



ASX RELEASE

24 August 2022

APPENDIX 4E AND FY22 FINANCIAL REPORT

HMC Capital (ASX: HMC) provides the attached Appendix 4E and FY22 Financial Report.

This announcement is authorised for release by the Board.

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About HMC Capital

HMC Capital is an ASX-listed diversified alternative asset manager which invests in high conviction and scalable real asset strategies on behalf of individuals, large institutions, and super funds. HMC Capital is the manager of HomeCo Daily Needs REIT (ASX: HDN), HealthCo Healthcare and Wellness REIT (ASX: HCW) and HMC Capital Partners Fund I with external AUM of \$5.8 billion.

In August 2022, HMC established HMC Capital Partners Fund I, an open-ended unlisted fund providing exposure to a high-conviction investment strategy seeking to generate superior risk-adjusted returns. HMC Capital Partners Fund I targets public and private companies in Australia and New Zealand with real asset backing where there is potential to unlock 'trapped' value through improved capital allocation and portfolio management.

1. Company details

Name of entity:	Home Consortium Limited
ACN:	138 990 593
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

The comparative year results are for the stapled group comprising Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Pty Limited (ACN 635 859 700) (formerly Home Consortium Developments Limited). The current year results are for the stapled group until 24 December 2021 and for the Home Consortium Limited destapled group from 25 December 2021 to 30 June 2022.

2. Results for announcement to the market

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

	30 June 2022 \$'000	30 June 2021 \$'000	Change \$'000	Change %
Revenues from ordinary activities	78,592	73,597	4,995	7%
Profit/(loss) from ordinary activities after tax	77,249	(89,991)	167,240	186%
Profit/(loss) for the year for owners of Home Consortium Limited	77,249	(89,991)	167,240	186%
Profit/(loss) for the financial year including Home Consortium Developments Pty Limited that was stapled to Home Consortium Limited	107,262	(85,904)	193,166	225%

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend paid on 1 October 2021 to shareholders registered on 3 September 2021.	6.00	3.00
Interim dividend for the year ended 30 June 2022 paid on 7 April 2022 to shareholders registered on 2 March 2022.	6.00	6.00
Final dividend for the year ended 30 June 2022 will be paid on 7 October 2022 to shareholders registered on 2 September 2022.	6.00	6.00

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

3. Net tangible assets

	30 June 2022 \$	30 June 2021 \$
Net tangible assets per ordinary security	2.20	2.45

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

4. Control gained over entities

On 4 March 2022, the group acquired Aventus Holdings Limited and the entities it controlled at that date. Refer to note 37 of the consolidated financial statements for further details.

5. Loss of control over entities

During the financial year, the group established HealthCo Healthcare and Wellness REIT (HCW). Prior to listing, HCW was a subsidiary of the group until 2 September 2021. Refer to note 16 of the consolidated financial statements for further details.

6. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
HomeCo Daily Needs REIT (HDN)	14.1%	28.5%	60,911	8,940
HealthCo Healthcare and Wellness REIT (HCW)	20.9%	-	10,237	-
The George Trust	40.3%	-	-	-
General Medical Precinct Trust	25.0%	-	-	-
Life Sciences Medical Precinct Trust	30.2%	-	-	-
			<u>71,148</u>	<u>8,940</u>

Refer to note 16 of the consolidated financial statements for further information.

7. Audit

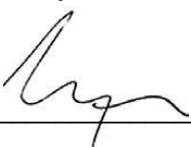
The financial statements have been audited and an unmodified opinion has been issued.

8. Attachments

The Annual Report of Home Consortium Limited for the year ended 30 June 2022 is attached.

9. Signed

As authorised by the Board of Directors

Signed  _____

Chris Saxon
Chair

Date: 23 August 2022

The logo for HM Capital, featuring the letters 'HM' in a bold, white, sans-serif font, followed by the word 'Capital' in a smaller, white, sans-serif font. A thin, horizontal gold bar is positioned below the logo.

HMCapital

Home Consortium Limited
ACN 138 990 593

Financial Report

For the year ended 30 June 2022



The directors of Home Consortium Limited (referred to hereafter as the 'Company' or 'parent entity' or 'HCL') present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group', 'HMC Capital' or 'HMC') consisting of HCL and the entities it controlled at the end of, or during, the year ended 30 June 2022.

The comparative period results are for the stapled group comprising of Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Pty Limited (ACN 635 859 700) (formerly Home Consortium Developments Limited ('HCDL')). As detailed in note 2 of the notes to the financial statements, the shares of HCL and HCDL were destapled on 24 December 2021. As a result, the current year results are for the stapled group until 24 December 2021 and for the destapled group from 25 December 2021 to 30 June 2022.

Directors

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

Chris Saxon	Independent Non-Executive Chair
David Di Pilla	Managing Director and Chief Executive Officer
Zac Fried	Non-Executive Director
Greg Hayes	Non-Executive Director
Jane McAloon	Independent Non-Executive Director
Brendon Gale	Independent Non-Executive Director
Kelly O'Dwyer	Independent Non-Executive Director

Principal activity

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

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Final dividend to shareholders registered on 3 September 2021 of 6.0 cents (2020: 7.5 cents) per ordinary security	17,416	19,292
Interim dividend for the year ended 30 June 2022 of 6.0 cents (2021: 6.0 cents) per ordinary security	17,416	17,407
	34,832	36,699

On 23 August 2022, the directors determined to pay a fully franked dividend of 6.0 cents per ordinary share. The dividends will be paid on 7 October 2022 to eligible shareholders on the register on 2 September 2022.

Significant changes in the state of affairs

During the year, the group completed or announced a number of strategic transactions to progress its funds management initiatives. Such transactions included the following:

HealthCo Healthcare and Wellness REIT (HCW)

- Establishment of the HealthCo Healthcare and Wellness REIT (HCW), a real estate investment trust with a mandate to invest in hospitals, aged care, childcare, government, life sciences and research and primary care and wellness property assets, as well as other healthcare and wellness property adjacencies.
- HCW raised \$650.0 million in equity and was listed on the ASX on 6 September 2021 with part of the proceeds being used to acquire all of HMC Capital's existing healthcare and wellness property portfolio for \$480.5 million.
- HCW is externally managed by HMC Capital via its subsidiary HCW Funds Management Limited (ACN 104 438 100) (AFSL 239882) which is also the responsible entity of HCW.
- The group has retained a direct investment in HCW of 20.9% as at 30 June 2022.

Aventus Group transaction

- On 18 October 2021, HCL and HomeCo Daily Needs REIT (HDN) announced that HMC Capital and HDN had entered into a binding Scheme Implementation Deed ('SID') with Aventus Group (AVN) to acquire all AVN securities comprising units in Aventus Retail Property Fund and shares in Aventus Holdings Limited via schemes of arrangement subject to certain conditions.
- The Schemes were approved by the Supreme Court of New South Wales on 22 February 2022 with the implementation date of 4 March 2022. Refer to note 37 for details of assets and liabilities acquired by the group and settlement of consideration. The purchase consideration was partly settled via the issuance of 9,351,451 shares in HCL.
- Aventus Group managed a large format retail portfolio comprising of 19 properties with a fair value of \$2.5 billion as at 31 December 2021 which was transferred to HDN as part of the merger. HMC Funds Management Limited, a subsidiary of the group, has continued, and will continue its role as the responsible entity and trustee of the merged HDN group.
- The group received an acquisition fee of \$22.3 million on completion of the transaction which was received as scrip in HDN. The group owns approximately 14.1% of the merged HDN group following the completion of the transaction which includes the acquisition fee units.

