

1. Company details

Name of entity:	HealthCo Healthcare and Wellness REIT
ARSN:	652 057 639
Reporting period:	For the half-year ended 31 December 2024
Previous period:	For the half-year ended 31 December 2023

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 2024 \$m	31 Dec 2023 \$m	Change \$m	Change %
Revenue from ordinary activities	28.7	41.0	(12.3)	(30%)
Loss from ordinary activities after tax	(15.4)	(5.0)	(10.4)	208%
Loss for the half-year attributable to owners of HealthCo Healthcare and Wellness REIT	(15.4)	(5.0)	(10.4)	208%
Loss for the half-year including non-controlling interest	(15.3)	(5.1)	(10.2)	200%

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 ended 30 June 2025 declared on 24 September 2024. The distribution was paid on 22 November 2024 to unitholders registered on 30 September 2024.	2.100
Interim distribution for the year ended 30 June 2025 declared on 11 December 2024. The distribution will be paid on 26 February 2025 to unitholders registered on 31 December 2024.	2.100

4. Net tangible assets

	31 Dec 2024 \$	30 Jun 2024 \$
Net tangible assets per unit	1.58	1.64

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



5. Details of joint venture entities

Name of joint venture	Reporting entity's percentage holding		Contribution to profit/(loss)	
	31 Dec 2024 %	30 Jun 2024 %	31 Dec 2024 \$m	31 Dec 2023 \$m
General Medical Precinct Trust	27.5%	27.4%	0.4	-
Life Sciences Medical Precinct Trust	32.0%	31.9%	0.1	-
HMC Wholesale Healthcare Fund (HWHF)	49.6%	49.6%	0.9	21.0
<i>Aggregate share of joint venture entities' profit/(loss)</i>				
Profit from ordinary activities			1.4	21.0

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

6. 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.

7. Attachments

The Interim Report of HealthCo Healthcare and Wellness REIT for the half-year ended 31 December 2024 is attached.

8. Signed

As authorised by the board of directors

Signed 

Date: 13 February 2025

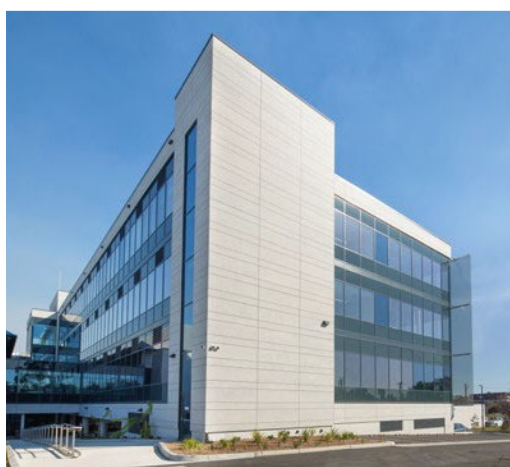
Joseph Carrozzi AM
Independent Non-Executive Chair

HealthCo Healthcare and Wellness REIT

HCW Funds Management Limited
ACN 104 438 100 AFSL 239882

Interim Report

For the year ended 31 December 2024



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 and the auditor's review report thereon. 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 2024 (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*	Non-Executive Director
David Di Pilla	Non-Executive Director
The Hon. Kelly O'Dwyer	Non-Executive Director

*Dr Chris Roberts AO was an Independent Non-Executive Director for the period until 27 November 2024 (being the date Dr Chris Roberts AO was appointed as a director of HMC).

Significant changes in the state of affairs

There were no 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 active undertaking of investment activities, including an asset recycling program which led to a reduction in the portfolio from 25 properties as at 30 June 2024 to 20 properties as at 31 December 2024.

A summary of the group's financial performance for the period ended 31 December 2024 is detailed below.

