Managed by
HMC Funds Management Limited
(ACN 105 078 635; AFSL 237257)
as responsible entity of the
HomeCo Daily Needs REIT (ARSN 645 086 620)

ASX RELEASE

19 August 2021

HOMECO DAILY NEEDS REIT – APPENDIX 4E AND FY21 ANNUAL FINANCIAL REPORT

HomeCo Daily Needs REIT (ASX: HDN) provides the attached Appendix 4E and FY21 Annual Financial Report.

-ENDS-

For further information, please contact:

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Authorised for release by the Board of the Responsible Entity

About HomeCo Daily Needs REIT

HomeCo Daily Needs REIT is an Australian Real Estate Investment Trust listed on the ASX with a mandate to invest in convenience-based assets across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. HomeCo Daily Needs REIT aims to provide unitholders with consistent and growing distributions.

HomeCo Daily Needs REIT
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	HomeCo Daily Needs REIT
ARSN:	645 086 620
Reporting period:	For the period ended 30 June 2021

2. Results for announcement to the market

HomeCo Daily Needs REIT (the 'Trust') was established on 7 October 2020 and registered by Australian Securities and Investments Commission ('ASIC') as a managed investment scheme on 15 October 2020. On that basis, the financial period presented in the financial statements is from 15 October 2020 to 30 June 2021.

On 23 November 2020, the Trust was listed on the Australian Securities Exchange ('ASX'). As part of that transaction Home Consortium (ASX: HMC) transferred a portfolio of properties to the Trust and distributed units in the Trust in accordance with the Product Disclosure Statement ('PDS') and Explanatory Memorandum ('EM') lodged with the ASX.

Whilst the financial statements commence from 15 October 2020, the Trust's financial performance for the period ended 30 June 2021 was materially influenced by the transfer of properties from Home Consortium and commencement of property income from 20 November 2020. This Appendix 4E should be read in conjunction with the attached Directors' report and the financial statements.

	$m
Revenues from ordinary activities	45.2
Profit from ordinary activities	31.3
Profit for the period	31.3

Comments
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 2021 declared on 24 March 2021. The distribution was paid on 3 May 2021 to unitholders registered on 31 March 2021.	2.425
Final distribution for the year ended 30 June 2021 declared on 16 June 2021. The distribution was paid on 16 August 2021 to unitholders registered on 30 June 2021.	1.824

4. Net tangible assets

	30 Jun 2021 $
Net tangible assets per unit	1.36

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

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

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

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6. Attachments

Details of attachments (if any):

The Annual Report of HomeCo Daily Needs REIT for the period ended 30 June 2021 is attached.

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7. Signed

As authorised by the Board of Directors

Signed S A Shakesheff

Date: 18 August 2021

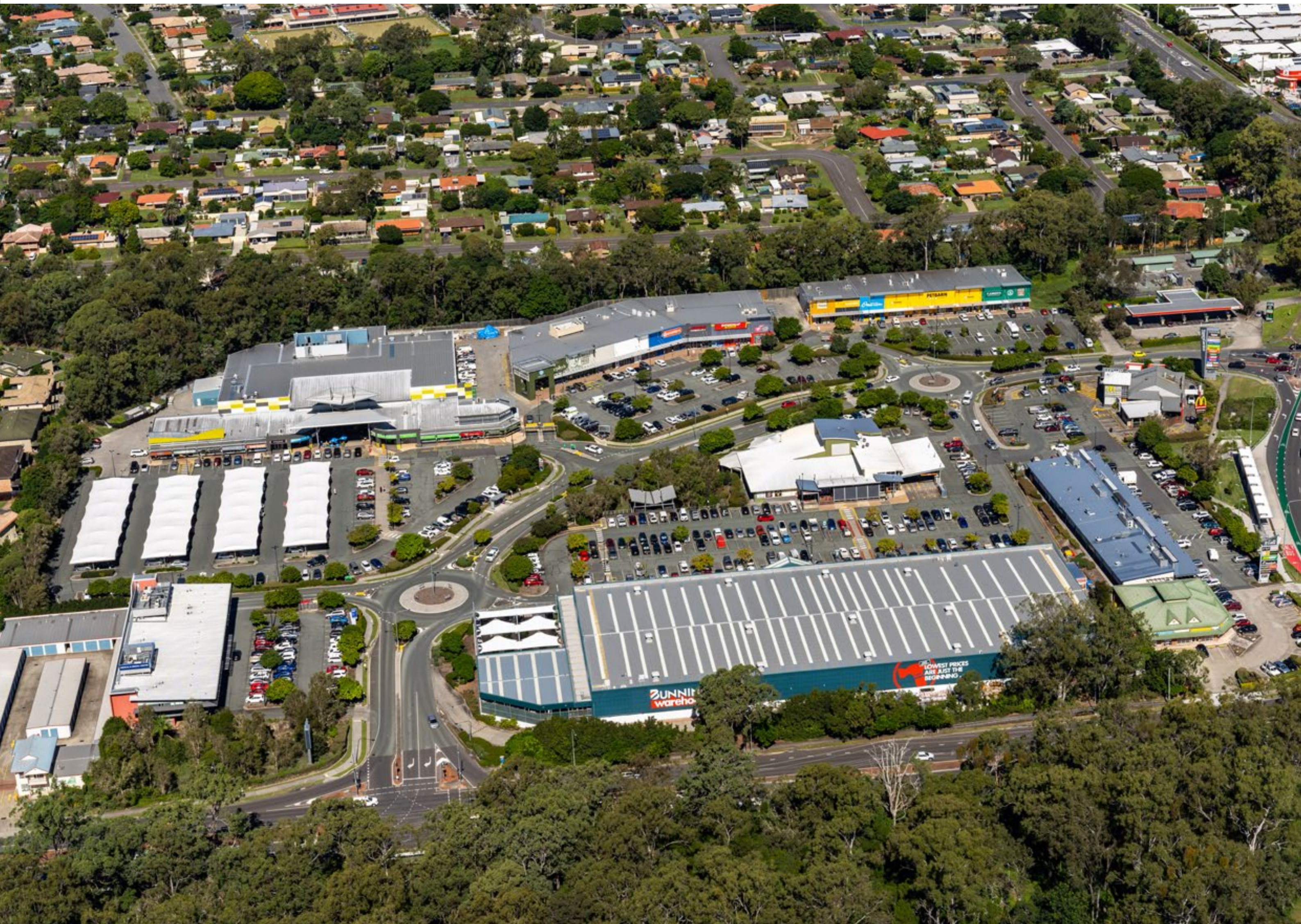
Simon Shakesheff
Chair

HomeCo Daily Needs REIT

ARSN 645 086 620

Financial Report

For the year ended 30 June 2021



DIRECTOR'S REPORT

The directors of HMC Funds Management Limited (ABN 89 105 078 635, AFSL 237257) (the 'Responsible Entity'), present their report together with the consolidated financial statements of HomeCo Daily Needs REIT (referred to hereafter as the 'REIT') and the entities it controlled at the end of, or during, the period ended 30 June 2021. HMC Funds Management Limited is a wholly owned subsidiary of the ASX listed entity Home Consortium Developments Limited ('HMC').

The REIT was registered by ASIC as a managed investment scheme on 15 October 2020. On 23 November 2020, the REIT was listed on the Australian Securities Exchange ('ASX'). The current period presented in the financial statements is for the period 15 October 2020 to 30 June 2021.

Directors

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

- Simon Shakesheff – Independent Non-Executive Chair (appointed on 16 October 2020)
- Stephanie Lai – Independent Non-Executive Director (appointed on 16 October 2020)
- Simon Tuxen – Independent Non-Executive Director (appointed on 16 October 2020)
- David Di Pilla – Non-Executive Director (appointed on 18 September 2020)
- Greg Hayes – Non-Executive Director (appointed on 16 October 2020)

Christopher Saxon and Andrew Selim were both appointed directors of the Responsible Entity prior to registration of the REIT on 16 September 2020. They both resigned on 16 October 2020.