Capital recycling

In addition to the establishment of HCW and the HDN asset sales announced in April 2021 that completed on 1 July 2021, the group completed \$217.8 million of asset disposals during the financial year. This included the sale of 4 large format retail assets at Coffs Harbour, Lismore, North Lakes and Gregory Hills as well as a parcel of vacant land at Richlands to HDN. In addition, the sale of large format retail assets at Wagga Wagga, Knoxfield and Roxburgh Park were completed during the period. The group has now disposed of all investment properties and no longer holds a direct property portfolio.

Destapling of HCL and HCDL shares

In November 2021, HMC Capital proposed a simplification of the structure of the group from a stapled company structure to a single company structure. The proposal was approved by shareholder vote and the shares of HCL and HCDL were destapled on 24 December 2021.

HMC Capital Partners Fund I

In June 2022, HMC Capital lodged an initial substantial holder notice in Sigma Healthcare Limited (ASX: SIG) disclosing a relevant and economic interest of 11.1% which has subsequently increased to 13.9%. The investment is being acquired as a seed asset for the HMC Capital Partners Fund I (refer to matters subsequent to the end of the financial year for additional disclosure).

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

Review of operations and financial performance

A summary of the financial performance of the group for the financial year ended 30 June 2022 is outlined below.

	Consolidated 30 June 2022 \$'000	Consolidated 30 June 2021 \$'000
Total revenue including share of profit/loss of associates	150,094	78,832
Net profit/(loss) for the year	107,262	(85,904)
Funds from operations ('FFO')	89,013	35,785
Weighted average securities on issue (million)	293.3	273.2
FFO per security (cents)	30.3	13.1

The group recorded total revenue (including share of profit/loss of associates) of \$150.1 million (30 June 2021: \$78.8 million) and a statutory profit after tax for the current financial year of \$107.3 million compared to a loss of \$85.9 million for the financial year ended 30 June 2021. The statutory profit is primarily attributable to share of associate profit from investments in HDN and HCW of \$71.1 million and gain on sale of investment property of \$28.0 million.

FFO was \$89.0 million for the current financial year compared to FFO of \$35.8 million for the financial year ended 30 June 2021. FFO is a financial measure which is not prescribed by Australian Accounting Standards and represents the group's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit after tax for items that are non-cash, unrealised or capital in nature. The directors consider FFO to represent the core earnings of the group.

Funds from operations

The table below provides a reconciliation between the net profit/(loss) after tax for the year and FFO:

	Consolidated 30 June 2022 \$'000	Consolidated 30 June 2021 \$'000
Statutory profit/(loss) after tax	107,262	(85,904)
Profit before tax on discontinued operations	-	(9,883)
Deferred income tax expense	12,105	87,680
Depreciation expenses	520	-
Net fair value movements	(725)	21,954
Acquisition and transaction costs	11,376	1,945
Impairment expenses	21,339	-
Amortisation of borrowing costs	1,788	2,976
Straight-lining of rental income	563	3,503
Share of associate profit to FFO	(48,316)	(2,846)
Gain on investment in associates	(16,900)	-
Loss on demerger	-	15,446
Other adjustments	-	914
FFO	<u>89,013</u>	<u>35,785</u>

Summary of financial position

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

	Consolidated 30 June 2022 \$'000	Consolidated 30 June 2021 \$'000
Assets		
Investment properties	-	188,100
Total assets	912,950	982,412
Net assets	846,002	710,979
Net tangible assets*	659,228	710,979
Adjusted net tangible assets **	691,327	691,344
Number of securities on issue (million)	299.6	290.1
Net tangible assets (\$ per security)*	2.20	2.45
Adjusted net tangible assets (\$ per security)**	2.31	2.38
Capital management		
Debt facility limit	275,000	315,000
Drawn debt	-	254,750
Cash and undrawn debt	332,555	71,944
Gearing ratio (%)	-	25.6%
Hedged debt (%)	-	68.7%
Cost of debt (% p.a.)	nm	2.5%

* Net tangible assets include deferred tax assets and liabilities, right-of-use assets and lease liabilities.

** Adjusted net tangible assets exclude the following: right-of-use assets, lease liabilities, provisions and deferred tax assets and liabilities.

Financing

On 29 July 2021, the group completed an upsize and extension of its existing three-year senior secured syndicated debt facility to a \$375.0 million senior secured syndicated debt facility expiring in November 2023 which was used to provide and guarantee acquisition financing for the establishment of HCW. Following the establishment of HCW, the drawn debt facilities were repaid. There were no outstanding borrowings as at 30 June 2022 and the group reduced its facility limit to \$275.0 million in December 2021.

Property portfolio

As at 30 June 2022, the group no longer holds a direct property portfolio (30 June 2021: \$188.1 million). The reduction in freehold investment properties was driven by the disposal of assets for \$217.8 million, with capital additions and straight lining during the period of \$10.9 million and fair value adjustments of \$18.8 million.

Matters subsequent to the end of the financial year

HMC Capital Partners Fund I

On 4 July 2022, HMC Capital's wholly owned subsidiary HMC Investment Management Pty Limited (Manager) launched HMC Capital Partners Fund I (the Fund), an Australian domiciled unlisted wholesale fund providing exposure to a high-conviction investment strategies. The Fund will target public and private companies in Australia and New Zealand with real assets. HMC Capital has committed to investing \$150.0 million of equity into the Fund subject to the qualifications set out in the Fund information memorandum dated July 2022.

As part of an early commitment incentive program, initial investors into the Fund will receive rebated management fees and be eligible to subscribe for options in HMC Capital, subject to receiving (and making a valid application order) a prospectus in respect of such options and compliance with relevant law. The options are proposed to be issued following approval at HMC Capital's next AGM which is expected to be held in November 2022.

Following HMC Capital lodging an initial substantial holder notice in Sigma Healthcare Limited (ASX: SIG) in June 2022, HMC Capital increased its combined relevant and economic interest to 13.9%. The investment is being acquired as a seed asset for the Fund.