	Consolidated 31 Dec 2024 \$m	Consolidated 31 Dec 2023 \$m
Property and other income (including interest income)	28.3	39.6
Loss for the half-year	(15.3)	(5.1)
Funds from operations ('FFO')	23.5	22.6
Weighted average units on issue (million)	559.3	566.4
FFO per unit (cents)	4.2	4.0
Distribution per unit (cents)	4.2	4.0

The group recorded property and other income of \$28.3 million (31 December 2023: \$39.6 million), a net loss of \$15.3 million (31 December 2023: net loss of \$5.1 million) and FFO of \$23.5 million (31 December 2023: \$22.6 million) for the half-year ended 31 December 2024. 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 loss and FFO for the period ended 31 December 2024 is detailed below.

	Consolidated 31 Dec 2024 \$m	Consolidated 31 Dec 2023 \$m
Loss for the half-year	(15.3)	(5.1)
Straight lining and amortisation	4.4	0.8
Transaction costs	8.6	1.2
Loss on deconsolidation of interest in a subsidiary	-	26.4
Rent guarantee income	1.4	0.1
Net fair value movements	14.2	14.4
Proxima coupon	1.9	1.3
Share of profits of equity accounted investees	(1.4)	(21.0)
Distribution of profits of equity accounted investees	10.0	4.7
Other	(0.3)	(0.2)
FFO	23.5	22.6

Summary of financial position

A summary of the group's financial position as at 31 December 2024 is outlined below.

	Consolidated 31 Dec 2024 \$m	Consolidated 30 Jun 2024 \$m
Assets		
Investment properties (including assets held for sale)	965.0	1,017.2
Total assets	1,353.6	1,441.4
Net assets	868.9	919.9
Net tangible assets	868.9	919.9
Number of units on issue (million)	550.5	561.7
Net tangible assets (\$ per unit)	1.58	1.64
Capital management		
Debt facility limit	550.0	550.0
Drawn debt	440.8	481.3
Cash and undrawn debt	114.7	88.6
Gearing ratio (%)*	32.4%	32.5%
Hedged debt (%)	85.1%	77.9%
Cost of debt (% per annum)**	5.5%	5.5%

* 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 2024, the group owned 20 (30 June 2024: 25) investment properties with a combined value of \$965.0 million (30 June 2024: \$1,017.2 million).

The movement in investment properties during the period was primarily driven by the group's asset recycling program.

At 31 December 2024, 9 investment properties, representing 45% by number and 21% by value, were independently valued with the remaining investment properties being internally valued. The weighted average capitalisation rate of the portfolio was 5.52% (30 June 2024: 5.44%).

Asset recycling program:

As part of the group's asset recycling program, the group settled on 5 properties for a total consideration of \$46.5 million between July and November 2024.

Refer to note 10 and note 12 to the consolidated financial statements for details of the asset sales.

Capital management:

The group had \$114.7 million in cash and undrawn debt as at 31 December 2024. At 31 December 2024, 85.1% of drawn debt was hedged (30 June 2024: 77.9%) and the cost of debt was 5.5% per annum (30 June 2024: 5.5% per annum).

On-market unit buy-back

In April 2024, the Responsible Entity announced an on-market unit buy-back of fully paid ordinary units in HCW for up to \$50.0 million of units. The Responsible Entity will only buy back units at such times as are considered beneficial to the efficient capital management of the group, and the Responsible Entity reserves the right to suspend or terminate the buy-back at any time. The Responsible Entity has purchased 11.2 million units on issue in the current period, with a total of 17.8 million units on issue purchased since the announcement.

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 2024	2.100	11.8	27 September 2024	30 September 2024	22 November 2024
December 2024	2.100	11.5	30 December 2024	31 December 2024	26 February 2025
Total	4.200	23.3			

The final distribution for the year ended 30 June 2024 of \$11.2 million, or 2.00 cents per unit, was paid on 22 August 2024.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2024 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, issued by the Australian Securities and Investments Commission, 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

13 February 2025



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 2024 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


Jessica Davis

Partner

Sydney

13 February 2025



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For personal use only

HealthCo Healthcare and Wellness REIT
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2024



