined value of $1,055.2 million (30 June 2023: $1,667.1 million).

The movement in investment properties during the period was primarily driven by the group's asset recycling program and deconsolidation of the Unlisted Fund on 28 September 2023, now recognised as an equity accounted investment.

At 31 December 2023, 12 investment properties, representing 41% by number and 34% by value, were independently valued with the remaining investment properties being internally valued. The weighted average capitalisation rate of the portfolio was 5.26% (30 June 2023: 5.03%).

Asset recycling program:
As part of the group's asset recycling program, the group settled on 6 properties for a total consideration of $59.3 million between July and November 2023.

In November 2023, the group entered into a contract for the sale of Five Dock. The contract became unconditional and the asset was recognised as asset held for sale as at 31 December 2023. The asset is expected to settle by March 2024 for $9.6 million.

Refer to note 10 to the consolidated financial statements for details of the asset sales.

Capital management:
The group had $61.9 million in cash and undrawn debt as at 31 December 2023. 76.1% of drawn debt was hedged as at 31 December 2023 (30 June 2023: 80.8%) and the cost of debt was 5.6% per annum as at 31 December 2023 (30 June 2023: 4.9% per annum).

Selective buy-back and subsequent bonus unit issue:
In December 2023, the Responsible Entity conducted an off-market selective buy-back of 3,448,071 units from Home Consortium Developments Pty Ltd for a nominal consideration. Subsequently, these units were cancelled and 3,448,071 units were issued to eligible unitholders who participated in the capital raising in the period ended 30 June 2023.

Distributions

Distributions declared during the financial half-year were as follows:

	Distribution per unit (cents)	Total distribution $m	Ex-distribution date	Record date	Payment date
September 2023	2.000	11.3	28 September 2023	29 September 2023	29 November 2023
December 2023	2.000	11.4	28 December 2023	29 December 2023	21 February 2024
Total	**4.000**	**22.7**			

The final distribution for the year ended 30 June 2023 of $11.3 million, or 2.00 cents per unit, was paid on 30 August 2023.

For the period 1 July 2023 to 31 December 2023, the group operated a DRP under which unitholders could elect to reinvest all or part of their distributions in new units rather than being paid in cash. The DRP price is determined as the average of the daily volume weighted average price (VWAP) of units sold on the Australian Securities Exchange (ASX) during a nominated five-day period, between the announcement date and payment date of the respective distribution, less a discount (if any). The DRP price for the quarters ended 30 September 2023 and 31 December 2023 did not include a discount.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 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.

Rounding of amounts

The Trust 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 hundred thousand dollars, unless otherwise stated.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors.

Joseph Carrozzi AM
Independent Non-Executive Chair

David Di Pilla
Non-Executive Director

12 February 2024

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

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

I declare that, to the best of my knowledge and belief, in relation to the review of HealthCo Healthcare and Wellness REIT for the half-year ended 31 December 2023 there have been:

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

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

KPMG

KPMG

J Davis

Jessica Davis

Partner

Sydney

12 February 2024

HealthCo Healthcare and Wellness REIT
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $m	Consolidated 31 Dec 2022 $m
Income			
Property income	4	39.6	18.4
Share of profits of equity-accounted investees, net of tax		21.0	-
Interest income		1.4	0.1
Net change in assets at fair value through profit or loss	5	(14.4)	(6.4)
Expenses			
Property expenses		(4.7)	(3.6)
Corporate expenses		(1.6)	(1.2)
Management fees	22	(4.2)	(2.4)
Loss on deconsolidation of interest in a subsidiary	11	(26.4)	-
Acquisition and transaction costs	6	(1.2)	(0.6)
Finance costs	6	(14.6)	(2.8)
(Loss)/profit for the half-year		(5.1)	1.5
Other comprehensive income for the half-year		-	-
Total comprehensive (loss)/income for the half-year		(5.1)	1.5
(Loss)/profit for the half-year is attributable to:			
Non-controlling interest		(0.1)	-
Owners of HealthCo Healthcare and Wellness REIT		(5.0)	1.5
		(5.1)	1.5
Total comprehensive (loss)/income for the half-year is attributable to:			
Non-controlling interest		(0.1)	-
Owners of HealthCo Healthcare and Wellness REIT		(5.0)	1.5
		(5.1)	1.5
		Cents	**Cents**
Basic earnings per unit	23	(0.88)	0.47
Diluted earnings per unit	23	(0.88)	0.47