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

HMC Capital objectives

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

Risk considerations

Financial risks

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

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

Sustainability and climate-related and environmental risks

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

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

Environmental regulation

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

Information on directors

Name:	Chris Saxon
Title:	Independent Non-Executive Chair
Experience and expertise:	Chris is a leading Australian lawyer and was, until 2019, a partner with Baker McKenzie. Chris's practice included large-scale mergers and acquisition ('M&A') transactions across a range of sectors, notably energy (gas, electricity, renewable), industrials, infrastructure and mining. He has consistently been ranked as one of Australia's foremost project and M&A lawyers and has been lead adviser on government restructuring transactions and privatisations, major trade sales and infrastructure projects. Chris served as Chair of Baker McKenzie Australia for five years (2012-2017) and has held numerous leadership roles within the firm.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee
Interests in shares:	226,863 ordinary shares
Interests in rights:	24,083 share rights over ordinary shares
Name:	David Di Pilla
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	David led the team that founded and established HMC Capital in 2016. David is the founder, a director and the major shareholder of the Aurrum Aged Care group. From 2014 to 2016, he was also a strategic advisor and director to operating subsidiaries of the Tenix Group of Companies. David has over 20 years of experience in investment banking. From 2004 to 2015, he was Managing Director and Senior Adviser at UBS Australia and during this time he advised some of Australia's largest corporations on mergers and acquisitions, debt and equity capital market transactions.
Other current directorships:	Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) - appointed on 18 September 2020 and Non-Executive Director of HealthCo Healthcare and Wellness REIT (ASX: HCW) appointed on 28 July 2021.
Former directorships (last 3 years):	None
Interests in shares:	40,053,372 ordinary shares
Interests in rights:	911,949 share rights over ordinary shares

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

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 26,126,717 ordinary shares
Interests in rights: 13,156 share rights over ordinary shares

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

Other current directorships: Non-Executive Director of Ingenia Communities (ASX: INA); Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) - appointed on 16 October 2020.
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit and Risk Committee
Interests in shares: 10,978,088 ordinary shares
Interests in rights: 14,473 share rights over ordinary shares

Name: Jane McAloon
Title: Independent Non-Executive Director
Experience and expertise: Jane is Chair and Non-Executive Director of Energy Australia, United Malt Group, Newcrest Mining, Allianz Australia and is a member of the Advisory Board of Allens Linklaters. She is also Chairman of Monash University Foundation. Jane has worked in the natural resources, energy, infrastructure and utility industries for over 25 years. She was President Governance and Group Company Secretary at BHP Billiton for nine years during which she worked on key strategic issues, corporate transactions, as well as market, regulatory and reputational matters. Prior to this she was a senior executive at AGL Energy Limited. Jane worked in executive leadership roles with the NSW Government Cabinet Office and the Energy, Rail and Natural Resources Departments. She previously worked in private legal practice. Her previous appointments include Viva Energy, Port of Melbourne, Civil Aviation Safety Authority, Cogstate Limited, Healthscope Limited, Bravery Trust, Defence Reserves Services Council, Referendum Council on Constitutional Recognition for Aboriginal and Torres Strait Islander Peoples and the Australian War Memorial. Jane has a Bachelor of Economics (Hons) and Bachelor of Laws from Monash University, a Grad Dip Corporate Governance and was awarded a Monash University Fellowship in 2018.

Other current directorships: Non-Executive Director of Energy Australia – appointed 19 December 2012, United Malt Group – appointed 13 February 2020, Allianz Australia Ltd – appointed 1 July 2020, Newcrest Mining Limited - appointed 1 July 2021.

Former directorships (last 3 years): Viva Energy Group Limited (ASX: VEA) – retired in August 2021, GrainCorp Limited (ASX: GNC) - 23 March 2020; Cogstate Limited (ASX: CGS) - 21 October 2019.

Special responsibilities: Chair of the Audit and Risk Committee, member of the Remuneration and Nomination Committee and member of the Sustainability Committee

Interests in shares: 200,888 ordinary shares
Interests in rights: 16,109 share rights over ordinary shares

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

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Sustainability Committee and member of the Remuneration and Nomination Committee

Interests in shares: 250,307 ordinary shares
Interests in rights: 14,274 share rights over ordinary shares

Name:	Kelly O'Dwyer
Title:	Independent Non-Executive Director
Experience and expertise:	Kelly is a Non-Executive Director of Equity Trustees, HealthCo Healthcare and Wellness REIT and Barrenjoey Capital Partners Group Holdings Pty Ltd. Kelly previously served in the Australian Parliament as a Senior Cabinet Minister holding several key economic portfolios including Minister for Jobs and Industrial Relations; Minister for Revenue and Financial Services; Minister for Small Business; and Assistant Treasurer. She also served on the Cabinet's Budget Committee (the Expenditure Review Committee) and held the portfolios of Minister for Women; as well as Minister Assisting the Prime Minister with the Public Service. Prior to entering Parliament, Kelly worked in law, government and finance and brings insights across a range of sectors including funds management, superannuation, workplace relations, foreign investment, law and banking. Kelly is a member of the School Council at Caulfield Grammar School and a member of the Hospice Rebuild Capital Fundraising Committee for Very Special Kids. Kelly holds a Bachelor of Laws (Hons) and Bachelor of Arts from The University of Melbourne.
Other current directorships:	Non-Executive Director of EQT Holdings Limited (ASX:EQT) and Non-Executive Director of HealthCo Healthcare and Wellness REIT (ASX: HCW) appointed on 1 August 2021. Kelly became a director of EQT Holdings Limited (ASX: EQT) in March 2021. Equity Trustees Limited (which is a subsidiary of EQT Holdings Limited) (ETL) is the custodian of assets of HomeCo Daily Needs REIT and the HealthCo Healthcare and Wellness REIT (both of which are managed by HMC Capital) under custody agreements for arm's length market-based fees. Equity Trustees Wealth Limited (ETWL), another subsidiary of EQT, is also assisting HMC Capital on taking steps to advance the establishment of the HMC Capital Foundation for arm's length market-based fees. With respect to both engagements, Kelly did not participate in the decision to appoint an Equity Trustees subsidiary.
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and member of the Sustainability Committee.
Interests in shares:	39,066 ordinary shares
Interests in rights:	9,569 share rights over ordinary shares

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

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

Company secretary

Andrew Selim joined the group in 2017 and is Group General Counsel and Company Secretary. He is responsible for all legal, compliance and governance activities of the group. Andrew has over 20 years of local and international experience in real estate and corporate law. Before joining the group, Andrew was Senior Legal Counsel and Company Secretary at GPT Group. Prior to that, he was a Senior Associate at Allens Linklaters. Andrew holds a Master of Laws, Bachelor of Laws (Honours) and Bachelor of Science (Advanced), all from the University of Sydney. He is a Member of the Governance Institute of Australia, a Member of the Association of Corporate Counsel Australia and is a Member of the Australian Institute of Company Directors. He previously sat on the Law Society of NSW In-House Corporate Lawyers Committee. Andrew has also been recognised in The Legal 500 GC Powerlist and Doyles as a leading in-house lawyer.

Meetings of directors

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

	Full Board Attended	Full Board Held	Remunera- tion and Nomination Committee Attended	Remunera- tion and Nomination Committee Held	Audit and Risk Committee Attended	Audit and Risk Committee Held	Sustain- ability Committee Attended	Sustain- ability Committee Held
Chris Saxon	13	13	4	4	-	-	-	-
David Di Pilla*	13	13	4	4	6	6	4	4
Zac Fried	13	13	-	-	-	-	-	-
Greg Hayes	13	13	-	-	6	6	-	-
Jane McAloon	13	13	4	4	6	6	4	4
Brendon Gale	13	13	4	4	-	-	4	4
Kelly O'Dwyer	13	13	-	-	6	6	4	4

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

* David Di Pilla attended remuneration and nomination, audit and risk and sustainability committee meetings by invitation.