		Consolidated	
	Note	31 Dec 2024 \$m	31 Dec 2023 \$m
Income			
Property income	4	28.3	39.6
Interest income		0.4	1.4
Share of profits of equity-accounted investees, net of tax		1.4	21.0
Net change in assets at fair value through profit or loss	5	(14.2)	(14.4)
Expenses			
Property expenses		(5.2)	(4.7)
Corporate expenses		(1.5)	(1.6)
Management fees	22	(3.2)	(4.2)
Loss on deconsolidation of interest in a subsidiary	11	-	(26.4)
Acquisition and transaction costs	6	(8.6)	(1.2)
Finance costs	6	(12.7)	(14.6)
Loss for the half-year		(15.3)	(5.1)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		<u>(15.3)</u>	<u>(5.1)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		0.1	(0.1)
Owners of HealthCo Healthcare and Wellness REIT		<u>(15.4)</u>	<u>(5.0)</u>
		<u>(15.3)</u>	<u>(5.1)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		0.1	(0.1)
Owners of HealthCo Healthcare and Wellness REIT		<u>(15.4)</u>	<u>(5.0)</u>
		<u>(15.3)</u>	<u>(5.1)</u>
		Cents	Cents
Basic earnings per unit	23	(2.76)	(0.88)
Diluted earnings per unit	23	(2.76)	(0.88)

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 2024



		Consolidated	
	Note	31 Dec 2024	30 Jun 2024
		\$m	\$m
Assets			
Current assets			
Cash and cash equivalents	7	5.5	19.9
Trade and other receivables	8	8.8	9.2
Other assets	9	1.1	10.4
		<u>15.4</u>	<u>39.5</u>
Assets held for sale	10	-	13.2
Total current assets		<u>15.4</u>	<u>52.7</u>
Non-current assets			
Investments accounted for using the equity method	11	371.0	379.5
Investment properties	12	965.0	1,004.0
Derivative financial instruments	13	2.2	5.2
Total non-current assets		<u>1,338.2</u>	<u>1,388.7</u>
Total assets		<u>1,353.6</u>	<u>1,441.4</u>
Liabilities			
Current liabilities			
Trade and other payables	14	31.8	29.2
Distributions payable	18	11.5	11.2
Lease liabilities	15	0.2	0.2
Total current liabilities		<u>43.5</u>	<u>40.6</u>
Non-current liabilities			
Borrowings	16	438.3	478.0
Lease liabilities	15	2.9	2.9
Total non-current liabilities		<u>441.2</u>	<u>480.9</u>
Total liabilities		<u>484.7</u>	<u>521.5</u>
Net assets		<u>868.9</u>	<u>919.9</u>
Equity			
Contributed equity	17	927.4	939.6
Accumulated losses		<u>(65.7)</u>	<u>(27.0)</u>
Equity attributable to the owners of HealthCo Healthcare and Wellness REIT		861.7	912.6
Non-controlling interest		<u>7.2</u>	<u>7.3</u>
Total equity		<u>868.9</u>	<u>919.9</u>

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

HealthCo Healthcare and Wellness REIT
Consolidated statement of changes in equity
For the half-year ended 31 December 2024



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)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	7.3	-	-	7.3
Non-controlling interests	-	-	0.1	0.1
Distributions paid (note 18)	-	(22.5)	(0.2)	(22.7)
Balance at 31 December 2023	<u>947.2</u>	<u>(16.2)</u>	<u>6.9</u>	<u>937.9</u>

Consolidated

	Contributed equity \$m	Accumulated losses \$m	Non-controlling interest \$m	Total equity \$m
Balance at 1 July 2024	939.6	(27.0)	7.3	919.9
(Loss)/profit for the half-year	-	(15.4)	0.1	(15.3)
Other comprehensive income for the half-year	-	-	-	-
Total comprehensive (loss)/income for the half-year	-	(15.4)	0.1	(15.3)
<i>Transactions with owners in their capacity as owners:</i>				
Share buy-back (note 17)	(12.2)	-	-	(12.2)
Non-controlling interests	-	-	(0.2)	(0.2)
Distributions declared (note 18)	-	(23.3)	-	(23.3)
Balance at 31 December 2024	<u>927.4</u>	<u>(65.7)</u>	<u>7.2</u>	<u>868.9</u>