Principal activities

The REIT is a registered managed investment scheme domiciled in Australia. The principal activity of the REIT is the investment in a property portfolio of stabilised, predominantly metro-located, convenience-based assets across the target sub-sectors of Neighbourhood Retail, Large Format Retail and Health & Services. The REIT did not have any employees during the period.

Review of operations and financial performance

The REIT's financial performance for the financial year was materially influenced by the completion of the ASX listing on 23 November 2020 and subsequent investment and financing activities. During the financial year the REIT was active in undertaking investment activities, growing the portfolio from the 17 properties[1] as part of the ASX listing to 20 properties[2] as at 30 June 2021.

A summary of the REIT's financial performance for the period ended 30 June 2021 is detailed below. Financial performance represents the period from registration as a managed investment scheme on 15 October 2020, however, there was no material income of the REIT until the transfer of the properties occurred from HMC on 20 November 2020.

	2021 $m
Total revenue	45.2
Net profit for the period	31.3
Funds from operations ('FFO')	21.4
Weighted average units on issue	524.2
FFO per unit (cents)	4.1

[1] As outlined in the REIT's Product Disclosure Statement ('PDS')
[2] Excluding the 7 contracted acquisitions from HMC (which settled on 1 July 2021 for a value of $266.4 million)

The REIT recorded total revenue of $45.2 million, a net profit of $31.3 million and funds from operations (‘FFO’) of $21.4 million. FFO represents the REIT's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit after tax for items which are non-cash, unrealised or capital in nature.

The net profit was primarily attributable to property FFO of $21.4 million and fair value movements of $16.8 million offset by acquisition and transaction costs expensed of $5.6 million. The fair value movements comprised fair value movements in investment properties of $47.0 million offset by capitalised stamp duty and transaction costs of $30.2 million on acquisitions.

A summary of the REIT’s reconciliation between the net profit and funds from operations ('FFO') for the period ended 30 June 2021 is detailed below.

	2021 $m
Net profit for the period	31.3
Straight lining & amortisation	(1.1)
Acquisition & transaction costs	5.6
Rent guarantee income	0.9
Amortisation of borrowing costs	1.5
Fair value movements	(16.8)
Leasehold rent adjustment	(0.0)
FFO	**21.4**

Summary of financial position

A summary of the REIT’s financial position as at 30 June 2021 is detailed below.

	2021 $m
Assets	
Investment properties	1,111.8
Total assets	1,390.4
Net assets	933.1
Net tangible assets	933.1
Number of units on issue (million)	687.5
Net tangible assets ($ per unit)	$1.36
Capital management	
Debt facility limit	500.0
Drawn debt	420.7
Cash and undrawn debt[3]	328.8
Gearing ratio (%)[4]	15.1%
Hedged debt (%)	-
Cost of debt (% per annum)	2.4%

Property portfolio:
Investment properties increased to $1,111.8 million driven by the acquisitions of Marsden (QLD), Bunnings Seven Hills (NSW) and Armstrong Creek (VIC) properties and capital works at the Richlands (QLD) and Ellenbrook (WA) development projects. In addition the REIT also recorded a fair value uplift on investment properties of $47.0 million.

[3] Includes cash proceeds from the April 2021 entitlement offer to fund the 7 contracted acquisitions from HMC for $266.4 million (which settled on 1 July 2021)
[4] Gearing is defined as Borrowings (excluding unamortised debt establishment costs) less Cash and cash equivalents divided by Total Assets less Lease liabilities and Cash and cash equivalents

Net tangible assets:
Net tangible assets ('NTA') is calculated as the total equity divided by units on issue. The REIT reported NTA of $1.36 per unit as at 30 June 2021.

Capital raising:
The REIT was established through a capital reduction of Home Consortium Limited (‘HMC’) and effected via a distribution in specie of ordinary units in the REIT to HMC securityholders (‘Capital Distribution’). In conjunction with the Capital Distribution the REIT raised $300.0 million in new equity at $1.33 per unit in November 2020.

In April 2021 the REIT announced a $265.0 million underwritten accelerated non-renounceable entitlement offer at $1.295 per unit to support the acquisition of 8 properties. HMC, the REIT’s largest unitholder took up its full entitlement from its 26.6% investment in the REIT.

HMC (as Responsible Entity) also announced a commitment to provide 1 bonus unit in the REIT for every 20 new units issued to those REIT unitholders participating in the entitlement offer. Full entitlement to the bonus units is conditional on a REIT unitholder holding at least the aggregate of (i) the number of units held on the record date for the entitlement offer and (ii) the number of new units issued to eligible unitholders under the entitlement offer, on the date that is 3 months after the retail entitlement offer issue date (being 16 August 2021).

Financing:
The REIT entered into a $400.0 million three-year senior secured syndicated debt facility at the time of the PDS. This facility was subsequently upsized to a $500.0 million three-year facility in December 2020 during the syndication process. The REIT had $328.8 million in cash and undrawn debt as at 30 June 2021 with the majority being reserved for the acquisition of 7 properties from HMC for $266.4 million. The REIT’s cost of debt was 2.4% per annum as at 30 June 2021. Subsequent to 30 June 2021 the REIT completed an upsize and extension of its existing $500.0 million three-year senior secured syndicated debt facility to a $800.0 million senior secured syndicated debt facility. The facility comprises a $550.0 million five-year term facility and a $250.0 million revolver facility. On 16 August 2021 the REIT also entered into a $275.0 million two-year interest rate swap to hedge a portion of the term facility.

Distributions

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

Period from 15-Oct-20 to 30-Jun-21	Distribution per security (cents)	Total distribution $m	Ex-distribution date	Record date	Payment date
March 2021	0.02425	11.7	30-Mar-21	31-Mar-21	3-May-21
June 2021	0.01824	12.5	29-Jun-21	30-Jun-21	16-Aug-21
Total	**0.04249**	**24.2**			

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial period

Acquisitions and capital raising:
The REIT had entered into conditional agreements to purchase a 100% interest in a portfolio of seven large format retail assets ('LFR Portfolio') from HMC for a total purchase price of $266.4 million. Unitholder approval was obtained at an extraordinary general meeting on 16 June 2021 and settlement occurred on 1 July 2021.

On 5 July 2021 the REIT announced the acquisition of a flagship convenience asset Town Centre Victoria Point for $160.0 million. The property is anchored by major national and ASX-listed tenants including Woolworths, Bunnings, Endeavour Group and Healius. The acquisition was partly funded by a fully underwritten $70.0 million placement at $1.45 per unit and is scheduled to settle late August 2021.

Financing:
On 29 July 2021 the REIT completed an upsize and extension of its existing $500.0 million three-year senior secured syndicated debt facility to a $800.0 million senior secured syndicated debt facility. The facility comprises a $550.0 million five-year term facility and a $250.0 million revolver facility. On 16 August 2021 the REIT also entered into a $275.0 million two-year interest rate swap to hedge a portion of the term facility.

COVID-19
The impact of the COVID-19 pandemic is ongoing following the recent delta variant outbreaks and lockdown restrictions imposed across multiple Australian States and Territories. Whilst the majority of the REIT's properties have either a supermarket, pharmacy or health services as 'essential services' tenants the outlook remains uncertain.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the REIT's operations, the results of those operations, or the REIT's state of affairs in future financial years.

Likely developments and expected results of operations

REIT objectives

The REIT's objective is to provide unitholders with exposure to a portfolio of stabilised, predominately metro-located and convenience-based assets targeting consistent and growing distributions. The REIT intends to achieve this objective by:

- maintaining high quality and defensive exposures across target sub-sectors (Neighbourhood Retail, Large Format Retail and Health & Services), tenants and geographies;
- employing a model portfolio construction informed by long term historical returns across sub-sectors;
- pursuing acquisition opportunities across target sectors; and
- maintaining an appropriate capital structure.

Risk considerations

COVID-19
Despite the government's current efforts to bolster its continued roll-out of COVID-19 vaccinations in Australia, the volatility and uncertainty caused by the ongoing COVID-19 pandemic has caused significant disruption for all our stakeholders. The REIT's focus on investing in stabilised, predominately metro-located and convenience-based assets has enabled us to perform well throughout the COVID-19 period. Notwithstanding COVID-19 related disruptions, the REIT collected 99% of tenant income in FY21. With a strong balance sheet and a portfolio of convenience-based assets majority leased to national retailers, the REIT is well-positioned to minimise the future impacts of COVID-19.

Financial risks
The REIT's primary source of income is generated through the leasing arrangements it has with tenants across the portfolio. The REIT has sought to protect its property income by having a diversified group of national tenants that operate sustainable business models, maintaining high occupancy rates and setting sustainable rents with its tenants.

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

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

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

Environmental regulation

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

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

Fees paid to the Responsible Entity and its associates out of the REIT during the period are disclosed in note 24 to the consolidated financial statements. The Responsible Entity was reimbursed $0.2 million relating to Non-Executive Director's remuneration. The number of interests in the REIT held by the Responsible Entity or its associates is disclosed below.

Unitholding relating to key management personnel

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

Ordinary units	Balance at the start of the period	Received as part of remuneration	Additions	Disposals / other	Balance at the end of the period
Simon Shakesheff	127,820	42,607	41,219	-	211,646
Simon Tuxen	127,820	42,607	54,161	-	224,588
Stephanie Lai	132,833	37,593	56,285	-	226,711
David Di Pilla	19,031,404	-	-	-	19,031,404
Greg Hayes	5,095,341	-	-	-	5,095,341
Total	**24,515,218**	**122,807**	**151,665**	**-**	**24,789,690**

Units under option

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

Units issued on the exercise of options

There were no ordinary units of HomeCo Daily Needs REIT issued on the exercise of options during the period ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

To the extent permitted by law, HomeCo Daily Needs REIT has agreed to indemnify its auditors, PricewaterhouseCoopers, as part of its audit engagement agreement against claims by third parties arising from the audit arising from HomeCo Daily Needs REIT’s breach of their agreement. The indemnity stipulates that HomeCo Daily Needs REIT will meet the full amount of any such liabilities including a reasonable amount of legal costs. No payment has been made to indemnify PricewaterhouseCoopers during the period and up to the date of this report.

Proceedings on behalf of the REIT

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

Information on directors

Name:	Simon Shakesheff
Title:	Chair
Experience and expertise:	Simon has over 30 years of experience in the finance and real estate industry including 19 years as an equities analyst covering listed real estate and retail companies at Macquarie Bank and JP Morgan, and a further six years as a corporate advisor to major real estate groups, at UBS and Bank of America Merrill Lynch. Simon is currently the Non-Executive Director of Cbus Property, Assembly Funds Management, Kiwi Property and St George Community Housing.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in units:	211,646 ordinary units

Name:	Simon Tuxen
Title:	Non-Executive Director
Experience and expertise:	Simon was the General Counsel and Company Secretary at Westfield Corporation from 2002 to 2018. Prior to joining Westfield Corporation in 2002, he was the General Counsel of BIL International Limited in Singapore, Group Legal Manager of the Jardine Matheson Group in Hong Kong and a partner with Mallesons Stephen Jaques (now King & Wood Mallesons) from 1987 to 1996. Simon is a Non-Executive Director of Racing New South Wales. Simon has a Bachelor of Law from the University of Melbourne.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in units:	224,588 ordinary units

Name:	Stephanie Lai
Title:	Non-Executive Director
Experience and expertise:	Stephanie has over 20 years of experience as a Chartered Accountant and is a former Merger & Acquisitions partner of Deloitte and KPMG. She has significant experience providing due diligence and advisory services, including forecast reviews to listed entities, sovereign wealth funds, wealth managers and private equity. Stephanie has a Bachelor of Business from the University of Technology, Sydney and is a Graduate Member of the Australian Institute of Company Directors and the Institute of Chartered Accountants (Australia and New Zealand).
Other current directorships:	Non-executive Director of Superloop Limited (ASX: SLC) - appointed on 11 March 2020, Non-executive Director of Future Generation Investment Company Limited (ASX: FGX) - appointed on 27 March 2019 and Non-executive Director of HomeCo Healthcare & Wellness REIT (HCW.ASX) – appointed 1 August 2021
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in units:	226,711 ordinary units

Name:	David Di Pilla
Title:	Non-Executive Director
Experience and expertise:	David led the team that founded and established Home Consortium in 2016. David is the founder, a director and the major shareholder of the Aurrum Aged Care group. From 2014 to 2016, he was also a strategic advisor and director to operating subsidiaries of the Tenix Group of Companies. David has over 20 years of experience in investment banking. From 2004 to 2015, he was Managing Director and Senior Adviser at UBS Australia and during this time he advised some of Australia's largest corporations on mergers and acquisitions, debt and equity capital market transactions.
Other current directorships:	Executive Director of Home Consortium (ASX: HMC) - appointed on 11 October 2017.
Former directorships (last 3 years):	None
Interests in units:	19,031,404 ordinary units

Name:	Greg Hayes
Title:	Non-Executive Director
Experience and expertise:	Greg is currently a Non-Executive Director of Home Consortium (ASX:HMC); Non-Executive Director of Ingenia Communities (ASX:INA) & Non-Executive Director of Aurrum Holdings Pty Ltd. Having worked across a range of industries including property, infrastructure, energy and logistics, Greg's skills and experience include strategy, finance, mergers and acquisitions and strategic risk management, in particular in listed companies with global operations. Greg was previously Chief Financial Officer and executive director of Brambles Limited, Chief Executive Officer and Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim Chief Executive Officer of the Australian Gaslight Company, Chief Financial Officer Australia and New Zealand of Westfield Holdings, Executive General Manager, Finance of Southcorp Limited. Greg has also held non-executive director roles at Incitec Pivot Limited and The Star Entertainment Group Ltd. Greg has a Master of Applied Finance, Graduate Diploma in Accounting, Bachelor of Arts, completed an Advanced Management Programme (Harvard Business School, Massachusetts) and is a Member of the Institute of Chartered Accountants Australia and New Zealand.
Other current directorships:	Non-Executive Director of Home Consortium (ASX:HMC); Non-Executive Director of Ingenia Communities (ASX:INA)
Former directorships (last 3 years):	Prezzee Pty Ltd – retired 13 August 2021, The Precision Group – retired 13 August 2021.
Special responsibilities:	Member of the Audit and Risk Committee
Interests in units:	5,095,341 ordinary units

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

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

Company secretary

Andrew Selim is the Company Secretary and was appointed on 18 September 2020. He is responsible for all legal, compliance and governance activities of the group. Andrew has over 20 years of local and international experience in real estate and corporate law. Andrew is the current Group General Counsel and Company Secretary of Home Consortium (ASX: HMC). Before joining the HMC group, Andrew was Senior Legal Counsel and Company Secretary at The GPT Group. Prior to that, he was a Senior Associate at Allens Linklaters. Andrew holds a Master of Laws, Bachelor of Laws (Honours) and Bachelor of Science (Advanced), all from the University of Sydney. He is a Member of the Governance Institute of Australia, a Member of the Association of Corporate Counsel Australia and is a Member of the Australian Institute of Company Directors. He previously served on the Law Society of NSW In-House Corporate Lawyers Committee. Andrew has also been recognised in The Legal 500 GC Powerlist and Doyles as a leading in-house lawyer.

Meetings of directors

The number of meetings of the REIT's Board of Directors ('the Board') held during the period ended 30 June 2021, and the number of meetings attended by each director were:

	Full board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Simon Shakesheff	11	11	4	4
Simon Tuxen	11	11	-	-
Stephanie Lai	11	11	4	4
David Di Pilla	11	11	4^	4^
Greg Hayes	11	11	4	4

^ David Di Pilla attended meetings by invitation.
Held: represents the number of meetings held during the time the director held office.

Non-audit services

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

Officers of the REIT who are former partners of PricewaterhouseCoopers

There are no officers of the REIT who are former partners of PricewaterhouseCoopers.

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

S A Shakesheff

Simon Shakesheff
Chair

David Di Pilla
Director

18 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of HomeCo Daily Needs REIT for the period 15 October 2020 to 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of HomeCo Daily Needs REIT and the entities it controlled during the period.

S Hadfield

Scott Hadfield
Partner
PricewaterhouseCoopers

Sydney
18 August 2021

HomeCo Daily Needs REIT
Consolidated statement of profit or loss and other comprehensive income
For the period ended 30 June 2021

	Note	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m
Property income	6	44.7
Interest income		0.5
Net unrealised fair value gain	12	16.8
Expenses		
Property expenses		(10.9)
Corporate expenses		(1.3)
Management fees		(5.8)
Acquisition and transaction costs	7	(5.6)
Finance costs	7	(7.1)
Profit for the period		31.3
Other comprehensive income for the period		-
Total comprehensive income for the period		31.3
		Cents
Basic earnings per unit	27	5.97
Diluted earnings per unit	27	5.97

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

HomeCo Daily Needs REIT
Consolidated statement of financial position
As at 30 June 2021

	Note	Consolidated 30 Jun 2021 $m
Assets		
Current assets		
Cash and cash equivalents	8	249.5
Trade and other receivables	9	1.7
Other assets	10	3.5
		254.7
Assets held for sale	11	14.1
Total current assets		268.8
Non-current assets		
Investment property	12	1,111.8
Other assets	10	9.8
Total non-current assets		1,121.6
Total assets		1,390.4
Liabilities		
Current liabilities		
Trade and other payables	13	19.0
Distributions payable	17	12.5
Total current liabilities		31.5
Non-current liabilities		
Borrowings	14	414.8
Lease liabilities	15	11.0
Total non-current liabilities		425.8
Total liabilities		457.3
Net assets		933.1
Equity		
Contributed equity	16	926.0
Retained profits		7.1
Total equity		933.1

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

HomeCo Daily Needs REIT
Consolidated statement of changes in equity
For the period ended 30 June 2021

Consolidated	**Contributed equity $m**	**Retained profits $m**	**Total equity $m**
Balance at 15 October 2020	-	-	-
Profit for the period	-	31.3	31.3
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	31.3	31.3
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 16)	926.0	-	926.0
Distributions paid (note 17)	-	(24.2)	(24.2)
Balance at 30 June 2021	926.0	7.1	933.1

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

HomeCo Daily Needs REIT
Consolidated statement of cash flows
For the period ended 30 June 2021

	Note	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m
Cash flows from operating activities		
Receipts from tenants (inclusive of GST)		47.6
Payments to suppliers (inclusive of GST)		(19.1)
Interest and other finance costs paid		(5.6)
Net cash from operating activities	28	22.9
Cash flows from investing activities		
Payment for acquisition of investment property on demerger from Home Consortium Limited		(205.0)
Payment for acquisition of investment property		(517.0)
Net cash used in investing activities		(722.0)
Cash flows from financing activities		
Proceeds from issue of units	16	565.0
Unit issue transaction costs		(18.1)
Proceeds from borrowings	14	420.7
Borrowing cost paid		(7.3)
Distributions paid	17	(11.7)
Net cash from financing activities		948.6
Net increase in cash and cash equivalents		249.5
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	8	249.5

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

Note 1. General information

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

HomeCo Daily Needs REIT is a listed public investment trust, incorporated and domiciled in Australia. Its registered office and principal place of business is:

19 Bay Street
Double Bay
NSW 2028

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

The current period presented in the financial statements is for the period 15 October 2020 to 30 June 2021.

HMC Funds Management Limited (AFSL 237257) (the 'Responsible Entity') is the responsible entity of the Trust.

The Responsible Entity has appointed HomeCo Property Management Limited (the 'Property Manager') and HomeCo Investment Management Pty Ltd (the 'Investment Manager) to provide certain asset management, investment management and development management services to the group in accordance with an Investment Management and Property and Development Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are wholly owned subsidiaries of Home Consortium Developments Ltd (ASX: HMC).

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 August 2021.

Note 2. Establishment and ASX Listing

The Trust was registered by ASIC as a managed investment scheme on 15 October 2020. On 23 November 2020 the Trust was listed on Australian Securities Exchange ('ASX').

As part of the establishment of the Trust, Home Consortium (ASX: HMC) transferred a portfolio of properties to the group and distributed units in the Trust in accordance with the PDS and EM lodged with the ASX.

Following HMC shareholder approval, and as part of the listing of the Trust on the ASX:
- The Trust raised $300 million of new equity by issuing approximately 225.6 million units at $1.33 per unit;
- A senior secured debt facility was entered into which was subsequently upsized from $400 million to $500 million;
- The group acquired a portfolio of 17 properties with a total fair value of $843.5 million including 13 properties transferred from HMC for $565.7 million;
- HMC stapled security holders received one unit in the Trust for every two stapled securities held in HMC via a capital distribution, resulting in the transfer of approximately 128.6 million units to HMC securityholders;
- HMC retained approximately 128.6 million units in the Trust (26.6% equity interest) on completion of the ASX listing; and
- The Parafield property transfer from HMC was completed on 28 February 2021.

In April 2021, the Trust announced a $265 million underwritten accelerated non-renounceable Entitlement Offer at $1.295 per unit to support the acquisition of 8 properties. Home Consortium Limited participated in the Entitlement Offer resulting in the acquisition of 54.5 million new units for $70.6 million. Home Consortium Developments Limited's sub-underwriting of the Entitlement Offer resulted in the acquisition of 13.0 million new units for $16.9 million and a sub-underwriting fee of $0.4 million.

Note 3. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the group for the financial period ended 30 June 2021.

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

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

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of HomeCo Daily Needs REIT ('Trust' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the period then ended. HomeCo Daily Needs REIT and its subsidiaries together are referred to in these financial statements as the 'group'.

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

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

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

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

Note 3. Significant accounting policies (continued)

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

Revenue recognition
The group recognises revenue as follows:

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

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

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

Rental guarantees
Rental guarantees relating to property income are capitalised in the statement of financial position. They are measured at fair value, equal to the net present value of expected future cash flows under the guarantee arrangements.

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

Leasing costs and tenant incentives

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

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

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

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

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

Note 3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

Investment properties
Investment properties are held at fair value through profit or loss.

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

Note 3. Significant accounting policies (continued)

The group recognises the right-of-use asset of leasehold properties as investment property in accordance with AASB 16. Right-of-use assets are measured at fair value which reflects the expected cash flows, including variable lease payments that are expected to become payable. The value of any recognised lease liability is then added back to the fair value to determine the carrying value of the investment property.

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

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

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

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

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

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

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

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

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

Note 3. Significant accounting policies (continued)

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

Contributed capital
Units issued by the Trust are classified as equity.

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

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

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

Earnings per unit

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

Diluted earnings per unit
Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the effect of interest and other financing costs associated with dilutive potential ordinary units and the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential ordinary units.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2021. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

Note 3. Significant accounting policies (continued)

Classification of liabilities as current or non-current (AASB 2020-1, AASB 2020-6)
A narrow-scope amendment to AASB 101 'Presentation of Financial Statements' was issued by the AASB (based on the IASB amendment) to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment may affect the classification of some liabilities that can be converted to equity and for liabilities where the intentions of management were used to determine the classification. The effective date was originally for annual reporting periods commencing from 1 January 2022 but it has been deferred to 1 January 2023. The group has not yet assessed the impact but does not expect that it will be significant.

Note 4. Critical accounting judgements, estimates and assumptions

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

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

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

The fair value assessment of investment property as at 30 June 2021 has been conducted using the information available at the time of the preparation of the financial statements and best estimates of future performance, however the future impacts of the COVID-19 pandemic are unknown and may impact property valuations. Refer to note 19 for details of valuation techniques used.

Note 5. 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/loss for items which are non-cash, unrealised or capital in nature. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

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

Major customers
During the period ended 30 June 2021, approximately 24.7% of the group's external revenue was derived from rental income from two main tenants being Woolworths Group Limited and Coles Group Limited.

Note 5. Operating segments (continued)

Segment results

	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m
Funds from operations ('FFO')	21.4
Straight lining and amortisation	1.1
Acquisition and transaction costs	(5.6)
Rent guarantee income	(0.9)
Amortisation of capitalised borrowing costs	(1.5)
Fair value movements	16.8
Net profit for the period	31.3

Note 6. Property income

	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m
Property rental income	40.1
Other property income	4.6
Property income	44.7

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

Note 7. Expenses

	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m
Profit includes the following specific expenses:	
Acquisition and transaction costs:	
IPO costs	5.6
Finance costs	
Interest and finance charges paid/payable on borrowings	5.5
Interest and finance charges paid/payable on lease liabilities	0.1
Amortisation of capitalised borrowing costs and effective interest rate ('EIR') expenses	1.5
Finance costs expensed	7.1

Note 8. Cash and cash equivalents

	Consolidated 30 Jun 2021 $m
Current assets	
Cash at bank	249.5

Note 9. Trade and other receivables

	Consolidated 30 Jun 2021 $m
Current assets	
Trade receivables	0.6
Other receivables	0.9
GST receivable	0.2
	1.7

Note 10. Other assets

	Consolidated 30 Jun 2021 $m
Current assets	
Prepayments	0.3
Security deposits	0.2
Other current assets	3.0
	3.5
Non-current assets	
Property deposits*	8.8
Other non-current assets**	1.0
	9.8

* Property deposits represent transaction costs paid on the acquisition of large format retail assets ('LFR Portfolio') from Home Consortium which were transferred on 1 July 2021.

** Other non-current assets include a prepayment for the right to acquire the remaining 12.6% stake at the Vincentia property which is currently subject to a co-owner agreement with Woolworths Group Limited. An additional $7.5 million will be payable under the agreement once specific conditions have been met.

Note 11. Assets held for sale

	Consolidated 30 Jun 2021 $m
Current assets	
Investment properties	14.1

Assets held for sale represents a parcel of land at the property in Hawthorn East, Victoria that is contracted to be sold to Home Consortium Ltd upon finalisation of the sub-division of the land.

Note 12. Investment property

	Consolidated 30 Jun 2021 $m
Non-current assets	
Investment property - at fair value	1,111.8

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

Opening fair value	-
Additions upon demerger from Home Consortium Ltd (note 2)	550.6
Acquisitions	492.3
Capitalised expenditure	51.0
Straight-lining and amortisation of incentives	1.1
Net unrealised gain from fair value adjustments*	16.8
Closing fair value**	1,111.8

* Net unrealised gain from fair value adjustments comprises transaction costs incurred with respect to property acquisitions of $30.2 million and positive revaluations of $47.0 million.

** Included in the closing fair value of investment property at year end is $34.0 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.

All investment properties generate rental income and are disclosed in note 6 and the direct property expenses are disclosed in the consolidated statement of profit or loss.

The investment properties are leased to tenants under operating leases with varying lease terms and rentals payable monthly. Lease payments for contracts include CPI increases and fixed percentage increases.

Note 12. Investment property (continued)

Lease payments receivable (undiscounted)

	Consolidated 30 Jun 2021 $m
Minimum lease commitments receivable but not recognised in the financial statements:	
1 year or less	65.6
Between 1 and 2 years	64.6
Between 2 and 3 years	62.9
Between 3 and 4 years	58.2
Between 4 and 5 years	51.7
Over 5 years	258.2
	561.2

Note 13. Trade and other payables

	Consolidated 30 Jun 2021 $m
Current liabilities	
Trade payables	7.4
Rent received in advance	2.0
Accrued expenses	7.4
Interest payable	0.1
Other payables	2.1
	19.0

Refer to note 18 for further information on financial instruments.

Note 14. Borrowings

	Consolidated 30 Jun 2021 $m
Non-current liabilities	
Bank loans	420.7
Capitalised borrowing costs	(5.9)
	414.8

Refer to note 18 for further information on financial instruments.

During the period, the group entered into a $400 million debt facility which was subsequently increased to $500 million, expiring on 26 November 2023. 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 period.

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

Note 14. Borrowings (continued)

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

	Consolidated 30 Jun 2021 $m
Total facilities	
Bank loans	500.0
Used at the reporting date	
Bank loans	420.7
Unused at the reporting date	
Bank loans	79.3

Note 15. Lease liabilities

	Consolidated 30 Jun 2021 $m
Non-current liabilities	
Lease liabilities	11.0

Lease liability represents the head lease agreement (ground lease) for the Parafield property. The lease has a 28 year term remaining with a 49 year option to extend.

For other AASB 16 disclosures, refer to note 12 for right-of-use assets, note 7 for interest expense, note 18 for maturity analysis of lease liabilities and the consolidated statement of cash flows for repayment of lease liabilities.

Note 16. Contributed equity

	Consolidated	
	30 Jun 2021 Units	30 Jun 2021 $m
Ordinary class units - fully paid	687,533,717	926.0

Movements in ordinary units

Details	Date	Units	$m
Balance	15 October 2020	-	-
Units issued to Home Consortium Ltd (ASX: HMC)	20 November 2020	257,226,546	379.2
Units issued on initial public offering (at $1.33 per unit)	26 November 2020	225,563,910	300.0
Units issued to directors of Responsible Entity	26 November 2020	122,807	0.2
Units issued as part of Entitlement Offer	4 May 2021	73,585,566	95.3
Units issued as part of Entitlement Offer	14 May 2021	131,034,888	169.7
Transaction costs on issue of units		-	(18.4)
Balance	30 June 2021	687,533,717	926.0

Note 16. Contributed equity (continued)

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

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

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

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

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

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

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

Note 17. Distributions

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

	Period from 15 Oct 2020 to 30 Jun 2021 $m
Interim distribution for the year ended 30 June 2021 of 2.4 cents per unit with a record date of 31 March 2021 and payment date of 3 May 2021	11.7
Final distribution for the year ended 30 June 2021 of 1.8 cents per unit with a record date of 30 June 2021 and payment date of 16 August 2021*	12.5
	24.2

* Final distribution was paid subsequent to the end of the financial year on 16 August 2021.

Note 18. Financial instruments

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

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

Note 18. Financial instruments (continued)

Market risk

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

Price risk
The group is not exposed to any significant price risk.

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

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

	30 Jun 2021	
Consolidated	**Weighted average interest rate %**	**Balance $m**
Bank loans - variable rate	2.37%	420.7
Net exposure to cash flow interest rate risk		420.7

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

An official increase/decrease in interest rates of 50 basis points would have an adverse/favourable effect on the profit for the period of $2.1 million per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

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

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

There are no significant tenants with credit risk exposures as at 30 June 2021.

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

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

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

Refer to note 14 for details of unused borrowing facilities at the reporting date.

Note 18. Financial instruments (continued)

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

Consolidated - 30 Jun 2021	1 year or less $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Remaining contractual maturities $m
Non-derivatives					
Non-interest bearing					
Trade payables	7.4	-	-	-	7.4
Other payables	2.1	-	-	-	2.1
Interest-bearing - variable					
Bank loans	10.0	10.0	424.8	-	444.8
Interest-bearing - fixed rate					
Lease liability	0.5	0.5	1.4	33.4	35.8
Total non-derivatives	20.0	10.5	426.2	33.4	490.1

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

Note 19. Fair value measurement

Fair value hierarchy
The following table details the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 Jun 2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Investment property	-	-	1,111.8	1,111.8
Investment property - held for sale	-	-	14.1	14.1
Other assets	-	-	1.8	1.8
Total assets	-	-	1,127.7	1,127.7

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 period.

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

Note 19. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3
The basis of the valuation of investment properties is fair value. The directors of the Responsible Entity determine a property's value within a range of reasonable fair value estimates. 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 take into consideration occupancy rates and returns on investment. The discounted cash flow method and the capitalisation method is also considered in determining fair value. For properties not independently valued during a reporting period, an internal valuation is carried out to determine the appropriate carrying value of the property as at the date of the report. Where internal valuations are performed, the valuation methods include using the discounted cash flow method and the capitalisation method. As at 30 June 2021, 80% of the properties by number were externally valued.

Level 3 assets and liabilities

Description	Unobservable inputs	Range (weighted average) 30 Jun 2021
Investment property - including held for sale	(i) Capitalisation rate	4.5% to 7.0% (5.6%)
	(ii) Discount rate	6.0% to 7.5% (6.5%)
	(iii) Terminal yield	2.1% to 7.5% (5.3%)
	(iv) Rental growth	2.1% to 6.8% (3.3%)

A higher capitalisation rate, discount rate or terminal yield will lead to a lower fair value. A higher rental growth rate will lead to a higher fair value. The capitalisation rate is the most significant input into the valuation of investment property and therefore most sensitive to changes in valuation. A 25 basis point change in capitalisation rate would increase/decrease the fair value by $50.9 million.

The ongoing COVID-19 pandemic requires a higher degree of judgement when considering the significant inputs that are assessed to determine the fair value of investment property. This is due to the uncertain future impact of the pandemic on key market inputs as well as the future financial performance of the investment properties. Some external valuation firms have acknowledged a 'material valuation uncertainty', which does not invalidate the market valuation however serves to highlight that the fair value assessment has been conducted using the information available at the time of the report and best estimates of future performance, however, the future impacts of the COVID-19 pandemic are unknown and may impact property valuations.

Note 20. Key management personnel disclosures

Fees paid or payable for services provided by key management personnel, were borne by HMC Funds Management Limited, the Responsible Entity. Refer note 24 and the Director's report for further details.

Note 21. Remuneration of auditors

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

	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $'000
Audit services - PricewaterhouseCoopers	
Audit or review of the financial statements	231
Other assurance services - PricewaterhouseCoopers	
Compliance plan audit	22
	253

Note 22. Contingent liabilities

The group had no contingent liabilities as at 30 June 2021.

Note 23. Commitments

	Consolidated 30 Jun 2021 $m
Capital commitment	
Committed at the reporting date but not recognised as liabilities, payable:	
Capital expenditure	34.4
Property acquisitions*	274.0
	308.4

* Property acquisitions include acquisition costs of $7.6 million. Refer to subsequent events in note 29 for details of the properties acquired.

Entitlement offer bonus units:
As part of the Trust's entitlement offer dated 19 April 2021, eligible unitholders who are issued with new units will also be entitled to receive, without any further action, up to 1 bonus unit for every 20 new units issued, subject to certain conditions (principally related to a unitholder holding a number of units exceeding their holding as at 16 August 2021). Home Consortium Limited has agreed to sell back, for a nominal consideration, the number of units it holds in the Trust, equal to the number of bonus units that the Trust will issue, as determined above.

Note 24. Related party transactions

Responsible entity
HMC Funds Management Limited (AFSL 237257) ('Responsible Entity') is the responsible entity of the Trust.

Investment Manager and Property Manager
The Responsible Entity has appointed HomeCo Property Management Limited (the 'Property Manager') and HomeCo Investment Management Pty Ltd (the 'Investment Manager) to provide certain asset management, investment management and development management services to the group in accordance with an Investment Management and Property and Development Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are wholly owned subsidiaries of Home Consortium Developments Ltd (ASX: HMC).

Parent entity
HomeCo Daily Needs REIT is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Other transactions within the Trust
From time to time directors of the Responsible Entity, or their director related entities, may buy or sell units of the Trust. These transactions are on the same terms and conditions as those entered into by other Trust unitholders.

Transactions with related parties
Responsible Entity fees:
Under the constitution, the Responsible Entity is entitled to be paid a fee equal to 1% per annum (plus GST) of the gross asset value (GAV) but will not be paid this fee whilst the Managers are receiving the fees under the Management Agreements. The fee will be calculated on a pro-rata basis for any part period. The Responsible Entity will also be reimbursed for all expenses incurred, including those in connection with the establishment, promotion and operation of the Trust, in properly performing its duties.

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

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

Note 24. Related party transactions (continued)

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

Type of fee	Method of fee calculation	Basis for fee $'000	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $'000
Base management fees	0.65% per annum of GAV up to $1.5 billion 0.55% per annum of GAV over $1.5 billion	1,130,624	4,440
Property management fees	3.0% of gross property income 15.0% of year 1 gross income on new leases	44,983	1,349
Leasing fees	7.5% of year 1 gross income on renewals	7,565	887
Development management fees	5.0% of project spend up to $2.5 million 3.0% of project spend over $2.5 million	46,138	1,846
Acquisition fees	1.0% purchase price	159,600	1,596
Reimbursement of Responsible Entity expenses	Cost recovery	N/A	289
Total			**10,407**

The following other transactions occurred with related parties:

	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $'000
Sale of goods and services:	
Receipts from Home Consortium Limited towards settlement adjustments relating to tenant rent and property expenses	1,962
Payment for goods and services:	
Payments to Home Consortium Limited*	26,141
Other transactions:	
Interest income from Home Consortium Limited (rental guarantee)	475
Sub-underwriting fee paid to Home Consortium Developments Limited	405

* Payments to Home Consortium Limited represent reimbursement of property acquisition deposits, capital expenditure and IPO transaction costs incurred during the establishment of the group.

Related party leases and terms are included as an appendix to these financial statements.

Refer to note 2 for transactions arising on the demerger of the Trust from Home Consortium Limited and for information on the entitlement offer.

Refer to note 29 'Events after the reporting period' for property acquisitions after year-end.

Note 24. Related party transactions (continued)

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

	Consolidated 30 Jun 2021 $'000
Current receivables:	
Trade receivables from Home Investment Consortium Trust - a director related entity of David Di Pilla and Greg Hayes	200
Current payables:	
Trade and other payables to the Investment Manager and Property Manager	4,299
Trade and other payables to the Responsible Entity	26
Trade and other payables to Home Consortium Limited	1,927

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

Note 25. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent Period from 15 Oct 2020 to 30 Jun 2021 $m
Profit	1.1
Total comprehensive income	1.1

Statement of financial position

	Parent 30 Jun 2021 $m
Total current assets	250.3
Total assets	918.2
Total current liabilities	15.3
Total liabilities	15.3
Equity	
Contributed equity	926.0
Accumulated losses	(23.1)
Total equity	902.9

Note 25. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 3, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Distributions received from subsidiaries are recognised as other income by the parent entity.

Note 26. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 30 Jun 2021 %
HomeCo DNR Finance Pty Ltd	Australia	100%
HomeCo DNR (Penrith) Property Trust	Australia	100%
HomeCo DNR (Prestons) Property Trust	Australia	100%
HomeCo DNR (Vincentia) Property Trust	Australia	100%
HomeCo DNR (Glenmore Park) Property Trust	Australia	100%
HomeCo DNR (Gregory Hills TC) Property Trust	Australia	100%
HomeCo DNR (Seven Hills) Property Trust	Australia	100%
HomeCo DNR (Braybrook) Property Trust	Australia	100%
HomeCo DNR (Hawthorn East) Property Trust	Australia	100%
HomeCo DNR (Keysborough) Property Trust	Australia	100%
HomeCo DNR (Mornington) Property Trust	Australia	100%
HomeCo DNR (Rosenthal) Property Trust	Australia	100%
HomeCo DNR (Butler) Property Trust	Australia	100%
HomeCo DNR (Ellenbrook) Property Trust	Australia	100%
HomeCo DNR (Joondalup) Property Trust	Australia	100%
HomeCo DNR (Tingalpa) Property Trust	Australia	100%
HomeCo DNR (Richlands) Property Trust	Australia	100%
HomeCo DNR (Upper Coomera CC) Property Trust	Australia	100%
HomeCo DNR (Marsden Park) Property Trust	Australia	100%
HomeCo DNR (Parafield) Property Trust	Australia	100%
HomeCo DNR (Armstrong Creek) Property Trust	Australia	100%

Note 27. Earnings per unit

	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m
Profit	31.3
	Number
Weighted average number of units used in calculating basic earnings per unit	524,184,640
Weighted average number of units used in calculating diluted earnings per unit	524,184,640
	Cents
Basic earnings per unit	5.97
Diluted earnings per unit	5.97

Note 28. Cash flow information

Reconciliation of profit to net cash from operating activities

	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m
Profit for the period	31.3
Adjustments for:	
Net unrealised gain from fair value adjustments	(16.8)
Finance costs - non-cash	1.5
Straight-lining of rental income	(6.4)
Change in operating assets and liabilities:	
Increase in trade and other receivables	(1.7)
Increase in prepayments	(0.3)
Increase in other operating assets	(1.6)
Increase in trade and other payables	14.9
Increase in rent received in advance	2.0
Net cash from operating activities	22.9

Note 28. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m
Additions of investment property upon demerger	550.6
Net fair value movement of investment properties	16.8
Units issued to directors on demerger	(0.2)
Units issued to Home Consortium as part of demerger	(379.2)

Changes in liabilities arising from financing activities

Consolidated	Bank loans $m	Lease liability $m	Distribution payable $m	Total $m
Balance at 15 October 2020	-	-	-	-
Net cash from financing activities	420.7	-	-	420.7
Distributions declared at the end of the reporting period	-	-	12.5	12.5
Acquisition of investment property lease	-	11.0	-	11.0
Balance at 30 June 2021	420.7	11.0	12.5	444.2

Note 29. Events after the reporting period

Acquisitions and capital raising:
The group had entered into conditional agreements to purchase a 100% interest in a portfolio of seven large format retail assets ('LFR Portfolio') from HMC for a total purchase price of $266.4 million. Unitholder approval was obtained at an extraordinary general meeting on 16 June 2021 and settlement occurred on 1 July 2021.

On 5 July 2021, the group announced the acquisition of a flagship convenience asset Town Centre Victoria Point for $160 million. The property is anchored by major national and ASX-listed tenants including Woolworths, Bunnings, Endeavour Group and Healius. The acquisition was partly funded by a fully underwritten $70 million placement at $1.45 per unit and is scheduled to settle on 31 August 2021.

Financing:
On 29 July 2021, the group completed an upsize and extension of its existing $500 million three-year senior secured syndicated debt facility to a $800 million senior secured syndicated debt facility. The facility comprises a $550 million five-year term facility and a $250 million revolver facility. On 16 August 2021, the group also entered into a $275 million two-year interest rate swap to hedge a portion of the term facility.

COVID-19
The impact of the COVID-19 pandemic is ongoing following the recent delta variant outbreaks and lockdown restrictions imposed across multiple Australian States and Territories. Whilst the majority of the group’s properties have either a supermarket, pharmacy or health services as ‘essential services’ tenants the outlook remains uncertain.

No other matter or circumstance has arisen since 30 June 2021 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 the Responsible Entity:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2021 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors of the Responsible Entity

S A Shakesheff

Simon Shakesheff
Chair

David Di Pilla
Director

18 August 2021

Independent auditor's report

To the unitholders of HomeCo Daily Needs REIT

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of HomeCo Daily Needs REIT (the Trust) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the period 15 October 2020 to 30 June 2021

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the period 15 October 2020 to 30 June 2021
- the consolidated statement of cash flows for the period 15 October 2020 to 30 June 2021
- the consolidated statement of profit or loss and other comprehensive income for the period 15 October 2020 to 30 June 2021
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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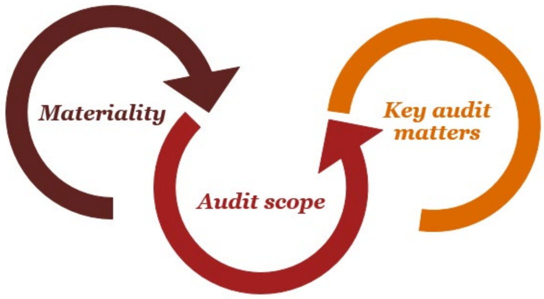
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $4.6 million, which represents approximately 0.5% of the net assets of the Group
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose net assets because, in our view, it is a key benchmark against which the performance of the Group is measured.
- We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Valuation of investment properties (Refer to note 12) $1,111.8m
- This matter is further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of investment properties *(Refer to note 12) $1,111.8m* Investment properties are measured at the fair value of each property. The fair value of investment property is inherently subjective and impacted by, among other factors, prevailing market conditions, the individual nature and condition of each property, its location and the expected future income for each property. Amongst others, the capitalisation rate, discount rate, market rents and capital expenditure assumptions used in the valuation process are key in establishing fair value. This was a key audit matter because the: • investment property balances are financially significant in the consolidated statement of financial position • impact of changes in the fair value of investment properties can have a significant effect on the Group's comprehensive income • investment property valuations are inherently subjective due to the use of unobservable inputs in the valuation methodology. • valuations are sensitive to key input assumptions, specifically capitalisation and discount rates and net market rents • ongoing COVID-19 impact is uncertain and has affected the certainty of the rental income cash-flows, and as a consequence, changes in the valuation of the investment properties.	***Procedures performed in relation to the valuation of investment properties included:*** We read recent property market reports to develop our understanding of the prevailing market conditions in locations in which the Group invests. We met with management to discuss the specifics of the property portfolio including any new leases entered into during the period, lease expiries, vacancy rates and planned capital expenditure. We also enquired about the ongoing impact of COVID-19 on investment property valuations and how this has been considered in determining fair value at 30 June 2021. For a sample of leases, we compared the rental income used in the valuation to the relevant underlying lease agreements. For all properties, we agreed the fair values recorded in the accounting records to the external valuations or internal valuation models and assessed the competency, capability and objectivity of the relevant valuer. We have also assessed the reasonableness of the related disclosures in note 12 considering the requirements of Australian Accounting Standards. In particular, we considered the adequacy of the disclosures made that explain the significant estimation uncertainty in relation to the valuation of investment properties. We evaluated the design and implementation of certain controls over the process for determining the fair value, including the control that the Board reviews and approves the valuations adopted. For all properties, we checked compliance with the Group's policy that properties had been externally valued at least once in the last two years and checked that the Group followed its policy on rotation of valuation firms. We performed a risk-based assessment over the investment property portfolio to determine those properties at greater risk of being carried at an amount not equal to fair value. Our risk-based selection criteria included quantitative and qualitative measures and were informed by our knowledge of each property, site visits during the period and our understanding of current market conditions.