Shares under option

There were no shares issued on the exercise of options or unissued ordinary shares of HCL under option outstanding at the date of this report.

Shares under share rights

There were 2,559,167 unissued ordinary shares of HCL under performance rights at the date of this report. The rights are exercisable at \$Nil exercise price.

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

Shares issued on the exercise of options

There were no ordinary shares of HCL issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Shares issued on the exercise of performance rights

145,072 ordinary shares of HCL were issued on the exercise of performance rights during the year ended 30 June 2022 and up to the date of this report. The performance rights were exercised at an exercise price of \$Nil per share.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

Proceedings on behalf of HCL

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

Remuneration report

Letter from the Chair of the Remuneration and Nomination Committee

Dear Shareholders,

On behalf of the Board of Directors (the 'Board') and as Chair of the Remuneration and Nomination Committee, I am pleased to present HMC Capital's remuneration report for the year ended 30 June 2022 ('FY22').

Remuneration Philosophy and Framework

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

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

Overview of FY22 Performance

The Board considers that the Group has performed strongly in FY22 to execute its funds management initiatives and each member of the management team has contributed significantly to this strategy.

Funds under external management increased by \$4.16 billion or 299% during FY22 from \$1.39 billion as at 30 June 2021 to \$5.55 billion as at 30 June 2022. This increase was driven by two major transactions being:

- Establishment of the HealthCo Healthcare and Wellness REIT ('HCW'), a healthcare focused real estate investment trust that raised \$650.0 million in equity and listed on the ASX in September 2021. HCW is externally managed by HMC Capital; and
- Acquisition of the Aventus property portfolio by HomeCo Daily Needs REIT (externally managed by HMC Capital). Aventus owns a national property portfolio of 19 properties which were valued at \$2.5 billion as at 31 December 2021.

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

- FY22 FFO (pre-tax) of \$91.0 million or 31.0 cents per share, representing a 126% increase vs. FY21 FFO (pre-tax) per share. This materially exceeded FY22 FFO (pre-tax) guidance of 18.5 cents per share provided in August 2021; and
- 73% total shareholder return from inception (HMC Capital's ASX listing in October 2019) to 30 June 2022, representing 80% outperformance versus the S&P/ASX 200 A-REIT index and 62% outperformance versus the S&P/ASX 200 index*.

* TSR methodology based on 30-day closing start and end price. HMC start price based on ASX IPO share price of \$3.35.

FY22 Remuneration Outcomes

During FY22 the Board again reviewed the remuneration structure of the Executive KMP to ensure remuneration continued to align and reflect the rapid increase in the size of the Company and the complexity of the Group's business, including the increased emphasis on the development of the Group's diversified alternative asset management business, HMC Capital Partners. Benchmarking continued to show that FR for some Executive KMP was positioned well below the median of the key comparator groups and their incentive opportunity was also positioned below the median of comparable organisations. To ensure key executives were retained, and that they were appropriately incentivised to continue to grow the Company, the following key remuneration changes were made during FY22. They continue to demonstrate the strong alignment between Group performance and executive remuneration outcomes.

- The FR to the Managing Director and Chief Executive Officer (MD&CEO) increased by 37%, but his FR remains significantly below benchmarked comparator groups.

- The FR to the Chief Operating Officer (COO) and Chief Financial Officer (CFO) increased by 14% and 13% respectively.
- Both the CFO and COO have had their target STIP increased to 50% with an opportunity of 75% at stretch, and LTIP opportunity increased to 50%.
- As in FY20 & FY21 the Managing Director and Chief Executive Officer did not participate in the STIP in FY22.
- STIP outcomes for the other Executive KMP were assessed relative to delivery of the Group's FFO per share and a number of individual KPIs which were determined to have been successfully met, resulting in STIP payments of 91% of target to the COO (61% of his maximum opportunity) and 91% of target to the CFO (61% of his maximum opportunity). This demonstrates the stretch nature of the STIP KPIs that apply to the COO and CFO.
- No LTIP awards vested during FY22 as the first LTIP awards were made in post IPO of the Group in FY20 and have a three-year performance period.
- The only change to Non-Executive Director fees was an increase to Committee Chair fees to reflect increased workload from \$20,000 to \$30,000 (except for the Remuneration & Nominations Committee where the Board Chair holds this role).

Looking Forward to FY23

Each year the Board benchmarks the Executive KMP roles against comparator groups based on both market capitalisation and industry comparators. To reflect these findings, to better align with market, and to reflect the increased size and complexity of the business in terms of market capitalisation, FUM and expansion of the business into alternative asset management the Board has determined to make the following changes to Executive KMP for FY23:

- An increase in the Fixed Remuneration (FR) of the Managing Director and Chief Executive Officer by 32%. This increase reflected that Mr Di Pilla's fixed remuneration is significantly below the median of both comparator groups (despite an increase in FY22). The Board is determined to increase the MD&CEO's fixed remuneration closer to the median of the market, given his critical role in the Company and the value he brings to the Group. There is no change to his STIP opportunity as it has been Mr Di Pilla's practice to decline participation in the STIP. Mr Di Pilla's LTIP opportunity in FY23 will remain unchanged as a percentage of FR;
- The COO, Mr Sharma will receive a 9% increase in his fixed remuneration, and target STI and maximum LTI opportunities will increase from 50% to 60% of fixed remuneration. This change reflects Mr Sharma's new role as Chief Executive Officer of the HomeCo Daily Needs REIT, from 1 July 2022, whose size significantly increased in March 2022 with the acquisition by HDN of 100% of the units of the Aventus Trust.
- The CFO, Mr McMicking will receive an 11% increase in his fixed remuneration, and his target STI and maximum LTI opportunities will increase from 50% to 60% of fixed remuneration. The increase to fixed remuneration reflects the benchmarking undertaken by the Board which showed the CFO's fixed remuneration and total target remuneration well below median of both market capitalisation and industry comparator groups. It also reflects the increased complexity of the Group, post-merger with Aventus and the development of HMC Capital Partners.
- There will be no increase to any director board or committee fees for FY23.
- The Board is reviewing the introduction for STI deferral for a portion of the FY23 STIP for Executive KMP. The final quantum and terms of the STI deferral will be set out in the FY23 Remuneration Report.
- HMC Capital will introduce a new Mandatory Shareholding Policy for Non-Executive Directors, Executive KMP and selected senior management. Details of the new Policy will be set out in the FY23 Remuneration Report.