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 2024



	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$m	\$m
Cash flows from operating activities		
Receipts from tenants (inclusive of GST)	29.8	34.4
Payments to suppliers (inclusive of GST)	(7.6)	(16.6)
Interest received	0.2	0.2
Interest and other finance costs paid	(9.8)	(14.4)
Net cash from operating activities	12.6	3.6
Cash flows from investing activities		
Proceeds from disposal of investment properties	46.5	59.3
Payments for acquisition of investment properties and capital expenditure	(8.0)	(67.1)
Payments attributable to investment in joint ventures	(0.1)	(0.2)
Distributions from joint ventures and associates	10.1	1.0
Cash balance held by subsidiary on deconsolidation	-	(6.1)
Net cash from/(used in) investing activities	48.5	(13.1)
Cash flows from financing activities		
Capital raising costs	-	(0.1)
Proceeds from borrowings	3.0	53.0
Repayment of borrowings	(43.5)	(22.0)
Borrowing costs paid	(0.2)	(1.7)
Payments for units bought back	(11.7)	-
Distributions paid	(23.0)	(22.5)
Repayment of lease liabilities	(0.1)	(0.1)
Net cash (used in)/from financing activities	(75.5)	6.6
Net decrease in cash and cash equivalents	(14.4)	(2.9)
Cash and cash equivalents at the beginning of the financial half-year	19.9	7.6
Cash and cash equivalents at the end of the financial half-year	5.5	4.7

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

Note 1. General information

The consolidated financial statements cover HealthCo Healthcare and Wellness REIT (the Trust or HCW) as a consolidated entity consisting of HealthCo Healthcare and Wellness REIT and the entities it controlled at the end of, or during, the 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 consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 13 February 2025.

Note 2. Basis of preparation

These general purpose consolidated financial statements for the interim half-year ended 31 December 2024 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 2024 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 2024 and are not expected to have any significant impact for the full financial year ending 30 June 2025.

The revised Standard effective for the current half-year that is relevant to the group is set out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants

The Group has adopted AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (AASB 101) and AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants (AASB 101 and AASB Practice Statement 2), as issued in 2020 and 2022.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, i.e. from 1 July 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within 12 months after the reporting period.

Note 2. Basis of preparation (continued)

As a result of the adoption of the amendments to AASB 101, the group changed its accounting policy for the classification of borrowings: "Borrowings are classified as current liabilities unless at the end of the reporting period, the group has a right to defer settlement of the liability for at least 12 months after the reporting period.". This new policy did not result in a change of the presentation of the group's borrowings, which is reflected in note 16 of the consolidated financial statements.

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

Going Concern

The financial statements have been prepared on a going concern basis.

As at 31 December 2024, the group was in a total net asset position of \$868.9 million (30 June 2024: total net asset position of \$919.9 million) and net current liability position of \$28.1 million (30 June 2024: net current asset position of \$12.1 million).

One of the major customers referred to in Note 3 below is Healthscope, who has been subject to recent increased market speculation. Healthscope remains compliant with all of its lease obligations. In the event Healthscope was to become non-compliant with these obligations, the group has a range of commercial options it could pursue, and these options have been considered in preparing the cashflow forecasts that support the going concern basis of preparation and that the group can pay its debts as and when they become due and payable.

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.

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 2024, approximately 37.7% (31 December 2023: 35.0%) of the group's external revenue was derived from rental income from two main tenants (31 December 2023: One tenant).

Segment results

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$m	\$m
Funds from operations (FFO)	23.5	22.6
Straight lining and amortisation	(4.4)	(0.8)
Acquisition and transaction costs	(8.6)	(1.2)
Loss on deconsolidation of interest in a subsidiary	-	(26.4)
Rent guarantee income	(1.4)	(0.1)
Net fair value movements	(14.2)	(14.4)
Proxima coupon	(1.9)	(1.3)
Share of profits of equity-accounted investees	1.4	21.0
Distribution of profits of equity-accounted investees	(10.0)	(4.7)
Other	0.3	0.2
	<u>(15.3)</u>	<u>(5.1)</u>
Loss for the half-year		

Note 4. Property income

	Consolidated	
	31 Dec 2024 \$m	31 Dec 2023 \$m
Property rental income	24.4	35.8
Other property income	3.9	3.8
Property income	<u>28.3</u>	<u>39.6</u>

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 2024 \$m	31 Dec 2023 \$m
Net unrealised fair value loss on investment properties	(11.3)	(7.9)
Net unrealised fair value loss on derivatives	(2.9)	(6.5)
	<u>(14.2)</u>	<u>(14.4)</u>

Note 6. Expenses

	Consolidated	
	31 Dec 2024 \$m	31 Dec 2023 \$m
Loss includes the following specific expenses:		
<i>Acquisition and transaction costs:</i>		
Transaction costs	8.6	1.2
<i>Finance costs</i>		
Interest and finance charges on borrowings	11.6	13.0
Interest and finance charges on lease liabilities	0.1	0.2
Amortisation of capitalised borrowing costs	1.0	1.4
Finance costs expensed	<u>12.7</u>	<u>14.6</u>

Note 7. Cash and cash equivalents

	Consolidated	
	31 Dec 2024 \$m	30 Jun 2024 \$m
<i>Current assets</i>		
Cash at bank	<u>5.5</u>	<u>19.9</u>

Note 8. Trade and other receivables

	Consolidated	
	31 Dec 2024	30 Jun 2024
	\$m	\$m
<i>Current assets</i>		
Trade receivables	1.0	1.6
Less: Allowance for expected credit losses	(0.2)	-
	<u>0.8</u>	<u>1.6</u>
Other receivables	7.9	7.4
GST receivable	0.1	0.2
	<u>8.8</u>	<u>9.2</u>

Note 9. Other assets

	Consolidated	
	31 Dec 2024	30 Jun 2024
	\$m	\$m
<i>Current assets</i>		
Prepayments	0.2	0.9
Security deposits	0.6	0.6
Property deposits	-	8.6
Other current assets	0.3	0.3
	<u>1.1</u>	<u>10.4</u>

Note 10. Assets held for sale

	Consolidated	
	31 Dec 2024	30 Jun 2024
	\$m	\$m
<i>Current assets</i>		
Investment properties	-	13.2

As at 30 June 2024, the asset held for sale represented Concord in New South Wales that was contracted to be sold and settled in August 2024.

Note 11. Investments accounted for using the equity method

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 2024	30 Jun 2024
		%	%
General Medical Precinct Trust*	Australia	27.5%	27.4%
Life Sciences Medical Precinct Trust*	Australia	32.0%	31.9%
HMC Wholesale Healthcare Fund (HWHF)	Australia	49.6%	49.6%

* Collectively referred as Camden Trusts

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

Commitments

Committed at the reporting date but not recognised as liabilities:

Capital expenditure

Camden Trusts		HWHF	
31 Dec 2024	30 Jun 2024	31 Dec 2024	30 Jun 2024
\$m	\$m	\$m	\$m
-	-	-	13.0

Reconciliation of the group's carrying amount

Opening carrying amount

Additions during the half-year

Recognition upon deconsolidation of HMC Wholesale Healthcare Fund (HWHF)

Share of net profit after income tax for the half-year/year

Share of distributions received and receivable*

Closing carrying amount

Camden Trusts		HWHF	
31 Dec 2024	30 Jun 2024	31 Dec 2024	30 Jun 2024
\$m	\$m	\$m	\$m
13.5	11.9	366.0	-
0.1	1.6	-	-
-	-	-	348.3
0.5	-	0.9	32.2
-	-	(10.0)	(14.5)
14.1	13.5	356.9	366.0

* Includes distributions receivable by HCW at 31 December 2024 of \$5.0 million (30 June 2024: \$5.0 million).

Note 12. Investment properties

Non-current assets

Investment properties - at fair value

Consolidated	
31 Dec 2024	30 Jun 2024
\$m	\$m
965.0	1,004.0

Reconciliation

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

Opening fair value

Disposals

Straight-lining and amortisation of incentives

Capitalised expenditure (including property acquisition costs)

Net unrealised loss from fair value adjustments

Closing fair value*

Consolidated
31 Dec 2024
\$m

1,004.0

(33.3)

(3.2)

8.8

(11.3)

965.0

* Included in the closing fair value of investment property at 31 December 2024 is \$2.9 million (30 June 2024: \$2.9 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 2024	30 Jun 2024
	\$m	\$m
<i>Non-current assets</i>		
Derivatives - interest rate swap contracts	2.2	5.2

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

Note 14. Trade and other payables

	Consolidated	
	31 Dec 2024	30 Jun 2024
	\$m	\$m
<i>Current liabilities</i>		
Trade payables	10.4	6.7
Rent received in advance	2.1	1.3
Accrued expenses	9.9	16.5
Interest payable	6.2	3.2
Other payables	3.2	1.5
	31.8	29.2

Note 15. Lease liabilities

	Consolidated	
	31 Dec 2024	30 Jun 2024
	\$m	\$m
<i>Current liabilities</i>		
Lease liability	0.2	0.2
<i>Non-current liabilities</i>		
Lease liability	2.9	2.9

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 2024	30 Jun 2024
	\$m	\$m
<i>Non-current liabilities</i>		
Bank debt	440.8	481.3
Capitalised borrowing costs	(2.5)	(3.3)
	438.3	478.0

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

Financing arrangements

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

	Consolidated	
	31 Dec 2024 \$m	30 Jun 2024 \$m
Total facilities		
Bank debt	550.0	550.0
Used at the reporting date		
Bank debt	440.8	481.3
Unused at the reporting date		
Bank debt	109.2	68.7

Note 17. Contributed equity

	Consolidated			
	31 Dec 2024 Units	30 Jun 2024 Units	31 Dec 2024 \$m	30 Jun 2024 \$m
Ordinary class units - fully paid	550,545,919	561,707,970	927.4	939.6

Movements in ordinary units

Details	Date	Units	\$m
Balance	1 July 2024	561,707,970	939.6
Units cancelled pursuant to on-market buy-back announced in April 2024	1 July 2024 to 2 July 2024	(705,000)	(0.8)
Units cancelled pursuant to on-market buy-back announced in April 2024	2 October 2024 to 31 December 2024	(10,457,051)	(11.4)
Balance	31 December 2024	550,545,919	927.4

Note 18. Distributions

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

	Consolidated 31 Dec 2024 \$m	31 Dec 2023 \$m
Interim distribution for the year ending 30 June 2025 of 2.1000 cents (2024: 2.000 cents) per unit declared on 24 September 2024. The distribution was paid on 22 November 2024 to unitholders registered on 30 September 2024.	11.8	11.3
Interim distribution for the year ending 30 June 2025 of 2.1000 cents (2024: 2.000 cents) per unit declared on 11 December 2024. The distribution will be paid on 26 February 2025 to unitholders registered on 31 December 2024.	11.5	11.4
	<u>23.3</u>	<u>22.7</u>

The final distribution for the year ended 30 June 2024 of \$11.2 million, or 2.00 cents per unit, was paid on 22 August 2024.

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 2024	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Investment properties	-	-	965.0	965.0
Derivative financial instruments	-	2.2	-	2.2
Total assets	-	2.2	965.0	967.2
Consolidated - 30 Jun 2024	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Investment properties	-	-	1,004.0	1,004.0
Investment properties - held for sale	-	-	13.2	13.2
Derivative financial instruments	-	5.2	-	5.2
Total assets	-	5.2	1,017.2	1,022.4

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.

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 19. Fair value measurement (continued)

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 2024	Range (weighted average) 30 Jun 2024
Investment properties	(i) Capitalisation rate	4.63% to 7.00% (5.52%)	4.50% to 6.50% (5.44%)
	(ii) Discount rate	6.25% to 8.25% (6.74%)	5.75% to 7.25% (6.63%)
	(iii) Terminal yield	4.88% to 7.75% (5.80%)	4.75% to 6.75% (5.71%)

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 \$42.9 million and a 25 basis point decrease in capitalisation rate would result in an increase in the fair value of investment properties by \$47.1 million.

Note 20. Contingent liabilities

The group had no contingent liabilities as at 31 December 2024 and 30 June 2024.

Note 21. Commitments

	Consolidated	
	31 Dec 2024 \$m	30 Jun 2024 \$m
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	0.2	0.6
Property acquisitions	-	64.4
	<u>0.2</u>	<u>65.0</u>

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 2024 \$'000	Consolidated 31 Dec 2023 \$'000
Base management fees	0.65% per annum of Gross Asset Value ('GAV') up to \$0.8 million	3,190	4,236
	0.55% per annum of GAV thereafter		
Property management fees	3.0% of gross property income	744	654
Leasing fees	15.0% on new leases	230	203
	7.5% of year 1 gross income on renewals		
Development management fees	5.0% of project spend up to \$2.5 million	111	1,395
	3.0% of project spend thereafter		
Disposal fees	0.5% of sale price	232	296
Reimbursement of Responsible Entity expenses	Cost recovery	361	305

Note 22. Related party transactions (continued)

The following other transactions occurred with related parties:

	Consolidated 31 Dec 2024 \$'000	31 Dec 2023 \$'000
Payment for goods and services:		
Payments to Home Consortium Developments Pty Limited and HMC Capital Limited	34	261
Other transactions:		
Rental income from other director-related entities	1,616	1,839
Cash transfer for development related capital expenditure paid to joint venture (Camden Trusts)	82	203
HMC Capital Limited's share of distributions declared as a unitholder of HCW	5,246	3,855

Refer to note 11 for further information on transactions related to Investments accounted for using the equity method.

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 2024 \$'000	30 Jun 2024 \$'000
Current receivables:		
Trade and other receivables from other director-related entities	-	15
Trade and other receivables from HMC Capital Limited	-	21
Current payables:		
Trade and other payables to the Investment, Development and Property Manager	10,758	5,746
Distribution payable to HMC Capital Limited	2,623	2,498

Loans to/from related parties

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

	Consolidated 31 Dec 2024 \$'000	30 Jun 2024 \$'000
Current receivables:		
Loan receivable from joint venture (Camden Trusts)	8	110

Note 23. Earnings per unit

	Consolidated 31 Dec 2024 \$m	31 Dec 2023 \$m
Loss	(15.3)	(5.1)
Non-controlling interest	(0.1)	0.1
Loss attributable to owners of HealthCo Healthcare and Wellness REIT	<u>(15.4)</u>	<u>(5.0)</u>
	Number	Number
Weighted average number of units used in calculating basic earnings per unit	559,287,438	566,417,253
Weighted average number of ordinary units used in calculating diluted earnings per unit	<u>559,287,438</u>	<u>566,417,253</u>

Note 23. Earnings per unit (continued)

	31 Dec 2024 Cents	31 Dec 2023 Cents
Basic earnings per unit	(2.76)	(0.88)
Diluted earnings per unit	(2.76)	(0.88)

Note 24. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

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

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, 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 2024 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.

A handwritten signature in black ink, appearing to read "Joe", written over a horizontal line.

Joseph Carrozzi AM
Independent Non-Executive Chair

A handwritten signature in black ink, appearing to read "David Di Pilla", written over a horizontal line.

David Di Pilla
Non-Executive Director

13 February 2025

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 Group).

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 2024 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 2024;
- 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 2024.

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.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the 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 2024 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



Jessica Davis

Partner

Sydney

13 February 2025