For those properties which met our selection criteria, we performed procedures to assess the appropriateness of key assumptions used in the external valuations and internal valuation models. These procedures included, amongst others:

- We assessed the appropriateness of the capitalisation rate, discount rate, outgoings and market rents used in the valuation against industry benchmarks and market data, including comparable transactions where possible.
- We assessed the appropriateness of other assumptions in the valuations such as growth rates, vacancies, rent free periods and incentives through discussions with management and valuers, and obtaining other audit evidence such as new lease agreements or modified leases due to COVID-19.

Procedures performed where there was an additional focus on COVID-19, included:

We obtained an understanding of specific assumptions included in valuations with reference to COVID-19, such as adjustments to growth rates in discounted cash flow calculations. We then considered whether these assumptions were appropriate in context to market evidence and our understanding of the property and tenants.

We considered how any recent market transactions impacted the fair values adopted in the valuations.

We met with valuers, on a sample basis with a specific focus on understanding any key assumptions applied in light of uncertain economic conditions due to COVID-19, as well as developing an understanding of their valuation approach, sources of information and key judgments made.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the period 15 October 2020 to 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' report, Related party leases, Unitholder information and Corporate directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Responsible Entity and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

S Hadfield

Scott Hadfield
Partner

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

Details of leases (or agreements for lease) with Aurrum Childcare, with aggregate annual rent (excluding GST) of $0.7 million is provided below:

Location	Terms and renewal	Location	Terms and renewal
HomeCo Mornington, 61 Mornington-Tyabb Road, Mornington VIC 3931	Initial term of 10 years commencing in May 2021, with 2 options to renew for 10 years each.	HomeCo Penrith, 72-82 Mulgoa Road, Penrith NSW 2750	Initial term of 10 years commencing in September 2021, with 2 options to renew for 10 years each.

Details of the lease with Spotlight Pty Ltd ('Spotlight'), with aggregate annual rent (excluding GST) of $0.6 million is provided below:

Location	Terms and renewal	Location	Terms and renewal
HomeCo Butler, 1 Butler Blvd, Butler WA 6036	Initial term of 10 years commencing in April 2019, with 3 options to renew for 10 years each.	HomeCo Ellenbrook, 151 The Promenade, Ellenbrook WA 6069	Initial term of 10 years commencing in November 2020, with 3 options to renew for 10 years each.

Details of leases with Anaconda Group Pty Ltd ('Anaconda'), with aggregate annual rent (excluding GST) of $1.4 million is provided below:

Location	Terms and renewal	Location	Terms and renewal
HomeCo Tingalpa, Corner of Manly Road and New Cleveland Road, Tingalpa QLD 4173	Initial term of 10 years commencing in October 2017, with 3 options to renew for 10 years each.	HomeCo Butler, 1 Butler Blvd, Butler WA 6036	Initial term of 10 years commencing in August 2019, with 3 options to renew for 10 years each.
HomeCo Hawthorn East, 740-742 Toorak Road, Hawthorn East VIC 3123	Initial term of 10 years commencing in November 2018, with 3 options to renew for 10 years each.	HomeCo Joondalup, 11 Injune Way, Joondalup WA 6027	Initial term of 10 years commencing in November 2018, with 3 options to renew for 10 years each, plus additional space leased in August 2020 (270 sqm).

Details of leases with CW Leasing Services Pty Ltd ('Chemist Warehouse'), with aggregate annual rent (excluding GST) of $1.2 million is provided below:

Location	Terms and renewal	Location	Terms and renewal
HomeCo Joondalup, 11 Injune Way, Joondalup WA 6027	Initial term of 5 years commencing in September 2019, with 3 options to renew for 5 years each.	HomeCo Butler, 1 Butler Blvd, Butler WA 6036	Initial term of 5 years commencing in February 2020, with 3 options to renew for 5 years each.
HomeCo Braybrook, 340 Ballarat Road, Braybrook, VIC 3019	Initial term of 5 years commencing in September 2018, with 3 options to renew for 5 years each.	HomeCo Hawthorn East, 740-742 Toorak Road, Hawthorn East, VIC 3123	Initial term of 4 years 2 months 21 days commencing in July 2020, with 3 options to renew for 5 years each.
HomeCo Keysborough, Corner Springvale Road and Cheltenham Road, Keysborough VIC 3173	Initial term of 5 years commencing in October 2019, with 3 options to renew for 5 years each.		

The unitholder information set out below was applicable as at 31 July 2021.

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

	Ordinary units	
	Number of holders	% of total units issued
1 to 1,000	584	0.04
1,001 to 5,000	1,447	0.55
5,001 to 10,000	1,017	1.04
10,001 to 100,000	3,817	15.07
100,001 and over	292	83.30
	7,157	100.00
Holding less than a marketable parcel	163	-

Equity unit holders

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

	Ordinary units	
	Number held	% of total units issued
Home Consortium Limited	183,110,997	24.89
HSBC Custody Nominees	96,216,210	13.08
National Nominees Limited	62,540,735	8.50
Citicorp Nominees Pty Limited	36,770,905	5.00
JP Morgan Nominees Australia	36,000,363	4.89
BNP Paribas Nominees Pty Ltd	26,515,904	3.60
Aurrum Holdings Investment Company Pty Ltd	25,005,679	3.40
UBS Nominees Pty Ltd	13,738,669	1.87
Home Consortium Developments Limited	13,054,988	1.77
BNP Paribas Noms Pty Ltd	10,938,562	1.49
Netwealth Investments Limited	8,193,261	1.11
Brispot Nominees Pty Ltd	5,759,890	0.78
CW Property Nominees Pty Ltd	5,001,136	0.68
Spotlight Hic Nominee Pty Ltd	5,001,136	0.68
The Trust Company (Australia) Limited	4,867,680	0.66
Aurrum Holdings Pty Ltd	3,472,222	0.47
Goat Properties Pty Ltd	3,358,209	0.46
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	2,549,332	0.35
BNP Paribas Nominees Pty Ltd	2,047,098	0.28
Bridgebox Pty Ltd	1,964,488	0.27
	546,107,464	74.23

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the Trust are set out below:

	Ordinary units	
	Number held	% of total units issued
Home Consortium Limited*	196,165,985	26.66

* This includes Home Consortium Development Limited's 1.77% ownership equating to 13,054,988 units.

Voting rights

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

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

There are no other classes of equity units.

Restricted securities

Class	Expiry date	Number of units
Ordinary units	26 November 2021	128,613,677

Directors	Simon Shakesheff Simon Tuxen Stephanie Lai David Di Pilla Greg Hayes
Responsible Entity	HMC Funds Management Limited 19 Bay Street Double Bay NSW 2028
Company secretary	Andrew Selim
Registered office and Principal place of business	19 Bay Street Double Bay NSW 2028
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: 1300 554 474
Auditor	PricewaterhouseCoopers Tower One, International Towers Sydney Level 17, 100 Barangaroo Avenue Barangaroo NSW 2000
Stock exchange listing	HomeCo Daily Needs REIT units are listed on the Australian Securities Exchange (ASX code: HDN)
Business objectives	In accordance with the ASX Listing Rule 4.10.19, the Trust confirms that the group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period in a way that is consistent with its business objectives.
Corporate Governance Statement	The directors of the Responsible Entity are committed to conducting the business of HomeCo Daily Needs REIT in an ethical manner and in accordance with the highest standards of corporate governance. HomeCo Daily Needs REIT has adopted and has fully complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent that they are applicable to an externally managed listed entity. The group’s Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the period and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and HomeCo Daily Needs REIT's other corporate governance policies and charters can be found on its website at https://www.hdn.home-co.com.au/Investor-Centre/au.