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

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



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

23 August 2022

Remuneration report (audited)

1. Key Management Personnel

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

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

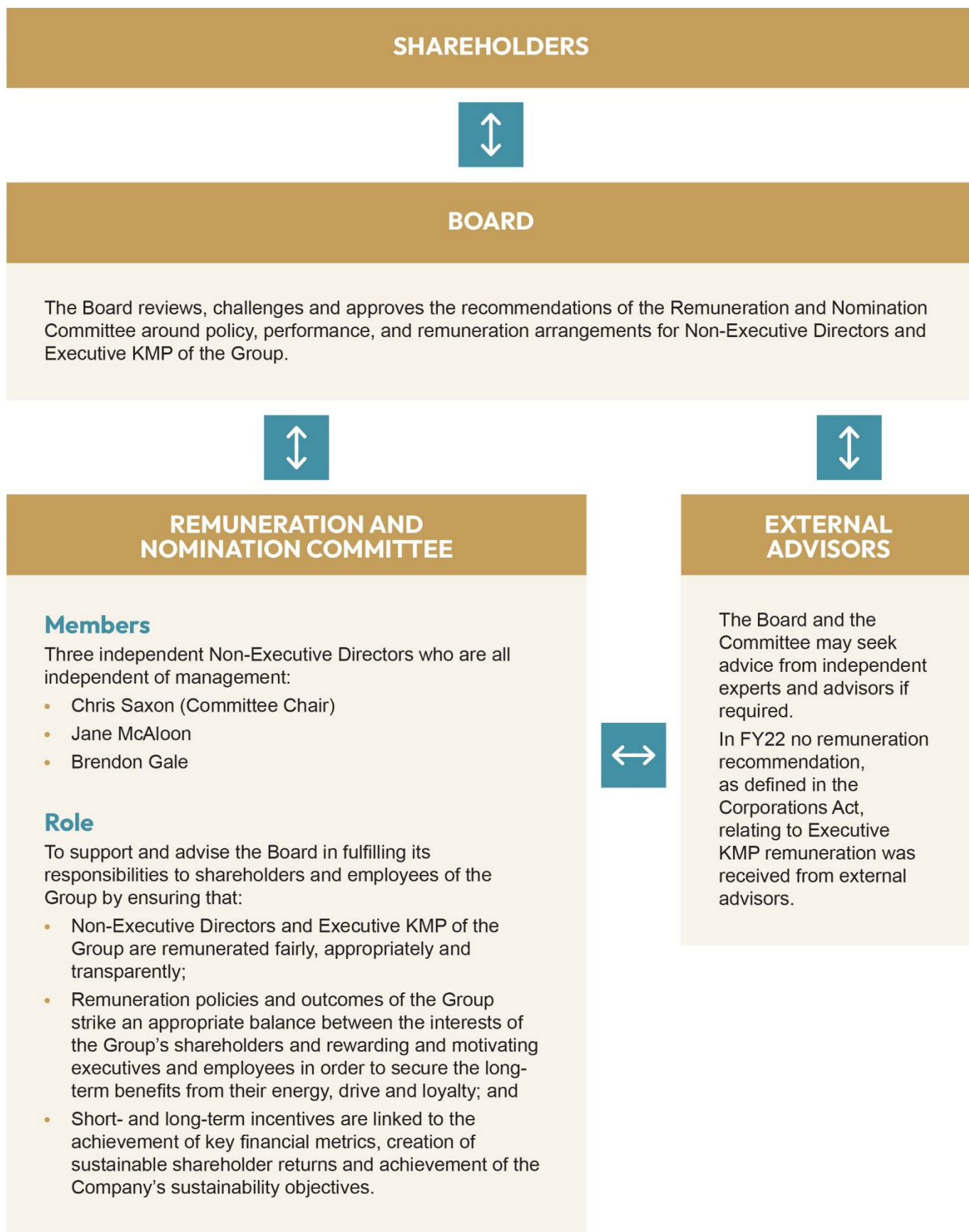
The Managing Director and Chief Executive Officer (MD&CEO) and other senior executives considered KMP are collectively referred to as the Executive KMP of HMC Capital. All KMP were KMP for the full year unless noted otherwise.

Non-Executive Directors	Role
Chris Saxon	Chair and Non-Executive Director
Zac Fried	Non-Executive Director
Brendon Gale	Independent Non-Executive Director
Greg Hayes	Non-Executive Director
Jane McAloon	Independent Non-Executive Director
Kelly O'Dwyer	Independent Non-Executive Director

Executive KMP	Role
David Di Pilla	Managing Director and Chief Executive Officer
Sid Sharma	Chief Operating Officer
Will McMicking	Chief Financial Officer

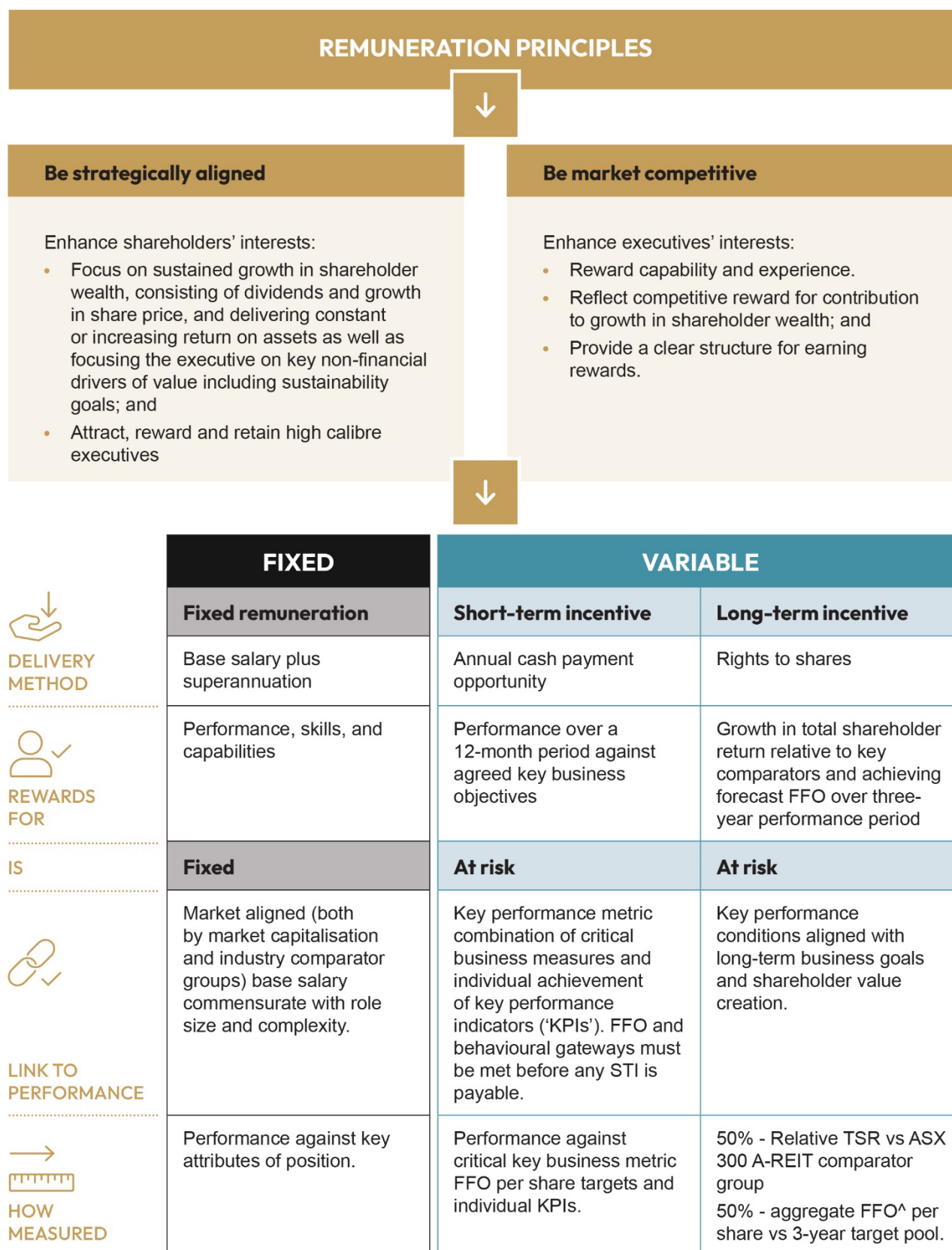
2. Executive Remuneration Governance and Structure

The following diagram illustrates HMC Capital's remuneration governance:



3. Executive Remuneration Principles and Structure

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



[^] FFO excludes leasehold FFO prior to the sale in FY21

Executive KMP have their remuneration benchmarked regularly by the Remuneration and Nomination Committee. In benchmarking these roles, the Committee typically uses benchmarks comprising several groups of comparable companies. In FY22 these included:

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

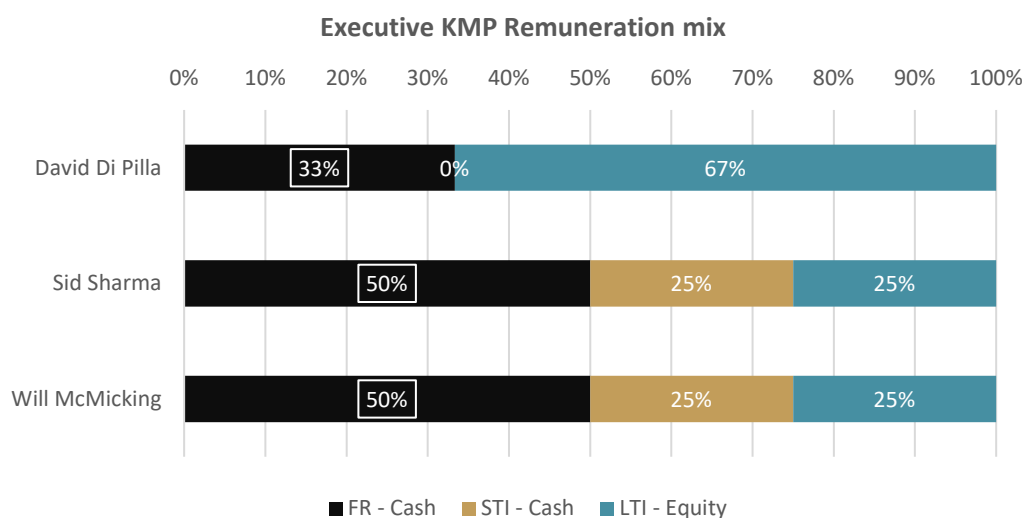
Each of the relevant Executive KMP's total remuneration is made up of a mix of Fixed Remuneration and Variable Remuneration, as set out below.

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

Remuneration Mix - FY22

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

Table 1: Executive KMP remuneration mix for FY22



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

Term	Details
Rationale	The HMC Capital STIP is designed to attract, motivate and retain the Executive KMP and key employees who participate by providing an opportunity to be rewarded for outperformance based on performance against key critical business metrics over the FY22 financial year
Eligibility	All Executive KMPs are eligible to participate in the STIP. The Board may also invite other selected employees to participate from time to time.
Opportunity	The MD&CEO has elected not to participate in the FY22 STIP (as in prior years). Other Executive KMP have a target opportunity of 50% and a maximum opportunity of 75% of their annual fixed remuneration (base salary + superannuation).
Performance period	The performance period for the Plan is the 12 months ending 30 June 2022.
Gateways	Unless the below Gateways are met, no STI is payable for Executive KMP: <ol style="list-style-type: none"> 1. HMC Group FFO Gateway FY22 FFO per share of 18.5 cents (pre-tax) 2. HDN & HCW Fund FFO Gateways HDN FY22 FFO per unit of 8.3 cents HCW FY22 FFO per unit of 4.32 cents 3. Behavioural gateway Every STIP eligible employee must demonstrate they have met and continue to comply with HMC Group values as set out in the Code of Conduct.
Performance conditions	<p>The FY22 STIP is subject to the following performance conditions tested over the performance period:</p> <ul style="list-style-type: none"> ▪ the Group's FFO per share guidance; and ▪ individual KPIs agreed with each member of the KMP. KPIs vary according to the areas of responsibility for each STIP participant. <p>In determining STIP performance the Board will consider performance against the HMC Capital Sustainability Commitments. Failure to achieve appropriate progress will result in the dial-down of STI outcomes for some or all employees.</p>
Vehicle	STIP awards are typically delivered in cash unless the Board determines otherwise.
Discretion	The Board retains the right to apply discretion when determining annual STI outcomes. No such overriding discretion was applied in FY22.

FY22 Executive KMP STIP Performance and outcomes

For the FY22 all performance gateway metrics for Executive KMP participating in the STIP were met as follows:

Performance category	Metric	FY22 Performance Outcome	Met / Not met
1. HMC Group FFO Gateway	FY22 FFO per share of 18.5 cents (pre-tax)	31.0 cents per share	Met
2. HDN & HCW Fund Gateways	HDN FY22 FFO per unit of 8.3 cents HCW FY22 FFO per unit of 4.32 cents	8.85 cents per unit 5.10 cents per unit	Met
3. Behavioural gateway	Every STIP eligible employee must demonstrate they have met and continue to comply with HMC Group values as set out in the Code of Conduct.		Met

All Executive KMP, aside from the MD&CEO (who does not participate in the STIP), share the same KPI of ensuring the Group performs in accordance with or exceeds ASX FFO per share guidance. In addition, each Executive KMP eligible for an STI has metrics that are specific to their role. The following tables sets out the role-specific metrics and performance outcomes. Where metrics are commercially sensitive an appropriate overview of the metric has been provided.

Chief Operating Officer, Sid Sharma

Performance category	Metric	FY22 STIP Outcome 91% of target
1. Financial	<ul style="list-style-type: none"> Delivery of FFO per unit growth above gateway across HMC Group entities 	HMC Capital FFO (pre-tax) Performance of 31.0c per share significantly exceeded target of 18.5c per share.
2. Developments	<ul style="list-style-type: none"> Delivery of existing projects, increasing development pipeline and delivery of accretive acquisitions 	Development pipeline met.
3. Systems	<ul style="list-style-type: none"> Delivery of operating systems to support growth (especially designed to improve returns for the REITs) 	Systems delivered and metrics met.
4. Other	<ul style="list-style-type: none"> Variety of other KPIs including metrics relating to growth and ESG strategy 	Metrics largely met, but some tracking slightly behind schedule.

Chief Financial Officer, Will McMicking

Performance category	Metric	FY22 STIP Outcome 91% of target
1. Financial	<ul style="list-style-type: none"> Delivery of FFO per unit growth above gateway across HMC Group entities 	HMC Capital FFO (pre-tax) Performance of 31.0c per share significantly exceeded target of 18.5c per share.
2. FUM	<ul style="list-style-type: none"> Increase in FUM across HMC Group 	Stretch FUM target not reached despite funds under external management increasing by \$4.16 billion.
3. Systems	<ul style="list-style-type: none"> Delivery of operating systems to support growth (including in the finance, IT and reporting areas) 	Systems delivered and metrics met.
4. Other	<ul style="list-style-type: none"> Variety of other KPIs including those relating to people, growth in capability in key areas. 	Significant progress made in a number of key areas but targets not fully met.

The Board views the FY22 STIP outcomes as appropriate. They reflect the extremely strong FFO performance, but also the stretch nature of the KPIs that apply in the STIP program.

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

Executive KMP	STIP awarded / Forfeited %	
	FY22	FY21
Sid Sharma	61% / 39%	100% / 0%
Will McMicking	61% / 39%	100% / 0%

In addition to the above KPIs, the Board has also taken into account performance against the HMC Capital Sustainability Commitments. The Board has reviewed the progress noted below against the Commitments, which supports the FY22 STIP outcomes (with no dial-down of FY22 outcomes required).

Category	Commitment
Environment	<p><i>Climate Action – To actively minimise carbon emissions</i></p> <ul style="list-style-type: none"> ▪ Decarbonisation strategy has progressed: <ul style="list-style-type: none"> ○ An additional 19 assets have the Smart Energy Management installation progressing, and investigations across more assets progressing. ○ Solar photovoltaics feasibilities progressing, following completed installation at Marsden Park asset. ○ Data management system implemented.
	<p><i>Green future - To champion the preservation and restoration of the natural environment</i></p> <ul style="list-style-type: none"> ▪ Green Building ratings instituted across new developments as appropriate including, Green Star, and NABERS. WELL building rating system under review for new HCW assets. ▪ NABERS Energy and Water ratings completed across 11 operational assets, and an additional 7 underway. ▪ Minimum sustainability design standards being finalized across developments. ▪ Waste management strategy under development.
Social	<p><i>Connection – To respond to local and regional essential community needs as they relate to health, wellness and daily services</i></p> <ul style="list-style-type: none"> ▪ Social Impact Framework “Needs Assessment” incorporated into acquisition due diligence process. ▪ Establishment of the “HMC Capital Foundation” is well progressed with Equity Trustees to be appointed as Trustee, and the trust deed to be finalised for registration shortly. ▪ Needs assessments across HMC Capital Group managed assets defined, with a focus on our communities “Young People under 18”.
	<p><i>Respect – To respect the inherent dignity, safety, diversity and human rights of all people we touch</i></p> <ul style="list-style-type: none"> ▪ Progress towards our 50% FY25 diversity targets across our workforce, leadership and Boards as follows, have been met: from FY21 of 43% to 51% in FY22.
Governance	<p><i>Alignment – To have the skills, environment and culture that support and propel HMC Capital’s ambition and Sustainability Commitments</i></p> <ul style="list-style-type: none"> ▪ ESG KPI’s introduced for the leadership team. ▪ Upskilling on ESG across the workforce through lunch and learns.
	<p><i>Accountability – To earn and keep the trust of our key stakeholders through transparent communication, processes and by doing what we say we will do.</i></p> <ul style="list-style-type: none"> ▪ FY21 Sustainability commitments produced ▪ FY21 Sustainability report published ▪ Response to the GRESB Benchmark for HDN submitted. ▪ Green Labels being rolled out progressively across portfolios as appropriate.

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

Term	Details
Plan	FY22 LTIP awards are made under the HMC Capital Employee Equity Plan (EEP).
Rationale	The EEP is designed to align executive rewards with shareholder expectations and to incentivise and retain the Executive KMP and key employees by providing an opportunity to be rewarded based on performance.
Eligibility	All Executive KMPs are eligible to participate in the EEP. The Board may also invite other selected employees to participate from time to time.
Instrument	Performance rights are granted by the Company for nil consideration. Each performance right is a right to receive one fully paid share in the Company.
Opportunity	The LTIP opportunity is set as a percentage of Fixed Remuneration (FR). The MD&CEO received a grant of performance rights based on a maximum stretch value of 200% of his FR. Other Executive KMP grants are based on 50% of FR.
Allocation Methodology	The number of performance rights awarded is determined by dividing the maximum opportunity by the five-day volume weighted average price of a share over the 5 trading days following announcement of the Company's FY21 full-year results.
Performance Period	The performance period for the FY22 awards is the three-year period commencing 1 July 2021 to 30 June 2024.

For the FY22 awards the performance measures are 50% relative TSR and 50% aggregate FFO per share.

Relative TSR

Relative TSR is measured against a comparator group of S&P/ASX 300 A-REITs. The vesting schedule is as follows.

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

Performance conditions

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

Company's FFO

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

Performance scale	Percentage of rights to vest
Below 97.5% of target FFO	Nil
At the 97.5% of target FFO (threshold)	50 %
At or above 100% of target FFO (maximum)	100 %

Rights will vest on a straight-line basis if the Company's FFO performance is between 97.5% and 100% of target.

Disclosure of performance outcomes

In the FY24 Remuneration Report the Board will set out how HMC Capital has performed against these targets. The FY22 FFO (pre-tax) target component is 18.5c per share, and the FY23 FFO target will be disclosed in the FY23 Remuneration Report.

Vesting Date	Performance rights will vest when the Board determines the performance relative to the performance conditions (around the release of the FY24 results to the ASX). Rights are exercisable the day after vesting and each participant will have until one month after the full-year results are announced for FY26 to exercise their rights.
Service condition	Unless the Board determines a different treatment: <ol style="list-style-type: none"> i. If a participant ceases to be an employee due to resignation (or termination for cause) all unvested rights will automatically lapse. ii. If a participant ceases employment for any other reason, all unvested rights (which may be pro-rated by the Board for time elapsed since the start of the Performance Period) will remain "on-foot" and will be performance tested at the end of the relevant Performance Period. To the extent that the relevant performance conditions are satisfied, the Rights will vest at the original Vesting Date.
Dividends	Rights do not carry a right to vote or to dividends.
Change of control	In the event of change of control, unless the Board determines otherwise, a pro-rata number of the participant's unvested awards will vest to the extent that the conditions have been satisfied.
Clawback	The EEP provides the Board with broad clawback powers if the Board considers the participant's conduct, capability or performance justifies the variation. No clawback power has been exercised to date.
Securities Trading Policy	The HMC Capital Group's Securities Trading Policy prevents participants from entering into transactions or arrangements, including by way of derivatives or similar financial products which operate to limit the economic risk relating to awards made under the EEP which either have not vested or have vested but remain subject to a holding lock or other restriction on dealing.

Recognition awards

To reward employee performance in relation to the establishment of the HomeCo Daily Needs REIT and the HealthCo Healthcare and Wellness REIT the Group made a one-off grant of rights to all Executive KMP (other than the MD&CEO), executives and other staff in March 2022. Non-executive Directors did not participate in the grant.

The rights were capped at \$750,000 in total value with the allocation price based on the VWAP of HMC Capital securities for the five (5) trading days commencing 1 September 2021. The maximum value of any rights award to any employee (including to Executive KMP) was \$50,000.

The rights vested on 30 June 2022, although will not be capable of being exercised until after the release of the FY22 full-year results (in August 2022). Participants will have until 30 September 2023 to exercise their vested rights and acquire the relevant number of HMC Capital shares. If a participant ceases employment with HMC Capital prior to the vesting date (30 June 2022) as a result of voluntary resignation or termination for cause, the unvested rights will lapse.

Legacy Equity awards

There have been no prior year LTIP awards vesting in FY22 given the listing of the Company from 11 October 2019 and the first LTIP awards were made in FY20. The current unvested LTIP awards are set out below. The key terms and vesting outcomes for the FY20 LTIP is discussed further in section 7 below.

FY21 LTIP

The FY21 LTIP awards were made in FY21 and have a three-year performance period from 1 July 2020 to 30 June 2023. The performance conditions and other key terms and conditions for the FY21 LTIP awards are the same as outlined above for the FY22 LTIP awards.

FY20 COVID-19 Grant

The Company provided a one-off grant of share rights as compensation for the reduction in FY20 cash remuneration for Executive KMP and director's fees for Non-Executive Directors. The number of rights granted was calculated by dividing the cash remuneration forgone by the 'VWAP' of HMC Capital's securities over the twenty trading days following HMC Capital's ASX trading update on 7 May 2020.

The FY20 COVID-19 Grant share rights have a two-year vesting period and vest on 30 September 2022. There is a service condition for rights for Non-Executive Directors requiring them to hold office on the vesting date. Rights held by Executive KMP have both a service and performance condition. Executive KMPs must continue to be employed on the vesting date and HMC Capital's share price reaching a VWAP of \$3.35 over a 20-trading day period following the Group's FY22 full-year results announcement. The Rights are exercisable until August 2025.

IPO Rights Allocation

The Company awarded a one-off grant of Rights under the EEP in October 2019 to all HMC Capital employees (including all Executive KMP other than David Di Pilla and Will McMicking) to promote their retention upon listing, provide equity participation and enhance engagement over the longer term. The Rights have a vesting period of three years following the date of issue and vest on 14 October 2022. The rights are not subject to any performance conditions other than the participants' continued employment over the vesting period. The Rights will vest and automatically convert to Shares (or the cash equivalent, at the discretion of the Board).

Top-up awards in respect of the Capital Reduction for awards prior to FY22

Top-up awards for all unvested rights was approved by the Board, and, where required, approved by shareholders at the Company's FY20 AGM. These awards were made to compensate Executive KMP and Non-Executive Directors for the capital reduction in the Company's share capital approved by shareholders at the FY20 AGM associated with the establishment of the HomeCo Daily Needs REIT. Whilst shareholders received a distribution in specie of REIT units, rights holders were not entitled to participate in the Capital Reduction. Accordingly, to preserve the value of any unvested rights, additional rights were issued on the same terms and conditions as the original rights held by the participants. Top-up awards were made in respect of FY20 LTIP awards, FY20 COVID-19 Grant awards, the IPO Rights Allocation and the FY21 LTIP award made to the Managing Director and Chief Executive Officer. The top-up awards were all made in January 2021.

The formulae used to determine the number of additional rights to be issued was as follows:

The adjusted number of Rights following the grant of additional Rights will be calculated using the methodology approved by the Board by using the following formula:

$$\frac{\text{HomeCo VWAP following the Implementation Date} + \text{Unit VWAP following the Implementation Date}}{\text{HomeCo VWAP following the Implementation Date}}$$

Where:

"HomeCo VWAP" is the volume weighted average price of a HMC Capital share over 5 trading days

"Unit VWAP" is the volume weighted average price of a HomeCo Daily Needs REIT unit over 5 trading days

Impact of Restructure and De-stapling on equity awards

In December 2021 all necessary regulatory and securityholder approvals for the simplification of HMC Capital from a stapled company structure (being HCL and HCDL) to a single Company structure (HCL) were obtained. This resulted in the transfer of HCDL shares to HCL, with HCDL then delisted, so that the entire business of HMC Capital was held by HCL from that time. This required certain amendments to the EEP and Non-Executive Director Equity Plan (NEDEP) purely to reflect this restructure. However, following this simplification each participant holding awards under either the EEP or NEDEP otherwise held the same number of awards on the same terms (including any vesting conditions) as applicable to the participant's relevant awards prior to the restructure.

6. Non-Executive Director's Remuneration

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

Subject to ASX listing rules, HMC Capital may from time to time determine the maximum aggregate remuneration to be provided to the directors in a general meeting. In the 2020 Annual General Meeting shareholders approved an increase in the maximum director fee pool to \$1,200,000 per annum. The FY22 Non-Executive Director fees are set out below.

Table 3: Non-Executive Director fees.

	Board		Committee*	
	Chair	Member	Committee Chair	Member
FY22 Fee**	\$250,000	\$100,000	\$30,000	\$10,000

* Comprising the Audit and Risk Committee, Remuneration and Nomination Committee and Sustainability Committee. However, as the Board Chair is also the Chair of the Remuneration and Nomination Committee he did not receive any additional fee for chairing this Committee.

** Non-Executive Director fees are paid inclusive of 10% superannuation.

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

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

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

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

7. FY23 Remuneration

Executive KMP remuneration

The fixed remuneration (FR) of the Managing Director and Chief Executive Officer will increase by 32% in FY23. This increase reflected that Mr Di Pilla's FR is significantly below the median of both comparator groups (despite an increase in FY22). The Board is determined to increase the MD&CEO's fixed remuneration closer to the median of the market, given his critical role in the Company and the value he brings to the Group. There is no change to his STIP opportunity as it has been Mr Di Pilla's practice to decline participation in the STIP. Mr Di Pilla's LTIP opportunity in FY23 will remain unchanged as a percentage of FR (at 200%).

The COO, Mr Sharma will receive a 9% increase in his FR, and his target STI and maximum LTI opportunities will increase from 50% to 60% of FR. This change reflects Mr Sharma's new role as CEO of the HomeCo Daily Needs (HDN) REIT, from 1 July 2022, whose size significantly increased in March 2022 with the acquisition by HDN of 100% of the units of the Aventus Trust.

The CFO, Mr McMicking will receive an 11% increase in his FR, and his target STI and maximum LTI opportunities will increase from 50% to 60% of FR. The increase to FR reflects the benchmarking undertaken by the Board which showed the CFO's FR and total target remuneration well below median of both market capitalisation and industry comparator groups. It also reflects the increased complexity of the Group, post-merger with Aventus and the development of HMC Capital Partners.

Executive Short-term incentive Plan

The Board is currently reviewing the structure of the FY23 STI Plan. Any changes to the structure of the FY23 plan for the CEO of the HDN REIT and the CFO will be disclosed in the FY23 Remuneration Report.

Executive Long-term incentive Plan

The FY20 LTIP awards will vest in August 2022 (after the FY22 results are released to the ASX), based on performance from 14 October 2020 to 30 June 2022. This award is split into two equal tranches, each with a separate performance hurdle. