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

18 August 2022

## APPENDIX 4E AND FY22 FINANCIAL REPORT

HomeCo Daily Needs REIT (ASX: HDN) provides the attached Appendix 4E and FY22 Financial Report.

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

For further information, please contact:


**INVESTORS**

**Misha Mohl**
**HMC Capital Group Head of Strategy & IR**
+61 422 371 575
misha.mohl@hmccapital.com.au

**Sid Sharma**
**HDN CEO**
+61 434 361 318
sid.sharma@hmccapital.com.au

**MEDIA**

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


***About HomeCo Daily Needs REIT***

*HomeCo Daily Needs REIT (HDN) 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. HDN aims to provide unitholders with consistent and growing distributions.*

*HDN is Australia's leading daily needs REIT with a combined portfolio size of approximately $4.8bn spanning approximately 2.6 million square metres of land in Australia's leading metropolitan growth corridors of Sydney, Melbourne, Brisbane, Perth and Adelaide.*

**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 year ended 30 June 2022 |
| Previous period: | For the period ended 30 June 2021 |

## 2. Results for announcement to the market

This Appendix 4E should be read in conjunction with the attached Directors' report and the financial statements.

| | | | | $m |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 338.7% | to | 198.3 |
| Profit from ordinary activities | up | 970.6% | to | 335.1 |
| Profit for the year | up | 970.6% | to | 335.1 |

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

## 3. Distributions

| | 30 Jun 2022 Amount per unit Cents |
|---|---|
| Interim distribution for the year ended 30 June 2022 declared on 24 September 2021. The distribution was paid on 19 November 2021 to unitholders registered on 30 September 2021. | 2.00 |
| Interim distribution for the year ended 30 June 2022 declared on 17 December 2021. The distribution was paid on 25 February 2022 to unitholders registered on 31 December 2021. | 2.08 |
| Interim distribution for the year ended 30 June 2022 declared on 22 March 2022. The distribution was paid on 20 May 2022 to unitholders registered on 31 March 2022. | 2.08 |
| Final distribution for the year ended 30 June 2022 declared on 7 June 2022. The distribution will be paid on 22 August 2022 to unitholders registered on 30 June 2022. | 2.12 |

## 4. Net tangible assets

| | 30 Jun 2022 $ | 30 Jun 2021 $ |
|---|---|---|
| Net tangible assets per unit | 1.52 | 1.36 |

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

## 5. Distribution reinvestment plans

*The following distribution plans are in operation:*

The Trust had a Distribution Reinvestment Plan ('DRP') available to unitholders for the September 2021 distribution to which any unitholder could elect that their distributions be reinvested, in whole or in part, in units of the Trust at a price as determined by applying a 1.5% discount to the arithmetic average of the daily volume-weighted average prices ('VWAP') for units traded from 1 November 2021 to 5 November 2021 (inclusive). Refer to note 18 to the consolidated financial statements for details of equity raised under the DRP.

The Trust had a DRP available to unitholders for the March 2022 distribution to which any unitholder could elect that their distributions be reinvested, in whole or in part, in units of the Trust at a price as determined by applying nil discount to the arithmetic average of the daily VWAP for units traded from 4 April 2022 to 8 April 2022 (inclusive). Refer to note 18 to the consolidated financial statements for details of equity raised under the DRP.

The Trust had a DRP available to unitholders for the June 2022 distribution to which any unitholder could elect that their distributions be reinvested, in whole or in part, in units of the Trust at a price as determined by applying nil discount to the arithmetic average of the daily VWAP for units traded from 4 July 2022 to 8 July 2022 (inclusive). The VWAP applicable to June 2022 distribution is $1.32 per unit. The last date for receiving the election notice for the June 2022 DRP was 1 July 2022, and DRP units will be issued on the distribution payment date on or around 22 August 2022.

The DRP was not available for the December 2021 distributions.

## 6. Details of associates and joint venture entities

| Name of associate / joint venture | Reporting entity's percentage holding<br>Reporting period<br>% | Reporting entity's percentage holding<br>Previous period<br>% | Contribution to profit/(loss)<br>Reporting period<br>$m | Contribution to profit/(loss)<br>Previous period<br>$m |
|---|---|---|---|---|
| Aventus Property Syndicate 1 Fund | 25.30 | - | 0.4 | - |
| *Group's aggregate share of associates and joint venture entities' profit/(loss)* | | | | |
| Profit/(loss) from ordinary activities after income tax | | | 0.4 | - |

Refer to note 12 of the consolidated financial statements for further information.

## 7. Audit qualification or review

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

## 8. Attachments

The Annual Report of HomeCo Daily Needs REIT for the year ended 30 June 2022 is attached.

## 9. Signed

As authorised by the Board of Directors

S A Shakesheff

Signed ______________________________ Date: 17 August 2022

Simon Shakesheff
Chair

# HomeCo Daily Needs REIT

ARSN 645 086 620

# Financial Report

For the year ended 30 June 2022

**HomeCo Daily Needs REIT**
**Directors' report**
**30 June 2022**

The directors of HMC Funds Management Limited (ABN 89 105 078 635, AFSL 237257) (the 'Responsible Entity'), present their report together with the financial statements of HomeCo Daily Needs REIT. The financial statements cover HomeCo Daily Needs REIT as a consolidated entity consisting of HomeCo Daily Needs REIT (the 'Trust' or 'parent entity') and the entities it controlled at the end of, or during, the financial year (collectively referred to as the 'REIT' or the 'group'). HMC Funds Management Limited is an ultimately owned subsidiary of the Australian Securities Exchange ('ASX') listed entity Home Consortium Limited (ASX: HMC, trading as HMC Capital).

The Trust was registered with the Australian Securities and Investments Commission ('ASIC') as a managed investment scheme on 15 October 2020. On 23 November 2020, the REIT was listed on the ASX. The current reporting period is for the financial year ended 30 June 2022. The comparative reporting period is from 15 October 2020 to 30 June 2021.

**Directors**

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

| | |
|---|---|
| Simon Shakesheff | Independent Non-Executive Chair |
| Simon Tuxen | Independent Non-Executive Director |
| Stephanie Lai | Independent Non-Executive Director |
| Bruce Carter | Independent Non-Executive Director (appointed on 4 March 2022) |
| Robyn Stubbs | Independent Non-Executive Director (appointed on 4 March 2022) |
| David Di Pilla | Non-Executive Director |
| Greg Hayes | Non-Executive Director |
| Darren Holland | Executive Director (appointed on 4 March 2022; retired on 30 June 2022) |

**Principal activities**

The Trust 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 and services. The REIT did not have any employees during the year.

**Review of operational and financial performance**

The REIT's financial performance for the financial year was materially influenced by active undertaking of investment activities, growing the portfolio from 20 properties as at 30 June 2021 to 56 properties as at 30 June 2022. As part of the Aventus merger in March 2022, 19 properties were acquired. Refer to significant changes in the state of affairs for further details.

A summary of the REIT's financial performance for the year ended 30 June 2022 is detailed below.

| Currency: $ million (unless specified) | Consolidated 30 Jun 2022 | Consolidated Period from 15 Oct 2020 to 30 Jun 2021 |
|---|---|---|
| Total revenue | 198.7 | 45.2 |
| Net profit for the period | 335.1 | 31.3 |
| Funds from operations ('FFO') | 105.6 | 21.4 |
| Weighted average units on issue (million) | 1,193.8 | 524.2 |
| FFO per unit (cents) | 8.85 | 4.10 |
| Distribution per unit (cents) | 8.28 | 4.25 |

The REIT recorded total revenue of $198.7 million (30 June 2021: $45.2 million), a net profit of $335.1 million (30 June 2021: profit of $31.3 million) and funds from operations ('FFO') of $105.6 million (30 June 2021: $21.4 million). FFO is a financial measure which is not prescribed by Australian Accounting Standards and represents the REIT's underlying and recurring earnings from its operations determined by adjusting the statutory net profit after tax for items that are non-cash, unrealised or capital in nature. The directors consider FFO to represent the core earnings measure of the REIT.

A summary of the REIT's reconciliation between the net profit and FFO for the year ended 30 June 2022 is detailed below.

| $ million | Consolidated 30 Jun 2022 | Consolidated Period from 15 Oct 2020 to 30 Jun 2021 |
|---|---|---|
| Net profit for the period | 335.1 | 31.3 |
| Straight lining and amortisation | 6.1 | 0.4 |
| Transaction costs | 0.5 | 5.6 |
| Rent guarantee income | 2.0 | 0.9 |
| Fair value movements | (225.3) | (16.8) |
| Other | 0.2 | - |
| Other income | (13.0) | - |
| **FFO** | **105.6** | **21.4** |

**Summary of financial position**

A summary of the REIT's financial position as at 30 June 2022 is outlined below.

| Currency: $ million (unless specified) | Consolidated 30 Jun 2022 | Consolidated 30 Jun 2021 |
|---|---|---|
| **Assets** | | |
| Investment properties | 4,739.9 | 1,111.8 |
| Total assets | 4,856.2 | 1,390.4 |
| Net assets | 3,137.7 | 933.1 |
| Net tangible assets | 3,137.7 | 933.1 |
| Number of units on issue (million) | 2,067.7 | 687.5 |
| Net tangible assets ($ per unit) | 1.52 | 1.36 |
| | | |
| **Capital management** | | |
| Debt facility limit | 1,820.0 | 500.0 |
| Drawn debt | 1,600.5 | 420.7 |
| Cash and undrawn debt | 242.7 | 328.8 |
| Gearing ratio (%)* | 32.7% | 15.1% |
| Hedged debt (%) | 67.2% | - |
| Cost of debt (% per annum) | 2.5% | 2.4% |

* 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.

*Property portfolio*:
At 30 June 2022, the REIT owned 56 daily needs assets across Australia with a combined value of $4,739.9 million (30 June 2021: $1,111.8 million).

The increase in investment properties during the year is driven by the acquisition of 19 properties for $2,551.4 million (including transaction costs as part of the Aventus merger and a further 17 daily needs properties for $828.8 million (including transaction costs), capital expenditure of $56.8 million, straight-lining and amortization of $5.8 million and a fair value uplift on investment properties of $185.3 million.

At 30 June 2022, 32 investment properties were independently valued with the remaining investment properties being internally valued. The weighted average capitalisation rate of the portfolio was 5.34% (30 June 2021: 5.63%).

*Net tangible assets*:
Net tangible assets ('NTA') is calculated as the total equity divided by units on issue. The REIT reported NTA of $1.52 per unit as at 30 June 2022 (30 June 2021: $1.36 per unit).

*Capital raising:*
During the year, the REIT issued $1,991.8 million (before transaction costs) of new equity to undertake investment activities by issuing approximately 1,380.2 million new units. Refer to note 18 for further details.

| Particulars | Date of issue | Number of units |
|---|---|---|
| Opening balance | 1-Jul-21 | 687,533,717 |
| Units issued - institutional placement | 9-Jul-21 | 48,275,862 |
| Units issued - institutional placement | 17-Sept-21 | 54,854,195 |
| Units issued – distribution reinvestment plan | 19-Nov-21 | 3,927,429 |
| Units issued - Aventus merger | 4-Mar-22 | 1,257,007,121 |
| Units issued to HMC Capital in lieu of one-off acquisition fees | 5-Apr-22 | 14,904,111 |
| Units issued – distribution reinvestment plan | 20-May-22 | 1,214,254 |
| **Closing balance on 30 June 2022** | | **2,067,716,689** |

*Financing:*
On 29 July 2021, the REIT completed an upsize and extension of its $500.0 million three-year senior secured syndicated debt facility to an $800.0 million senior secured syndicated debt facility. The facility comprised a $550.0 million five-year term facility and a $250.0 million revolver facility.

As part of Aventus merger, the group upsized its existing $800.0 million debt facility to a $1,620.0 million senior secured debt facility. In March 2022 the group upsized the debt facility by $200.0 million to a $1,820.0 million senior secured debt facility. The senior secured debt facility comprises two term facilities of $810.0 million and $300.0 million expiring in July 2026 and February 2024 respectively and a $710.0 million revolver facility expiring in July 2024.

The group had $242.7 million in cash and undrawn debt as at 30 June 2022 and gearing of 32.7%. As at 30 June 2022, the group had $675.0 million of interest rate swaps and $400.0 million of additional interest rate caps which in total hedged 67.2% of drawn debt as at 30 June 2022. The cost of debt was 2.5% per annum as at 30 June 2022 (30 June 2021: 2.4% per annum).

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

| | Distribution per unit (cents) | Total distribution $'m | Ex-distribution date | Record date | Payment date |
|---|---|---|---|---|---|
| September 2021 | 2.00 | 15.8 | 29-Sep-21 | 30-Sept-21 | 19-Nov-21 |
| December 2021 | 2.08 | 16.5 | 30-Dec-21 | 31-Dec-21 | 25-Feb-22 |
| March 2022 | 2.08 | 42.7 | 30-Mar-22 | 31-Mar-22 | 20-May-22 |
| June 2022 | 2.12 | 43.8 | 29-Jun-22 | 30-Jun-22 | 22-Aug-22 |
| **Total** | **8.28** | **118.8** | | | |

The Trust operated a DRP for the September 2021 distribution, under which unitholders could elect to have their distribution entitlements satisfied by the issue of new units rather than being paid cash. The allocation price of units issued under the DRP were determined by applying a 1.5% discount to the arithmetic average of the daily volume weighted average prices for units traded from 1 November 2021 to 5 November 2021 (inclusive). The equity raised through DRP on 19 November 2021 was $5.6 million by the issue of 3.9 million units at a price of $1.417 per unit.

The Trust operated a DRP for the March 2022 distribution, under which unitholders could elect to have their distribution entitlements satisfied by the issue of new units rather than being paid cash. The allocation price of units issued under the DRP were determined by applying a nil% discount to the arithmetic average of the daily volume weighted average prices for units traded from 4 April 2022 to 8 April 2022 (inclusive). The equity raised through DRP on 20 May 2022 was $1.8 million by the issue of 1.2 million units at a price of $1.51 per unit.

The Trust operated a DRP for the June 2022 distribution, under which unitholders could elect to have their distribution entitlements satisfied by the issue of new units rather than being paid cash. The allocation price of units issued under the DRP were determined by applying a nil% discount to the arithmetic average of the daily volume weighted average prices for units traded from 4 July 2022 to 8 July 2022 (inclusive). The unit price applicable to June 2022 distribution is $1.32 per unit. The last date for receiving the election notice for the June 2022 DRP was 1 July 2022, and the DRP units will be issued on the distribution payment date on or around 22 August 2022.

The DRP was not available for the December 2021 distribution.

**Significant changes in the state of affairs**

*Aventus Group – scheme of arrangement*
On 18 October 2021, HomeCo Daily Needs REIT and HMC Capital announced that they had entered into a binding Scheme Implementation Deed ('SID') with Aventus Group (ASX: AVN) to acquire all AVN securities via schemes of arrangement subject to certain conditions ('the Merger').

Aventus Group was an internally managed owner of a large format retail portfolio comprising 19 properties valued at $2.5 billion in March 2022, which were sold to the REIT as part of the Merger.

Each AVN security holder received 2.2 units in the Trust (which resulted in approximately 1,257 million new HDN units being issued) and could elect to receive either $0.285 in cash or 0.038 HMC securities for each AVN security as consideration for the Merger. HMC Funds Management continued to be the responsible entity and trustee of the merged HDN group.

The Schemes were approved by the Supreme Court of New South Wales on 22 February 2022 with the implementation date of 4 March 2022. The purchase consideration was settled via the issuance of 1,257 million shares in the Trust at fair value of $1,803.8 million.

Further, the REIT acquired 17 properties during the period for $828.8 million (including transaction costs).

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

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

In July 2022, the REIT entered into an unconditional contract of sale to sell HomeCo Sunshine Coast for $140.0 million. This is at a 2.4% premium to 30 June 2022 valuation and is due to settle after the reporting period.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

**Likely developments and expected results of operations**

***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*

*Coronavirus (COVID-19) pandemic*
While the impact of the COVID-19 pandemic has continued across multiple Australian states and territories, no lockdown restrictions are currently imposed at any REIT managed properties. The REIT has a strong balance sheet, collected >99% of tenant income in the period to 30 June 2022 and is well-positioned to minimise any foreseeable 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 Capital has established a sustainability subcommittee of the HMC Capital Board that governs HMC Capital's sustainability strategy and initiatives across its managed funds, including the REIT. HMC Capital 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.

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

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

### Fees paid to and interests held in the REIT by the Responsible Entity
Fees paid to the Responsible Entity and its associates out of the REIT during the year are disclosed in note 26 to the consolidated financial statements. The Responsible Entity was reimbursed $0.7 million (2021: $0.2 million) relating to Non-Executive Director's remuneration. The number of units in the REIT held by its associates is disclosed below.

### *Unitholding relating to key management personnel*
The number of ordinary units in the REIT held during the year by each director, including their personally related parties, is set out below:

| Director | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| Simon Shakesheff | 211,646 | - | 2,061 | - | 213,707 |
| Simon Tuxen | 224,588 | - | 2,708 | - | 227,296 |
| Stephanie Lai | 226,711 | - | 84,814 | - | 311,525 |
| David Di Pilla | 19,031,404 | - | 204,464 | - | 19,235,868 |
| Greg Hayes | 5,095,341 | - | 53,874 | - | 5,149,215 |
| Bruce Carter | - | - | 2,528,486 | - | 2,528,486 |
| Robyn Stubbs | - | - | 91,001 | - | 91,001 |
| Darren Holland | - | - | 13,289,823 | - | 13,289,823 |
| **Total** | **24,789,690** | **-** | **16,257,231** | **-** | **41,046,921** |

**Units under option**
There were no unissued ordinary units of HomeCo Daily Needs 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 year ended 30 June 2022 and up to the date of this report.

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

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

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

**Information on directors**

| | |
|---|---|
| Name: | 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: | 213,707 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: | 227,296 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 HealthCo Healthcare & Wellness REIT (ASX: HCW) – appointed on 1 August 2021 |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chair of the Audit and Risk Committee |
| Interests in units: | 311,525 ordinary units |

| | |
|---|---|
| Name: | David Di Pilla |
| Title: | Non-Executive Director |
| Experience and expertise: | David led the team that founded and established HMC Capital in 2016.<br>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 HMC Capital (ASX: HMC) - appointed on 11 October 2017 and Non-Executive Director of HealthCo Healthcare and Wellness REIT (ASX: HCW) - appointed on 28 July 2021. |
| Former directorships (last 3 years): | None |
| Interests in units: | 19,235,868 ordinary units |

| | |
|---|---|
| Name: | Greg Hayes |
| Title: | Non-Executive Director |
| Experience and expertise: | Greg is currently a Non-Executive Director of HMC Capital (ASX: HMC); Non-Executive Director of Ingenia Communities (ASX: INA) & Non-Executive Director of Aurrum Holdings Pty Ltd.<br>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 HMC Capital (ASX: HMC); Non-Executive Director of Ingenia Communities (ASX: INA) |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Member of the Audit and Risk Committee |
| Interests in units: | 5,149,215 ordinary units |

| | |
|---|---|
| Name: | Bruce Carter |
| Title: | Non-Executive Director |
| Experience and expertise: | Bruce has spent over 30 years in corporate recovery and insolvency. Bruce was formerly managing partner at Ferrier Hodgson Adelaide for 19 years and prior to that a partner at Ernst & Young, Chair of the South Australian Economic Development Board and a member of the Executive Committee of Cabinet. He holds a Masters of Business Administration from Heriot-Watt University and a Bachelor of Economics from University of Adelaide. He is a Fellow of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. Bruce is currently Chair of the Australian Submarine Corporation, chair of AIG Australia Ltd and a director of Bank of Queensland Limited. Bruce is a former director of Crown Resorts Limited, SkyCity Entertainment Group Ltd, Genesee and Wyoming Inc (NYSE) and the Aventus Group. |
| Other current directorships: | Bank of Queensland |
| Former directorships (last 3 years): | Crown Resorts Limited, SkyCity Entertainment Group Limited, Genesee and Wyoming Inc (NYSE), Aventus Holdings Limited |
| Special responsibilities: | None |
| Interests in units: | 2,528,486 ordinary units |

| | |
|---|---|
| Name: | Robyn Stubbs |
| Title: | Non-Executive Director |
| Experience and expertise: | Robyn is a Board director working across several ASX 200-300 companies including Brickworks Limited and Inghams Group Limited. She is a non-executive director of Ranfurlie Asset Management. She also provides executive coaching services to a diverse range of corporate clients via the Stephenson Mansell Group. Robyn enjoyed a successful 25 plus years career as a senior executive in large, complex organisations. She spent 8 years with Stockland as a General Manager, her last role heading up retail leasing across a portfolio of 40 shopping centres nationally. Robyn is a graduate of the Australian Institute of Company Directors and holds a Master of Science degree in Coaching Psychology from the University of Sydney and was awarded a university medal with her business degree from the University of Technology, Sydney. |
| Other current directorships: | Brickworks Limited and Inghams Group Limited (appointed 20 January 2022) |
| Former directorships (last 3 years): | InvoCare Limited (resigned on 20 February 2021); Aventus Group (resigned on 4 March 2022) |
| Special responsibilities: | None |
| Interests in units: | 91,001 ordinary units |

| | |
|---|---|
| Name: | Darren Holland |
| Title: | Executive Director (retired as at 30 June 2022) |
| Experience and expertise: | Darren holds a Bachelor of Business (Land Economics) from the University of Western Sydney and is a licensed real estate Agent. Darren has more than 25 years experience in the retail property industry. He is experienced in leasing, development, asset management and acquisitions, and has grown assets under management from one centre in 2004 to 21 centres at the date of this report, valued at $2.5 billion. Prior to cofounding the Aventus Property Group, Darren played a leading role in the development and management of the only pure play listed Australian LFR owner and operator to date, Homemaker Retail Group (ASX: HRP). |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in units: | 13,289,823 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 HMC Capital (ASX: HMC) and HealthCo Healthcare and Wellness REIT (ASX: HCW). Before joining, Andrew was Senior Legal Counsel and Company Secretary at GPT Group. Prior to that, he was a Senior Associate at Allens Linklaters. Andrew holds a Master of Laws, Bachelor of Laws (Honours) and Bachelor of Science (Advanced), from the University of Sydney. He is a Member of the Governance Institute of Australia, a Member of the Association of Corporate Counsel Australia and is a Member of the Australian Institute of Company Directors. He previously served on the Law Society of NSW In-House Corporate Lawyers Committee. Andrew has also been recognised in The Legal 500 GC Powerlist and Doyles.

## Meetings of directors

The number of meetings of the Trust's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

| Director | Full Board | | Audit and Risk Committee | |
|---|---|---|---|---|
| | Attended | Held | Attended | Held |
| Simon Shakesheff | 21 | 21 | 6 | 6 |
| Simon Tuxen | 21 | 21 | - | - |
| Stephanie Lai | 21 | 21 | 6 | 6 |
| David Di Pilla* | 21 | 21 | 6* | 6* |
| Greg Hayes | 21 | 21 | 6 | 6 |
| Bruce Carter | 1 | 1 | - | - |
| Robyn Stubbs | 1 | 1 | - | - |
| Darren Holland | 1 | 1 | - | - |

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

* David Di Pilla attended Audit and Risk Committee meetings by invitation.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

## Officers of the Trust who are former partners of PricewaterhouseCoopers

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

## Rounding of amounts

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

## Auditor's independence declaration

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

**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

Simon Shakesheff
Chair

David Di Pilla
Director

17 August 2022

# *Auditor's Independence Declaration*

As lead auditor for the audit of HomeCo Daily Needs REIT for the year ended 30 June 2022, 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
17 August 2022

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

**HomeCo Daily Needs REIT**
**Consolidated statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2022**

| | Note | Consolidated 30 Jun 2022 $m | Period from 15 Oct 2020 to 30 Jun 2021 $m |
|---|---|---|---|
| **Income** | | | |
| Property income | 5 | 198.3 | 44.7 |
| Share of net profits from associates | 12 | 0.4 | - |
| Interest income | | - | 0.5 |
| Net change in assets/liabilities at fair value through profit or loss | 6 | 225.3 | 16.8 |
| **Expenses** | | | |
| Property expenses | | (41.9) | (10.9) |
| Corporate expenses | | (2.6) | (1.3) |
| Management fees | | (20.5) | (5.8) |
| Transaction costs | 7 | (0.5) | (5.6) |
| Finance costs | 7 | (23.4) | (7.1) |
| **Profit for the year** | | 335.1 | 31.3 |
| Other comprehensive income for the year | | - | - |
| **Total comprehensive income for the year** | | 335.1 | 31.3 |
| | | **Cents** | **Cents** |
| Basic earnings per unit | 29 | 28.07 | 5.97 |
| Diluted earnings per unit | 29 | 28.07 | 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 2022**

| | Note | Consolidated 30 Jun 2022 $m | Consolidated 30 Jun 2021 $m |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 23.2 | 249.5 |
| Trade and other receivables | 9 | 4.5 | 1.7 |
| Other assets | 10 | 10.8 | 3.5 |
| | | 38.5 | 254.7 |
| Assets held for sale | 11 | 14.1 | 14.1 |
| Total current assets | | 52.6 | 268.8 |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 12 | 7.6 | - |
| Investment property | 13 | 4,739.9 | 1,111.8 |
| Derivative financial instruments | 14 | 55.1 | - |
| Other assets | 10 | 1.0 | 9.8 |
| Total non-current assets | | 4,803.6 | 1,121.6 |
| **Total assets** | | 4,856.2 | 1,390.4 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 73.2 | 19.0 |
| Lease liabilities | 17 | 0.2 | - |
| Distributions payable | 19 | 43.8 | 12.5 |
| Total current liabilities | | 117.2 | 31.5 |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 1,590.0 | 414.8 |
| Lease liabilities | 17 | 11.3 | 11.0 |
| Total non-current liabilities | | 1,601.3 | 425.8 |
| **Total liabilities** | | 1,718.5 | 457.3 |
| **Net assets** | | 3,137.7 | 933.1 |
| **Equity** | | | |
| Contributed equity | 18 | 2,914.3 | 926.0 |
| Retained profits | | 223.4 | 7.1 |
| **Total equity** | | 3,137.7 | 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 year ended 30 June 2022**

| **Consolidated** | **Contributed equity $m** | **Retained profits $m** | **Total equity $m** |
|---|---|---|---|
| Balance at 15 October 2020 | - | - | - |
| Profit for the year | - | 31.3 | 31.3 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 31.3 | 31.3 |
| *Transactions with owners in their capacity as owners:* | | | |
| Contributions of equity, net of transaction costs (note 18) | 926.0 | - | 926.0 |
| Distributions paid (note 19) | - | (24.2) | (24.2) |
| Balance at 30 June 2021 | 926.0 | 7.1 | 933.1 |

| **Consolidated** | **Contributed equity $m** | **Retained profits $m** | **Total equity $m** |
|---|---|---|---|
| Balance at 1 July 2021 | 926.0 | 7.1 | 933.1 |
| Profit for the year | - | 335.1 | 335.1 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | - | 335.1 | 335.1 |
| *Transactions with owners in their capacity as owners:* | | | |
| Contributions of equity, net of transaction costs (note 18) | 1,988.3 | - | 1,988.3 |
| Distributions paid (note 19) | - | (118.8) | (118.8) |
| Balance at 30 June 2022 | 2,914.3 | 223.4 | 3,137.7 |

*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 year ended 30 June 2022**

| | Note | Consolidated 30 Jun 2022 $m | Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from tenants (inclusive of GST) | | 213.6 | 47.6 |
| Payments to suppliers (inclusive of GST) | | (49.3) | (19.1) |
| Interest and other finance costs paid | | (19.7) | (5.6) |
| Net cash from operating activities | 30 | 144.6 | 22.9 |
| **Cash flows from investing activities** | | | |
| Payment for acquisition of investment property on demerger from HMC Capital | | - | (205.0) |
| Payment for acquisition of investment property | | (914.0) | (517.0) |
| Cash acquired on acquisition of Aventus Retail Property Fund | | 5.9 | - |
| Distribution from associates | | 2.3 | - |
| Net cash used in investing activities | | (905.8) | (722.0) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of units | 18 | 158.3 | 565.0 |
| Unit issue transaction costs | | (3.5) | (18.1) |
| Proceeds from borrowings | | 1,179.8 | 420.7 |
| Borrowing cost paid | | (7.5) | (7.3) |
| Payment for derivative financial instruments | | (16.0) | - |
| Distributions paid | 30 | (80.1) | (11.7) |
| Repayment of borrowings | | (696.1) | - |
| Net cash from financing activities | | 534.9 | 948.6 |
| Net increase/(decrease) in cash and cash equivalents | | (226.3) | 249.5 |
| Cash and cash equivalents at the beginning of the financial year | | 249.5 | - |
| Cash and cash equivalents at the end of the financial year | 8 | 23.2 | 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' or 'parent entity') as a consolidated entity consisting of HomeCo Daily Needs REIT and the entities it controlled at the end of, or during, the year (collectively referred to hereafter as the 'REIT' or '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:

Level 7
Gateway
1 Macquarie Place
Sydney NSW 2000

A description of the nature of the REIT'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 financial year 1 July 2021 to 30 June 2022. The comparative period is from 15 October 2020 to 30 June 2021.

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

The Responsible Entity has appointed HMC Property Management Pty Limited (the 'Property Manager') and HMC Investment Management Pty Ltd (the 'Investment Manager) to provide certain asset management, investment management and development management services to 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 ultimate wholly owned subsidiaries of HMC Capital (ASX: HMC).

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 August 2022.

## Note 2. Significant accounting policies

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

**New or amended Accounting Standards and Interpretations adopted**
The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the group for the financial year ended 30 June 2022.

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

**Net current asset deficiency**
The financial statements are prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The statement of financial position reflects an excess of current liabilities over current assets of $64.6 million (2021: net current asset of $237.3 million). During the financial year ended 30 June 2022, the REIT generated a profit of $335.1million (2021: profit of $31.3 million) and cash inflow from operating activities of $144.6 million (2021: cash inflow of $22.9 million). As detailed in note 16, the REIT has access to unused bank debt facility of $219.5 million as at 30 June 2022.

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

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

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

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

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 27.

**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 2022 and the results of all subsidiaries for the year then ended. HomeCo Daily Needs REIT and its subsidiaries together are referred to in these financial statements as the 'group' or 'REIT'.

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

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

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

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

**Operating segments**
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which is the Board of Directors 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.

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

*Other property income*
Other property income represents surrender fees and 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'.

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

**Leasing costs and tenant incentives**

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

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

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

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

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

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

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

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

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

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

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

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

**Derivative financial instruments**
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Movements in fair value are recognised directly in profit or loss.

Derivatives are classified as current or non-current depending on the expected period of realisation.

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

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

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

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

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

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

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

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

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

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 at each reporting date at fair value. Movements in fair value are recognised directly to profit or loss. Investment properties are derecognised when disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected from its disposal. Gains or losses resulting from the disposal of 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.

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.

*Rental guarantees*
Rental guarantees income relating to investment property are capitalised in the statement of financial position. They are measured at fair value, equal to the net present value of expected future cash flows under the guarantee arrangements. The guarantee payments relating to the property are recorded in FFO as an adjustment to net profit over the period of the guarantee.

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

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

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

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

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

**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.

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

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

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

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

For reoccurring and non-recurring fair value measurements, external valuers may be used with all investment properties having an external valuation at least once every two years. External valuers are selected based on market knowledge and reputation. Under the REIT’s valuation policy, where there is a significant change in the fair value of an asset or liability from one period to another, an analysis is undertaken, which includes verification of major inputs applied to the latest valuation and comparison, where applicable with external sources of data.

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

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

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

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

**Earnings per unit**

*Basic earnings per unit*
Basic earnings per unit is calculated by dividing the profit attributable to the owners of 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 year, adjusted for bonus elements in ordinary units issued during the financial year.

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

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

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

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

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

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 2022. 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.

*Classification of liabilities as current or non-current (AASB 2020-1, AASB 2020-6)*

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

*Amendments to Australian accounting standards - Disclosure of accounting policies and definition of accounting estimates (AASB 2021-2)*

AASB 2021-2 amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. The effective date is for annual reporting periods commencing from 1 January 2023. The group has not yet assessed the impact but does not expect that it will be significant.

**Note 3. Critical accounting judgements, estimates and assumptions**

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

*Fair value measurement hierarchy*

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

The fair value of assets 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 2022 has been conducted using the information available at the time of the preparation of the financial statements and best estimates of future performance. Refer to note 21 for details of valuation techniques used.

**Note 4. Operating segments**

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

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

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 year ended 30 June 2022, there were no major customers of the group generating more than 10% of the group's external revenue. For the year 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.

*Segment results*

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $m | Period from 15 Oct 2020 to 30 Jun 2021 $m |
| Funds from operations ('FFO') | 105.6 | 21.4 |
| Straight lining and amortisation | (6.1) | (0.4) |
| Acquisition and transaction costs | (0.5) | (5.6) |
| Rent guarantee income | (2.0) | (0.9) |
| Fair value movements | 225.3 | 16.8 |
| Other | (0.2) | - |
| Other income | 13.0 | - |
| Net profit for the year | 335.1 | 31.3 |

**Note 5. Property income**

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $m | Period from 15 Oct 2020 to 30 Jun 2021 $m |
| Property rental income | 158.3 | 40.1 |
| Other property income | 40.0 | 4.6 |
| Property income | 198.3 | 44.7 |

*Disaggregation of revenue*
The revenue from property rental and other property income is derived entirely within Australia and recognised on a straight-line basis over the lease terms.

## Note 6. Net change in assets/liabilities at fair value through profit or loss

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022<br>$m | Period from 15 Oct 2020 to 30 Jun 2021<br>$m |
| Net unrealised fair value gain on investment properties | 185.3 | 16.8 |
| Net unrealised fair value gain on derivatives | 40.0 | - |
| | 225.3 | 16.8 |

## Note 7. Expenses

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022<br>$m | Period from 15 Oct 2020 to 30 Jun 2021<br>$m |
| Profit includes the following specific expenses: | | |
| *Transaction costs:* | | |
| IPO costs | - | 5.6 |
| Transaction costs | 0.5 | - |
| Total transaction costs | 0.5 | 5.6 |
| *Finance costs* | | |
| Interest and finance charges paid/payable on borrowings | 20.0 | 5.5 |
| Interest and finance charges paid/payable on lease liabilities | 0.4 | 0.1 |
| Amortisation of capitalised borrowing costs and effective interest rate ('EIR') expenses | 3.0 | 1.5 |
| Finance costs expensed | 23.4 | 7.1 |

## Note 8. Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022<br>$m | 30 Jun 2021<br>$m |
| *Current assets* | | |
| Cash at bank | 23.2 | 249.5 |

## Note 9. Trade and other receivables

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022<br>$m | 30 Jun 2021<br>$m |
| *Current assets* | | |
| Trade receivables | 2.3 | 0.6 |
| Other receivables | 1.8 | 0.9 |
| GST receivable | 0.4 | 0.2 |
| | 4.5 | 1.7 |

## Note 10. Other assets

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $m | 30 Jun 2021 $m |
| *Current assets* | | |
| Prepayments | 5.8 | 0.3 |
| Security deposits | 0.4 | 0.2 |
| Other current assets | 4.6 | 3.0 |
| | 10.8 | 3.5 |
| *Non-current assets* | | |
| Property deposits* | - | 8.8 |
| Other non-current assets** | 1.0 | 1.0 |
| | 1.0 | 9.8 |

* Property deposits of previous period represent transaction costs paid on the acquisition of daily needs assets from HMC Capital which were transferred on 1 July 2021.

** Other non-current assets of previous period 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 2022 $m | 30 Jun 2021 $m |
| *Current assets* | | |
| Investment property | 14.1 | 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 HMC Capital upon sub-division of the land.

## Note 12. Investments accounted for using the equity method

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $m | 30 Jun 2021 $m |
| *Non-current assets* | | |
| Investment in associate - Aventus Property Syndicate 1 Fund | 7.6 | - |

***Interests in associates***

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

| | | Ownership interest | |
|---|---|---|---|
| Name | Principal place of business / Country of incorporation | 30 Jun 2022 % | 30 Jun 2021 % |
| Aventus Property Syndicate 1 Fund | Australia | 25.30% | - |

## Note 12. Investments accounted for using the equity method (continued)

*Summarised financial information*

| | Aventus Property Syndicate 1 Fund 30 Jun 2022 $m |
|---|---|
| *Summarised statement of financial position* | |
| Current assets | 1.1 |
| Non-current assets | 58.4 |
| Total assets | 59.5 |
| Current liabilities | 1.3 |
| Non-current liabilities | 28.4 |
| Total liabilities | 29.7 |
| Net assets | 29.8 |
| *Summarised statement of profit or loss and other comprehensive income* | |
| Revenue and fair value gains on derivatives | 3.9 |
| Fair value gains on investment property | 7.5 |
| Expenses | (1.1) |
| Profit | 10.3 |
| Other comprehensive income | - |
| Total comprehensive income | 10.3 |
| *Reconciliation of the group's carrying amount* | |
| Opening carrying amount | - |
| Additions during the year | 9.6 |
| Share of profit | 0.4 |
| Share of distributions paid/payable | (0.3) |
| Return of capital received | (2.1) |
| Closing carrying amount | 7.6 |

Interest in associate had no capital commitments at 30 June 2022.

## Note 13. Investment property

Aventus Group was an internally managed owner of a large format retail portfolio comprising 19 properties valued at $2,551.4 million which were sold to the REIT as part of the Merger.

Each AVN security holder received 2.2 units in the Trust (which resulted in approximately 1,257 million new HDN units being issued) and could elect to receive either $0.285 in cash or 0.038 HMC securities for each AVN security as consideration for the Merger. HMC Funds Management continued to be the responsible entity and trustee of the merged HDN group.

| | Consolidated 30 Jun 2022 $m | Consolidated 30 Jun 2021 $m |
|---|---|---|
| *Non-current assets* | | |
| Investment property - at fair value | 4,739.9 | 1,111.8 |

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

| | Consolidated 30 Jun 2022 $m | Consolidated 30 Jun 2021 $m |
|---|---|---|
| Opening fair value | 1,111.8 | - |
| Additions on Aventus group merger (including transaction costs) | 2,551.4 | - |
| Additions upon demerger from HMC Capital | - | 550.6 |
| Acquisitions | 828.8 | 492.3 |
| Capitalised expenditure | 56.8 | 51.0 |
| Straight-lining and amortisation of incentives | 5.8 | 1.1 |
| Net unrealised gain from fair value adjustments (note 6) | 185.3 | 16.8 |
| Closing fair value* | 4,739.9 | 1,111.8 |

*Included in the closing fair value of investment property at year-end is $11.5 million (2021: $11.0 million) relating to leasehold improvements and right-of-use assets of a leasehold property.

Refer to note 21 for further information on fair value measurement.

All investment properties generate rental income and are disclosed in note 5 and the direct property expenses are disclosed in the consolidated statement of profit or loss. The investment properties are leased to tenants under operating leases with varying lease terms and rentals payable monthly. Lease payments for contracts include CPI increases and fixed percentage increases.

*Lease payments receivable (undiscounted)*

| | Consolidated 30 Jun 2022 $m | Consolidated 30 Jun 2021 $m |
|---|---|---|
| Minimum lease commitments receivable but not recognised in the financial statements: | | |
| 1 year or less | 252.7 | 65.6 |
| Between 1 and 2 years | 233.9 | 64.6 |
| Between 2 and 3 years | 204.5 | 62.9 |
| Between 3 and 4 years | 162.5 | 58.2 |
| Between 4 and 5 years | 127.5 | 51.7 |
| Over 5 years | 405.0 | 258.2 |
| | 1,386.1 | 561.2 |

## Note 14. Derivative financial instruments

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $m | 30 Jun 2021 $m |
| *Non-current assets* | | |
| Derivative asset | 55.1 | - |

Refer to note 21 for further information on fair value measurement.

## Note 15. Trade and other payables

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $m | 30 Jun 2021 $m |
| *Current liabilities* | | |
| Trade payables | 25.2 | 7.4 |
| Rent received in advance | 7.3 | 2.0 |
| Accrued expenses | 26.1 | 7.4 |
| Interest payable | 0.2 | 0.1 |
| Other payables | 14.4 | 2.1 |
| | 73.2 | 19.0 |

Refer to note 20 for further information on financial instruments.

## Note 16. Borrowings

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $m | 30 Jun 2021 $m |
| *Non-current liabilities* | | |
| Bank loans | 1,600.5 | 420.7 |
| Capitalised borrowing costs | (10.5) | (5.9) |
| | 1,590.0 | 414.8 |

Refer to note 20 for further information on financial instruments.

On 29 July 2021, the REIT completed an upsize and extension of its $500.0 million three-year senior secured syndicated debt facility to an $800.0 million senior secured syndicated debt facility. The facility comprised a $550.0 million five-year term facility and a $250.0 million revolver facility.

As part of Aventus merger, the group upsized its existing $800.0 million debt facility to a $1,620.0 million senior secured debt facility. In March 2022 the group upsized the debt facility by $200.0 million to a $1,820.0 million senior secured debt facility. The senior secured debt facility comprises two term facilities of $810.0 million and $300.0 million expiring in July 2026 and February 2024 respectively and a $710.0 million revolver facility expiring in July 2024.

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 year.

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

## Note 16. Borrowings (continued)

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

| | Consolidated 30 Jun 2022 $m | Consolidated 30 Jun 2021 $m |
|---|---|---|
| Total facilities | | |
| Bank loans | 1,820.0 | 500.0 |
| Used at the reporting date | | |
| Bank loans | 1,600.5 | 420.7 |
| Unused at the reporting date | | |
| Bank loans | 219.5 | 79.3 |

## Note 17. Lease liabilities

| | Consolidated 30 Jun 2022 $m | Consolidated 30 Jun 2021 $m |
|---|---|---|
| *Current liabilities* | | |
| Lease liability | 0.2 | - |
| *Non-current liabilities* | | |
| Lease liabilities | 11.3 | 11.0 |

Lease liability mainly represents the head lease agreement (ground lease) for the Parafield property. The lease has a 27 year term remaining with a 49 year option to extend.

For other AASB 16 disclosures, refer to note 13 for right-of-use assets, note 7 for interest expense, note 20 for maturity analysis of lease liabilities and the consolidated statement of cash flows for repayment of lease liabilities.

## Note 18. Contributed equity

| | Consolidated 30 Jun 2022 Units | 30 Jun 2021 Units | 30 Jun 2022 $m | 30 Jun 2021 $m |
|---|---|---|---|---|
| Ordinary class units - fully paid | 2,067,716,689 | 687,533,717 | 2,914.3 | 926.0 |

**Note 18. Contributed equity (continued)**

*Movements in ordinary units*

| Details | Date | Units | $m |
|---|---|---|---|
| Balance | 15 October 2020 | - | - |
| Units issued to HMC Capital (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 |
| Units issued as part of institutional placement (at $1.45 per unit) | 9 July 2021 | 48,275,862 | 70.0 |
| Units issued as part of institutional placement (at $1.61 per unit) | 17 September 2021 | 54,854,195 | 88.3 |
| Units issued as part of the distribution reinvestment plan (at $1.42 per unit) | 19 November 2021 | 3,927,429 | 5.6 |
| Units issued on acquisition of Aventus Holdings Limited (refer note 13) | 4 March 2022 | 1,257,007,121 | 1,803.8 |
| Units issued to HMC Capital in lieu of one-off acquisition fees (at $1.50 per unit)* | 6 April 2022 | 14,904,111 | 22.3 |
| Units issued as part of distribution reinvestment plan (at $1.51 per unit) | 20 May 2022 | 1,214,254 | 1.8 |
| Transaction costs on issue of units | | - | (3.5) |
| Balance | 30 June 2022 | 2,067,716,689 | 2,914.3 |

*The GST component of the acquisition fee was settled in cash, being $2.2m.

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 year.

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

## Note 19. Distributions

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

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $m | Period from 15 Oct 2020 to 30 Jun 2021 $m |
| Interim distribution for the year ended 30 June 2022 of 2.00 cents per unit with a record date of 30 September 2021 and payment date of 19 November 2021. Refer to note 18 for distribution settled in units. | 15.8 | - |
| Interim distribution for the year ended 30 June 2022 of 2.08 cents per unit with a record date of 31 December 2021 and payment date of 25 February 2022 | 16.5 | - |
| Interim distribution for the year ended 30 June 2022 of 2.08 cents (2021: 2.4 cents) per unit with a record date of 31 March 2022 and payment date of 20 May 2022. Refer to note 18 for distribution settled in units. | 42.7 | 11.7 |
| Final distribution for the year ended 30 June 2022 of 2.12 cents (2021: 1.8 cents) per unit with a record date of 30 June 2022 and payment date of 22 August 2022* | 43.8 | 12.5 |
| | 118.8 | 24.2 |

* Final distribution will be paid subsequent to the end of the financial year on or around 22 August 2022.

## Note 20. 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.

***Market risk***

*Foreign currency risk*

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

*Price risk*

The group is not exposed to any significant price risk.

*Interest rate risk*

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

**Note 20. Financial instruments (continued)**

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

| Consolidated | 30 Jun 2022 Weighted average interest rate % | 30 Jun 2022 Balance $m | 30 Jun 2021 Weighted average interest rate % | 30 Jun 2021 Balance $m |
|---|---|---|---|---|
| Bank loans - variable rate | 2.54% | 1,600.5 | 2.37% | 420.7 |
| Interest rate swap contracts - cash flow hedges (notional principal amount) | - | (1,075.0) | - | - |
| Net exposure to cash flow interest rate risk | | 525.5 | | 420.7 |

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

Sensitivities in interest rates of 50 (2021: 50) basis points based on the drawn debt at 30 June 2022 would have an adverse/favourable effect on profit of $4.6 million (2021: $2.1 million), noting the debt drawn balance during the period was varied.

*Derivatives interest rate swap*
The group has entered into interest rate swap contracts with notional/principal value as at 30 June 2022 of $1,075.0 million (2021: $Nil). The interest rate swap contract hedges the group's risk against an increase in variable interest rate. The remaining weighted average contract tenure of the contracts is 2.8 years as at 30 June 2022. The weighted average fixed rate is 0.80% per annum excluding caps and 1.36% per annum including caps (2021: Nil). Contracts with interest rate caps pay variable interest rates until the fixed rate is reached.

***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 2022 and 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 16 for details of unused borrowing facilities at the reporting date.

**Note 20. Financial instruments (continued)**

*Remaining contractual maturities*
The following tables detail the group's remaining contractual maturity for its financial 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 2022 | 1 year or less $m | Between 1 and 2 years $m | Between 2 and 5 years $m | Over 5 years $m | Remaining contractual maturities $m |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade payables | 25.2 | - | - | - | 25.2 |
| Other payables | 14.4 | - | - | - | 14.4 |
| *Interest-bearing - variable* | | | | | |
| Bank loans | 43.7 | 352.2 | 1,575.4 | - | 1,971.3 |
| *Interest-bearing - fixed rate* | | | | | |
| Lease liability | 0.7 | 0.7 | 1.6 | 32.9 | 35.9 |
| Total non-derivatives | 84.0 | 352.9 | 1,577.0 | 32.9 | 2,046.8 |

| 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 21. 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 2022 | Level 1 $m | Level 2 $m | Level 3 $m | Total $m |
|---|---|---|---|---|
| *Assets* | | | | |
| Investment property | - | - | 4,739.9 | 4,739.9 |
| Investment property - held for sale | - | - | 14.1 | 14.1 |
| Other assets | - | - | 1.0 | 1.0 |
| Derivatives - interest rate swaps | - | 55.1 | - | 55.1 |
| Total assets | - | 55.1 | 4,755.0 | 4,810.1 |

| 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 year.

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

*Valuation techniques for fair value measurements categorised within level 2 and level 3*
The basis of valuation of investment properties is fair value. Independent valuations are obtained on a rotational basis to ensure each property is valued at least once every 24 months by an independent external valuer. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. The discounted cash flow method and the capitalisation method are also considered for determining fair value. For properties not independently valued during a reporting period, a directors' valuation is carried out to determine the appropriate carrying value of the property as at the date of the report. Where directors' valuations are performed, the valuation methods include using the discounted cash flow method and the capitalisation method.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

*Level 3 assets and liabilities*

| Description | Unobservable inputs | Range (weighted average) 30 Jun 2022 | Range (weighted average) 30 Jun 2021 |
|---|---|---|---|
| Investment property - including held for sale | (i) Capitalisation rate | 4.0% to 6.5% (5.4%) | 4.5% to 7.0% (5.6%) |
| | (ii) Discount rate | 5.3% to 7.3% (6.3%) | 6.0% to 7.5% (6.5%) |
| | (iii) Terminal yield | 4.3% to 6.8% (5.6%) | 2.1% to 7.5% (5.3%) |

**Note 21. Fair value measurement (continued)**

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 (2021: 25) basis point change in capitalisation rate would increase/decrease the fair value by $232 million (2021: $50.9 million).

**Note 22. Key management personnel disclosures**

Fees paid or payable for services provided by directors, were borne by HMC Funds Management Limited, the Responsible Entity. Refer note 26 and the Director's report for further details.

**Note 23. Remuneration of auditors**

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

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022<br>$'000 | Period from 15 Oct 2020 to 30 Jun 2021<br>$'000 |
| *Audit services - PricewaterhouseCoopers* | | |
| Audit or review of the financial statements | 362 | 231 |
| *Other assurance services - PricewaterhouseCoopers* | | |
| Compliance plan audit | 22 | 22 |
| | 384 | 253 |

For the period non-audit services relating to tax compliance works was $100,000.

**Note 24. Contingent liabilities**

The group had no contingent liabilities as at 30 June 2022 and 30 June 2021.

**Note 25. Commitments**

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022<br>$m | 30 Jun 2021<br>$m |
| *Capital commitment* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Capital expenditure | 23.3 | 34.4 |
| Property acquisitions | 13.7 | 274.0 |
| | 37.0 | 308.4 |

**Note 26. 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 HMC Property Management Pty Limited (the 'Property Manager') and HMC Investment Management Pty Ltd (the 'Investment Manager') to provide certain asset management, investment management and development management services to 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 ultimate wholly owned subsidiaries of HMC Capital (ASX: HMC).

*Parent entity*
HomeCo Daily Needs REIT is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 28.

*Associates*
Interests in associates are set out in note 12.

*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.

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

| Type of fee | Method of fee calculation | Consolidated 30 Jun 2022 $'000 | Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $'000 |
|---|---|---|---|
| Base management fees | 0.65% per annum of Gross Asset Value ('GAV') up to $1.5 billion<br>0.55% per annum of GAV between $1.5 billion to $5.0 billion<br>0.50% per annum of GAV in excess of $5.0 billion | 13,597 | 4,440 |
| Property management fees | 3.0% of gross property income<br>15.0% of year 1 gross income on new leases | 8,453 | 1,349 |
| Leasing fees | 7.5% of year 1 gross income on renewals | 1,977 | 887 |
| Development management fees | 5.0% of project spend up to $2.5 million<br>3.0% of project spend over $2.5 million | 2,322 | 1,846 |
| Acquisition fees | 1.0% purchase price | 30,035 | 1,596 |
| Reimbursement of Responsible Entity expenses | Cost recovery | 710 | 289 |

**Note 26. Related party transactions (continued)**

The following other transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | 30 Jun 2022 $'000 | 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 | 2,470 | 1,962 |
| Payment for goods and services: Payments to Home Consortium Limited* | 381,300 | 26,141 |
| **Other transactions:** | | |
| Rental guarantee income from Home Consortium Limited | - | 475 |
| Rental guarantee and rental income from Home Consortium Leasehold Pty Ltd | 1,873 | - |
| Other income from Home Consortium Leasehold Pty Ltd** | 13,000 | - |
| Novation of interest rate swap Home Consortium Limited | 199 | - |
| Sub-underwriting fee paid to Home Consortium Developments Limited | - | 405 |

* Payments to Home Consortium Limited in the current period relate to property acquisitions. Prior period balance represents reimbursement of property acquisition deposits, capital expenditure and transaction costs incurred during the establishment of the group.

** Purchase price adjustment relating to South Nowra acquisition

.

*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 2022 $'000 | 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 |
| Trade and other receivables from Home Consortium Limited | 38 | - |
| Current payables: | | |
| Trade and other payables to the Investment Manager and Property Manager | 20,079 | 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 27. Parent entity information

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

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | 30 Jun 2022 $m | Period from 15 Oct 2020 to 30 Jun 2021 $m |
| Profit | 46.3 | 1.1 |
| Total comprehensive income | 46.3 | 1.1 |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | 30 Jun 2022 $m | 30 Jun 2021 $m |
| Total current assets | 15.9 | 250.3 |
| Total assets | 3,776.0 | 918.2 |
| Total current liabilities | 75.0 | 15.3 |
| Total liabilities | 943.6 | 15.3 |
| Equity | | |
| Contributed equity | 2,914.3 | 926.0 |
| Accumulated losses | (81.9) | (23.1) |
| Total equity | 2,832.4 | 902.9 |

*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 2022 and 30 June 2021.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2022 and 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 2022 and 30 June 2021.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Distributions received from subsidiaries are recognised as other income by the parent entity.

## Note 28. 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 2022 % | Ownership interest 30 Jun 2021 % |
|---|---|---|---|
| HomeCo DNR Finance Pty Ltd | Australia | 100% | 100% |
| HomeCo DNR (Braybrook) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Hawthorn East) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Keysborough) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Mornington) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Rosenthal) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Armstrong Creek) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Box Hill) Property Trust | Australia | 100% | - |
| HomeCo DNR (South Morang) Property Trust | Australia | 100% | - |
| HomeCo DNR (No. 3) Property Trust | Australia | 100% | - |
| HomeCo DNR (Pakenham) Property Trust | Australia | 100% | - |
| HomeCo DNR (Tingalpa) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Richlands) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Marsden) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Upper Coomera CC) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Bundall) Property Trust | Australia | 100% | - |
| HomeCo DNR (Mackay) Property Trust | Australia | 100% | - |
| HomeCo DNR (Toowoomba) Property Trust | Australia | 100% | - |
| HomeCo DNR (Upper Coomera) Property Trust | Australia | 100% | - |
| HomeCo DNR (Victoria Point) Property Trust | Australia | 100% | - |
| HomeCo DNR (North Lakes) Property Trust | Australia | 100% | - |
| HomeCo DNR (Richlands) Property Trust | Australia | 100% | - |
| HomeCo DNR (Butler) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Joondalup) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Ellenbrook) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Parafield) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Vincentia) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Penrith) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Prestons) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Glenmore Park) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Gregory Hills TC) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Seven Hills) Property Trust | Australia | 100% | 100% |
| HomeCo DNR (Marsden Park NSW) Property Trust | Australia | 100% | - |
| HomeCo DNR (Coffs Harbour) Property Trust | Australia | 100% | - |
| HomeCo DNR (No. 5) Property Trust | Australia | 100% | - |
| HomeCo DNR (Gregory Hills Home) Property Trust | Australia | 100% | - |
| HomeCo DNR (No.8) Property Trust | Australia | 100% | - |
| Aventus Ballarat Unit Trust | Australia | 100% | - |
| Aventus Bankstown Unit Trust | Australia | 100% | - |
| Aventus Belrose Unit Trust | Australia | 100% | - |
| Aventus Belrose Unit Trust | Australia | 100% | - |
| Aventus Caringbah Unit Trust | Australia | 100% | - |
| Aventus Castle Hill Unit Trust | Australia | 100% | - |
| Aventus Cranbourne Unit Trust | Australia | 100% | - |
| Aventus Cranbourne Thompsons Road Unit Trust | Australia | 100% | - |
| Aventus Epping Unit Trust | Australia | 100% | - |
| Aventus Highlands Unit Trust | Australia | 100% | - |
| Aventus Jindalee Unit Trust | Australia | 100% | - |
| Aventus Kotara South Unit Trust | Australia | 100% | - |
| Aventus Kotara South Unit Trust | Australia | 100% | - |
| Aventus Logan Unit Trust | Australia | 100% | - |

## Note 28. Interests in subsidiaries (continued)

| Name | Principal place of business / Country of incorporation | Ownership interest 30 Jun 2022 % | Ownership interest 30 Jun 2021 % |
|---|---|---|---|
| Aventus Marsden Park Unit Trust | Australia | 100% | - |
| Aventus Midland Unit Trust | Australia | 100% | - |
| Aventus Mile End Unit Trust | Australia | 100% | - |
| Aventus Mile End Stage 3 Unit Trust | Australia | 100% | - |
| Aventus Peninsula Unit Trust | Australia | 100% | - |
| Aventus Sunshine Coast Unit Trust | Australia | 100% | - |
| Aventus Tuggerah Unit Trust | Australia | 100% | - |
| Aventus Warners Bay Unit Trust | Australia | 100% | - |
| Aventus Property Administration Pty Ltd | Australia | 100% | - |

## Note 29. Earnings per unit

| | Consolidated 30 Jun 2022 $m | Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m |
|---|---|---|
| Profit | 335.1 | 31.3 |
| | Number | Number |
| Weighted average number of units used in calculating basic earnings per unit | 1,193,763,801 | 524,184,640 |
| Weighted average number of units used in calculating diluted earnings per unit | 1,193,763,801 | 524,184,640 |
| | Cents | Cents |
| Basic earnings per unit | 28.07 | 5.97 |
| Diluted earnings per unit | 28.07 | 5.97 |

## Note 30. Cash flow information

*Reconciliation of profit to net cash from operating activities*

| | Consolidated 30 Jun 2022 $m | Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m |
|---|---|---|
| Profit for the year | 335.1 | 31.3 |
| | | |
| Adjustments for: | | |
| Share of profit - associates | (0.4) | - |
| Net unrealised gain from fair value adjustments | (225.3) | (16.8) |
| Finance costs - non-cash | 3.0 | 1.5 |
| Straight-lining and amortisation of rental income/guarantees | (7.4) | (6.4) |
| | | |
| Change in operating assets and liabilities: | | |
| Movement in trade and other receivables | 3.3 | (1.7) |
| Movement in other operating assets | 1.5 | (1.9) |
| Movement in trade and other payable | 32.7 | 14.9 |
| Movement in rent received in advance | 2.1 | 2.0 |
| | | |
| Net cash from operating activities | 144.6 | 22.9 |

*Non-cash investing and financing activities*

| | Consolidated 30 Jun 2022 $m | Consolidated Period from 15 Oct 2020 to 30 Jun 2021 $m |
|---|---|---|
| Units issued under distribution reinvestment plan | (7.4) | - |
| Units issued in relation to acquisition of Aventus Retail Property Fund | (1,803.8) | - |
| Additions of investment property from Aventus Retail Property Fund | 1,803.8 | - |
| Additions of investment property upon demerger | - | 550.6 |
| Net fair value movement of investment properties | 185.3 | 16.8 |
| Net fair value movement of derivatives | 40.0 | - |
| Units issued to directors on demerger | - | (0.2) |
| Units issued to HMC Capital as part of demerger | - | (379.2) |
| | 217.9 | 188.0 |

## Note 30. Cash flow information (continued)

*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 during the year | - | - | 24.2 | 24.2 |
| Dividends paid during the year | - | - | (11.7) | (11.7) |
| Acquisition of investment property lease | - | 11.0 | - | 11.0 |
| Balance at 30 June 2021 | 420.7 | 11.0 | 12.5 | 444.2 |
| Net cash from/(used in) financing activities | 1,179.8 | (1.0) | - | 1,178.8 |
| Distributions declared during the year | - | - | 118.8 | 118.8 |
| Distributions paid during the year | - | - | (80.1) | (80.1) |
| Non-cash dividends under dividend reinvestment plan | - | - | (7.4) | (7.4) |
| Acquisition of investment property lease | - | 1.3 | - | 1.3 |
| Balance at 30 June 2022 | 1,600.5 | 11.3 | 43.8 | 1,655.6 |

## Note 31. Events after the reporting period

In July 2022, the REIT entered into an unconditional contract of sale to sell HomeCo Sunshine Coast for $140.0 million. This is at a 2.4% premium to 30 June 2022 valuation and is due to settle after the reporting period.

No other matter or circumstance has arisen since 30 June 2022 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.

**HomeCo Daily Needs REIT**
**Directors' declaration**
**30 June 2022**

In the opinion of the directors of the Responsible Entity:

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2022.

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

17 August 2022

# 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 2022 and of its financial performance for the year then ended

(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 2022
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- 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.

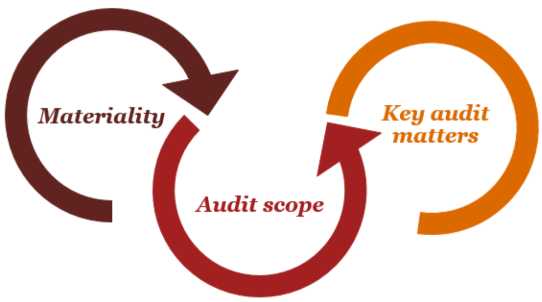
PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

## 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 $15 million, which represents approximately 0.5% of the Group's net assets.
- 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 Group net assets because, in our view, it is a common benchmark for entities with a high level of growth.
- 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.

All procedures are performed by the Group engagement team.

## 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 |
| --- | --- |
| ***Investment property***<br>*Refer to note 13 in the financial report*<br><br>This was a key audit matter as the investment property is the most significant balance in the consolidated statement of financial position ($4,739.9 million as at 30 June 2022) and due to the level of judgement required in determining the fair value of each investment property.<br><br>The Group's significant judgments included discounted cash flow analysis, the capitalisation method or the use of observable inputs that require significant adjustments based on unobservable inputs. | Our audit procedures on investment property included, amongst others:<br>● Understanding and evaluating controls over investment property valuations, including the control that the Board reviews and approves the valuations adopted.<br>● Obtaining an understanding of the prevailing market conditions in locations in which the Group invests by obtaining recent property market reports and meeting with property valuation experts.<br>● Understanding the specifics of the investment property portfolio including significant new leases entered into during the period, lease expiries, vacancy rates and planned capital expenditure through inquiring with management. We also inquired with both management and external property valuers about the ongoing impact of environmental, social and governance ('ESG') risk as well as the volatile economic environment on investment property valuations and how this has been considered in determining fair value as at 30 June 2022.<br>● Selecting a sample of leases and comparing the rental income used in the investment property valuation to the relevant underlying lease agreements.<br>● Selecting a sample of investment properties based on certain risk criteria and assessing the appropriateness of key assumptions used in the external valuations and internal valuation models. These procedures included, amongst others:<br>○ assessing 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.<br>○ assessing the appropriateness of other assumptions in the valuations such as growth rates, vacancies, rent free periods and incentives through inquiring with management and valuers, and obtaining other audit evidence such as new lease agreements.<br>● Agreeing the fair value of all investment properties to the external or internal valuation models and assessing the competency, capability and objectivity of the relevant valuer.<br>● Checking the valuation of investment properties had been performed in line with the Group's policy.<br>● Assessing the appropriateness of management's accounting treatment of the properties acquired in relation to the Aventus Group transaction.<br>● Assessing if the Group's disclosures relating to investment properties are in accordance with the requirements of Australian Accounting Standards. |

## 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 year ended 30 June 2022, 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, 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

Scott Hadfield
Partner

Sydney
17 August 2022

**HomeCo Daily Needs REIT**
**Related party leases**
**30 June 2022**

HomeCo Daily Needs REIT leases a number of its premises to related parties.

Since the date of the last financial report for the year ended 30 June 2021, the following leases with the tenants listed below now form part of HDN's portfolio as a result of the HDN/AVN merger which was implemented on 4 March 2022 and are disclosed as required by ASX waiver decisions dated November 2020 and July 2021.

The related party leases listed below originally formed part of the AVN property portfolio prior to the merger.

Details of leases with Spotlight are provided below:

| Location | Terms and renewal | Location | Terms and renewal |
|---|---|---|---|
| HomeCo Belrose Super Centre | Initial term of 5 years which commenced in February 2018 with 1 option to renew for 5 years. | HomeCo Cranbourne Home | Initial term of 10 years which commenced in December 2013 with 2 options to renew for 8 years each. |
| HomeCo Highlands Hub | Initial term of 10 years which commenced in August 2020 with 2 options to renew for 8 years each. | HomeCo Logan Super Centre | Initial term of 8 years which commenced in September 2017 with 2 options to renew for 6 years each. |
| HomeCo Tuggerah Super Centre | Initial term of 10 years with 2 options to renew of 8 years each. | HomeCo Ballarat Home | Initial term of 10 years which commenced in February 2014 with 2 options to renew for 6 years each. |

Details of leases with Anaconda are provided below:

| Location | Terms and renewal | Location | Terms and renewal |
|---|---|---|---|
| HomeCo Belrose Super Centre | Initial term of 10 years which commenced in November 2011 with 1 option to renew for 6 years. | HomeCo Logan Super Centre | Initial term of 8 years which commenced in March 2017 with 2 options to renew for 6 years each. |
| HomeCo Mile End | Initial term of 6 years which commenced in July 2017 with 2 options to renew of 6 years each. | HomeCo Ballarat Home | Initial term of 10 years which commenced in June 2014 with 2 options to renew for 6 years each. |

Details of leases with Harris Scarfe are provided below:

| Location | Terms and renewal |
|---|---|
| HomeCo Peninsula Home | Initial term of 2 years which commenced in April 2020 and currently holding over |

**HomeCo Daily Needs REIT**
**Unitholder information**
**30 June 2022**

The unitholder information set out below was applicable as at 28 July 2022.

**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 | 1,281 | 0.03 |
| 1,001 to 5,000 | 2,333 | 0.32 |
| 5,001 to 10,000 | 1,931 | 0.71 |
| 10,001 to 100,000 | 6,609 | 9.45 |
| 100,001 and over | 567 | 89.49 |
| | 12,721 | 100.00 |

Holding less than a marketable parcel is 438

**Equity unit holders**

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

| | Ordinary units | |
|---|---|---|
| | Number held | % of total units issued |
| HSBC Custody Nominees | 360,289,190 | 17.42 |
| JP Morgan Nominees Australia Limited | 263,215,499 | 12.73 |
| Home Consortium Limited* | 291,452,524 | 14.10 |
| BBFIT Investments Pte Limited | 176,954,585 | 8.56 |
| Citicorp Nominees Pty Limited | 132,809,542 | 6.42 |
| National Nominees Limited | 124,161,382 | 6.00 |
| RRI Investments Pty Ltd | 50,382,739 | 2.44 |
| BNP Paribas Noms Pty Ltd | 44,969,363 | 2.17 |
| BNP Paribas Nominees Pty Ltd | 39,937,707 | 1.93 |
| BB Retail Capital Pty Ltd | 26,239,442 | 1.27 |
| Aurrum Holdings Investment Company Pty Ltd | 25,005,679 | 1.21 |
| JD Marnabeck Pty Ltd | 17,369,642 | 0.84 |
| Citicorp Nominees Pty Limited | 15,043,049 | 0.73 |
| Rayra Pty Limited | 12,940,376 | 0.63 |
| BNP Paribas Noms(Nz) Ltd | 11,178,690 | 0.54 |
| Netwealth Investments Limited | 10,057,036 | 0.49 |
| Mr Michael Kenneth Hansen + Mrs Alison Betty Hansen | 7,939,296 | 0.38 |
| Coloskye Pty Limited | 7,096,883 | 0.34 |
| Bond Street Custodians Limited | 7,000,000 | 0.34 |
| CW Property Nominees Pty Ltd | 5,001,136 | 0.24 |
| Spotlight HIC Nominee Pty Ltd | 5,001,136 | 0.24 |
| | 1,634,044,896 | 79.02 |

*This includes all subsidiaries.

*Unquoted equity securities*
There are no unquoted equity securities.

**HomeCo Daily Needs REIT**
**Unitholder information**
**30 June 2022**

## Substantial holders

Substantial holders in the Trust are set out below:

| | Ordinary units | |
|---|---|---|
| | Number held | % of total units issued |
| Home Consortium Limited* | 291,452,524 | 14.1 |
| Brett Blundy* | 203,194,027 | 9.8 |

*	This includes all subsidiaries.

## Voting rights

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

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

There are no other classes of equity units.

## Restricted securities

There are no restricted securities.

**HomeCo Daily Needs REIT**
**Corporate directory**
**30 June 2022**

| | |
|---|---|
| Directors | Simon Shakesheff<br>Simon Tuxen<br>Stephanie Lai<br>David Di Pilla<br>Greg Hayes<br>Bruce Carter<br>Robyn Stubbs<br>Darren Holland |
| Responsible Entity | HMC Funds Management Limited<br>Level 7<br>Gateway<br>1 Macquarie Place<br>Sydney NSW 2000 |
| Company secretary | Andrew Selim |
| Registered office and<br>Principal place of business | Level 7<br>Gateway<br>1 Macquarie Place<br>Sydney NSW 2000 |
| Share register | Link Market Services Limited<br>Level 12, 680 George Street<br>Sydney NSW 2000<br>Telephone: 1300 554 474 |
| Auditor | PricewaterhouseCoopers<br>Tower One, International Towers Sydney<br>Level 17, 100 Barangaroo Avenue<br>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 year 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.<br><br>The group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and HomeCo Daily Needs REIT's other corporate governance policies and charters can be found on its website at https://www.hmccapital.com.au/our-funds/homeco-daily-needs-reit/ |