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

HealthCo Healthcare and Wellness REIT
Consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 $m	Consolidated 30 Jun 2023 $m
Assets			
Current assets			
Cash and cash equivalents	7	4.7	7.6
Trade and other receivables	8	8.2	6.1
Other assets	9	9.7	10.2
		22.6	23.9
Assets held for sale	10	9.6	41.4
Total current assets		32.2	65.3
Non-current assets			
Investments accounted for using the equity method	11	376.7	11.9
Investment properties	12	1,045.6	1,625.7
Derivative financial instruments	13	3.2	21.6
Total non-current assets		1,425.5	1,659.2
Total assets		1,457.7	1,724.5
Liabilities			
Current liabilities			
Trade and other payables	14	16.7	51.2
Distributions payable	18	11.4	11.3
Total current liabilities		28.1	62.5
Non-current liabilities			
Borrowings	16	488.6	700.6
Lease liabilities	15	3.1	3.1
Total non-current liabilities		491.7	703.7
Total liabilities		519.8	766.2
Net assets		937.9	958.3
Equity			
Contributed equity	17	947.2	939.9
(Accumulated losses)/retained profits		(16.2)	11.3
Equity attributable to the owners of HealthCo Healthcare and Wellness REIT		931.0	951.2
Non-controlling interest		6.9	7.1
Total equity		937.9	958.3

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

Consolidated	Contributed equity $m	Retained profits $m	Non-controlling interest $m	Total equity $m
Balance at 1 July 2022	628.9	25.2	-	654.1
Profit for the half-year	-	1.5	-	1.5
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive income for the half-year	-	1.5	-	1.5
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	0.2	-	-	0.2
Non-controlling interests	-	-	6.1	6.1
Distributions paid (note 18)	-	(12.2)	-	(12.2)
Balance at 31 December 2022	629.1	14.5	6.1	649.7

Consolidated	Contributed equity $m	Retained profits/ (Accumulated losses) $m	Non-controlling interest $m	Total equity $m
Balance at 1 July 2023	939.9	11.3	7.1	958.3
Loss for the half-year	-	(5.0)	(0.1)	(5.1)
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive income for the half-year	-	(5.0)	(0.1)	(5.1)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 17)	7.3	-	-	7.3
Non-controlling interests	-	-	0.1	0.1
Distributions declared (note 18)	-	(22.5)	(0.2)	(22.7)
Balance at 31 December 2023	947.2	(16.2)	6.9	937.9

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

HealthCo Healthcare and Wellness REIT
Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Consolidated 31 Dec 2023 $m	Consolidated 31 Dec 2022 $m
Cash flows from operating activities		
Receipts from tenants (inclusive of GST)	34.4	17.9
Payments to suppliers (inclusive of GST)	(16.6)	(8.4)
Interest received	0.2	-
Interest and other finance costs paid	(14.4)	(2.3)
Net cash (used in)/from operating activities	3.6	7.2
Cash flows from investing activities		
Proceeds from disposal of investment properties	59.3	40.1
Payments for acquisition of investment properties and capital expenditure	(67.1)	(108.3)
Payments attributable to investment in joint ventures	(0.2)	(27.1)
Dividends from joint ventures and associates	1.0	-
Cash balance held by subsidiary on deconsolidation	(6.1)	-
Net cash from/(used in) investing activities	(13.1)	(95.3)
Cash flows from financing activities		
Capital raising and IPO costs	(0.1)	(0.2)
Proceeds from borrowings	53.0	130.9
Repayment of borrowings	(22.0)	(28.0)
Borrowing costs paid	(1.7)	-
Distributions paid	(22.5)	(13.0)
Repayment of lease liabilities	(0.1)	-
Net cash (used in)/from financing activities	6.6	89.7
Net (decrease)/increase in cash and cash equivalents	(2.9)	1.6
Cash and cash equivalents at the beginning of the financial half-year	7.6	2.7
Cash and cash equivalents at the end of the financial half-year	4.7	4.3

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

Note 1. General information

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

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

Level 7 Gateway
1 Macquarie Place
Sydney NSW 2000

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 February 2024.

Note 2. Basis of preparation

These general purpose consolidated financial statements for the interim half-year ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose consolidated financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, these consolidated financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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 during the financial half-year ended 31 December 2023 and are not expected to have any significant impact for the full financial year ending 30 June 2024.

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

Note 3. Operating segments

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

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

Note 3. Operating segments (continued)

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

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

Major customers
During the half-year ended 31 December 2023, approximately 35.0% (31 December 2022: 11.9%) of the group's external revenue was derived from rental income from one main tenant (31 December 2022: One tenant).

Segment results

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
Funds from operations (FFO)	22.6	10.0
Straight lining and amortisation of rental income	0.7	0.7
Acquisition and transaction costs	(1.2)	(0.6)
Loss on deconsolidation of interest in a subsidiary	(26.4)	-
Rent guarantee income	(0.1)	(1.2)
Amortisation of borrowing costs	(1.5)	(0.6)
Net fair value movements	(14.4)	(6.4)
Proxima coupon	(1.3)	(0.4)
Share of profits of equity accounted investees	21.0	-
Distribution of profits of equity accounted investees	(4.7)	-
Other	0.2	-
Net (loss)/profit for the period	(5.1)	1.5

Note 4. Property income

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
Property rental income	35.8	16.3
Other property income	3.8	2.1
Property income	39.6	18.4

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

Note 5. Net change in assets at fair value through profit or loss

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
Net unrealised fair value loss on investment properties	(7.9)	(6.4)
Net unrealised fair value loss on derivatives	(6.5)	-
	(14.4)	(6.4)

Note 6. Expenses

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
(Loss)/profit includes the following specific expenses:		
Acquisition and transaction costs:		
Transaction costs	1.2	0.6
Finance costs		
Interest and finance charges on borrowings	13.0	2.2
Interest and finance charges on lease liabilities	0.2	-
Amortisation of capitalised borrowing costs	1.4	0.6
Finance costs expensed	14.6	2.8

Note 7. Cash and cash equivalents

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Current assets		
Cash at bank	4.7	7.6

Note 8. Trade and other receivables

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Current assets		
Trade receivables	0.6	2.0
Less: Allowance for expected credit losses	(0.2)	(0.1)
	0.4	1.9
Other receivables	7.1	3.0
GST receivable	0.7	1.2
	8.2	6.1

Note 9. Other assets

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Current assets		
Prepayments	0.1	0.8
Security deposits	0.6	0.7
Property deposits	8.6	8.3
Other current assets	0.4	0.4
	9.7	10.2

Note 10. Assets held for sale

	Consolidated 31 Dec 2023 $m	Consolidated 30 Jun 2023 $m
Current assets		
Investment properties	9.6	41.4

As at 31 December 2023, assets held for sale represents Five Dock in New South Wales that was contracted to be sold to a third party. The sale became unconditional in November 2023 and is due to settle in March 2024.

As at 30 June 2023, assets held for sale represented 4 properties in Victoria (Armadale, Croydon, Tarneit and Yallambie). The sales contracts became unconditional in June 2023 with the assets settling progressively throughout July and August 2023 for a combined total of $41.4 million less costs of disposal.

Note 11. Investments accounted for using the equity method

	Consolidated 31 Dec 2023 $m	Consolidated 30 Jun 2023 $m
Non-current assets		
Investment in joint ventures	376.7	11.9

	Consolidated 31 Dec 2023 $m
Reconciliation of the group's carrying amount	
Opening carrying amount at 1 July 2023	11.9
Share of net profit after income tax for the period	21.0
Additions during the period	0.1
Recognition upon deconsolidation of the HMC Wholesale Healthcare Fund (formerly referred as Healthcare and Life Sciences Unlisted Fund)	348.4
Share of distributions	(4.7)
Closing carrying amount	376.7

Interests in joint ventures

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

Name	Principal place of business / Country of incorporation	Ownership interest 31 Dec 2023 %	Ownership interest 30 Jun 2023 %
General Medical Precinct Trust	Australia	25.0%	25.0%
Life Sciences Medical Precinct Trust	Australia	31.0%	30.7%
HMC Wholesale Healthcare Fund (formerly referred as Healthcare and Life Sciences Unlisted Fund)	Australia	49.6%	-

Note 11. Investments accounted for using the equity method (continued)

On 28 September 2023, the Unlisted Fund, a 100% owned subsidiary of HCW at that time, issued new units to external investors. The equity raising diluted HCW's ownership interest in the Unlisted Fund from 100% to 49.6%. Consequently, the group lost control and stopped consolidating the Unlisted Fund and derecognised all Unlisted Fund assets and liabilities at their carrying amounts from the consolidated balance sheet. The units were issued at a price which was consistent with the valuation of Tranches 2 and 3 as at March 2023 and lower than the net asset value at 28 September 2023, thus a loss on deconsolidation of $26.4 million was recognised.

HCW's residual investment in the Unlisted Fund has been recognised as an investment in a joint venture. The residual investment was initially recognised at fair value and has been subsequently accounted for using the equity method in accordance with accounting standard AASB 128 'Investment in Associates and Joint Ventures'.

Note 12. Investment properties

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Non-current assets		
Investment properties - at fair value	1,045.6	1,625.7

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

	Consolidated 31 Dec 2023 $m
Opening fair value	1,625.7
Deconsolidation of HMC Wholesale Healthcare Fund (formerly referred as Healthcare and Life Sciences Unlisted Fund)*	(593.8)
Disposals	(17.9)
Straight-lining and amortisation of incentives	0.1
Capitalised expenditure (including property acquisition costs)	49.0
Net unrealised loss from fair value adjustments	(7.9)
Classified as held for sale (note 10)	(9.6)
Closing fair value**	1,045.6

* 3 investment properties were derecognised during the period due to deconsolidation of HMC Wholesale Healthcare Fund. Refer to note 11 for further information on the deconsolidation.
** Included in the closing fair value of investment property at 31 December 2023 is $3.0 million (30 June 2023: $3.0 million) relating to leasehold improvements and right-of-use assets of a leasehold property.

Refer to note 19 for further information on fair value measurement.

Note 13. Derivative financial instruments

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Non-current assets		
Derivatives - interest rate swap contracts	3.2	21.6

Refer to note 19 for further information on fair value measurement.

Note 14. Trade and other payables

	Consolidated	
	31 Dec 2023 $m	30 Jun 2023 $m
Current liabilities		
Trade payables	1.9	11.8
Rent received in advance	1.4	2.0
Accrued expenses	3.4	5.5
Interest payable	2.6	1.8
Capital expenditure accruals	5.8	28.0
Other payables	1.6	2.1
	16.7	51.2

Note 15. Lease liabilities

	Consolidated	
	31 Dec 2023 $m	30 Jun 2023 $m
Non-current liabilities		
Lease liability	3.1	3.1

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

Note 16. Borrowings

	Consolidated	
	31 Dec 2023 $m	30 Jun 2023 $m
Non-current liabilities		
Bank debt	492.8	711.7
Capitalised borrowing costs	(4.2)	(11.1)
	488.6	700.6

The group's bank debt comprises a $550.0 million senior secured debt facility expiring in May 2026.

Note 16. Borrowings (continued)

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

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

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

	Consolidated	
	31 Dec 2023 $m	30 Jun 2023 $m
Total facilities		
Bank debt	550.0	1,100.0
Used at the reporting date		
Bank debt	492.8	711.7
Unused at the reporting date		
Bank debt	57.2	388.3

Note 17. Contributed equity

	Consolidated			
	31 Dec 2023 Units	30 Jun 2023 Units	31 Dec 2023 $m	30 Jun 2023 $m
Ordinary class units - fully paid	568,274,049	562,813,500	947.2	939.9

Movements in ordinary units

Details	Date	Units	$m
Balance	1 July 2023	562,813,500	939.9
Units issued as part of distribution reinvestment plan (at $1.35 per unit)	30 August 2023	56,448	0.1
Units issued to Home Consortium Developments Pty Ltd in lieu of cash to satisfy an acquisition fee (at $1.3599 per unit)	1 September 2023	5,368,042	7.2
Units issued as part of distribution reinvestment plan (at $1.44 per unit)	29 November 2023	36,059	0.1
Units issued as part of an accelerated non-renounceable entitlement offer	4 December 2023	3,268,896	-
Units cancelled pursuant to selective buy-back from Home Consortium Developments Pty Ltd	4 December 2023	(3,268,896)	-
Units issued as part of an accelerated non-renounceable entitlement offer	21 December 2023	179,175	-
Units cancelled pursuant to selective buy-back from Home Consortium Developments Pty Ltd	21 December 2023	(179,175)	-
Transaction cost on issue of units		-	(0.1)
Balance	31 December 2023	568,274,049	947.2

Note 18. Distributions

Distributions declared during the financial half-year were as follows:

	Consolidated 31 Dec 2023 $m	Consolidated 31 Dec 2022 $m
Interim distribution for the year ending 30 June 2024 of 2.000 cents (2022: 1.875 cents) per unit declared on 18 September 2023. The distribution was paid on 29 November 2023 to unitholders registered on 29 September 2023.	11.3	6.1
Interim distribution for the year ending 30 June 2024 of 2.000 cents (2022: 1.875 cents) per unit declared on 18 December 2023. The distribution will be paid on 21 February 2024 to unitholders registered on 29 December 2023.	11.4	6.1
	22.7	12.2

The final distribution for the year ended 30 June 2023 of $11.3 million, or 2.00 cents per unit, was paid on 30 August 2023.

Note 19. 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

Consolidated - 31 Dec 2023	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Assets				
Investment properties	-	-	1,045.6	1,045.6
Investment properties - held for sale	-	-	9.6	9.6
Derivative financial instruments	-	3.2	-	3.2
Total assets	-	3.2	1,055.2	1,058.4

Consolidated - 30 Jun 2023	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Assets				
Investment properties	-	-	1,625.7	1,625.7
Investment properties - held for sale	-	-	41.4	41.4
Derivative financial instruments	-	21.6	-	21.6
Total assets	-	21.6	1,667.1	1,688.7

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial half-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.

Note 19. Fair value measurement (continued)

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

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

Level 3 assets and liabilities

Description	Unobservable inputs	Range (weighted average) 31 Dec 2023	Range (weighted average) 30 Jun 2023
Investment properties	(i) Capitalisation rate	4.50% to 6.25% (5.26%)	4.38% to 6.25% (5.03%)
	(ii) Discount rate	5.75% to 7.13% (6.51%)	6.00% to 7.13% (6.43%)
	(iii) Terminal yield	4.75% to 6.75% (5.59%)	4.63% to 6.75% (5.35%)

A higher capitalisation rate, discount rate or terminal yield will lead to a lower fair value. A higher growth rate will lead to a higher fair value. The weighted average capitalisation rate is the most significant input into the valuation of investment properties and therefore most sensitive to changes in valuation. A 25 basis point increase in capitalisation rate would result in a decrease in the fair value of investment property by $49.3 million and a 25 basis point decrease in capitalisation rate would result in an increase in the fair value of investment properties by $54.3 million.

Note 20. Contingent liabilities

The group had no contingent liabilities as at 31 December 2023 and 30 June 2023.

Note 21. Commitments

	Consolidated	
	31 Dec 2023 $m	30 Jun 2023 $m
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	13.7	60.7
Property acquisitions	64.4	64.4
	78.1	125.1

Note 22. Related party transactions

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

Type of fee	Method of fee calculation	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Base management fees*	0.65% per annum of Gross Asset Value ('GAV') up to $0.8 million 0.55% per annum of GAV thereafter	4,236	2,369
Property management fees	3.0% of gross property income	654	547
Leasing fees	15.0% on new leases 7.5% of year 1 gross income on renewals	203	86
Development management fees	5.0% of project spend up to $2.5 million 3.0% of project spend thereafter	1,395	363
Acquisition fees	1.0% purchase price	-	881
Disposal fees	0.5% of sale price	296	201
Reimbursement of Responsible Entity expenses	Cost recovery	305	337

* From 28 September 2023, the date of the Unlisted Fund's deconsolidation, the investment management agreement was amended to exclude any Unlisted Fund interest from the Gross Asset Value calculation for base management fees.

The following other transactions occurred with related parties:

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Payment for goods and services:		
Payments to Home Consortium Developments Pty Limited and HMC Capital Limited	261	-
Other transactions:		
Rental income from other director-related entities	1,839	1,385
Income from Home Consortium Developments Pty Limited (rental guarantee)	-	1,156
Development related capital expenditure paid to joint venture (Camden)	-	27,085
Payment to HMC Capital Limited for the acquisition of the units in The George Trust	-	32,700
HMC Capital Limited's share of distributions declared as a unitholder of HCW	3,855	2,555

In September 2023, the group issued 5,368,042 units at $1.3599 per unit to Home Consortium Developments Pty Limited in lieu of cash to satisfy an acquisition fee that arose as a result of Tranches 1 and 2 of the Healthscope Hospital Portfolio acquisition by the group and the Unlisted Fund.

In December 2023, the group executed the selective buy-back of 3,448,071 units from Home Consortium Developments Pty Limited in pursuant to the selective buy-back agreement, as approved by unitholders by special resolution at an Extraordinary General Meeting held on 24 July 2023.

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

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Current receivables:		
Receivables from other director-related entities	101	-
Current payables:		
Trade and other payables to the Investment, Development and Property Manager	1,259	13,067
Distribution payable to HMC Capital Limited	3,780	1,837

Note 22. 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:

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Current receivables:		
Loan receivable from joint venture (Camden Trusts)	28	18

Note 23. Earnings per unit

	Consolidated 31 Dec 2023 $m	Consolidated 31 Dec 2022 $m
(Loss)/profit	(5.1)	1.5
Non-controlling interest	0.1	-
(Loss)/profit attributable to owners of HealthCo Healthcare and Wellness REIT	(5.0)	1.5
	Number	**Number**
Weighted average number of units used in calculating basic earnings per unit	566,417,253	325,562,352
Weighted average number of ordinary units used in calculating diluted earnings per unit	566,417,253	325,562,352
	Cents	**Cents**
Basic earnings per unit	(0.88)	0.47
Diluted earnings per unit	(0.88)	0.47

Note 24. Events after the reporting period

No matter or circumstance has arisen since 31 December 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 consolidated financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached consolidated financial statements and notes give a true and fair view of the group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of the Responsible Entity, HCW Funds Management Limited, made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity.

Joseph Carrozzi AM
Independent Non-Executive Chair

David Di Pilla
Non-Executive Director

12 February 2024

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Independent Auditor's Review Report

To the unitholders of HealthCo Healthcare and Wellness REIT

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of HealthCo Healthcare and Wellness REIT (the Trust).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of HealthCo Healthcare and Wellness REIT does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 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 Interim Period ended on that date;
- Notes 1 to 24 comprising material accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises HealthCo Healthcare and Wellness REIT (the Trust) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ended on 31 December 2023.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Trust in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Responsibilities of the Directors for the Interim Financial Report

The Directors of HCW Funds Management Limited as the Responsible Entity of the Trust are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG	J Davis
KPMG	Jessica Davis
	Partner
	Sydney
	12 February 2024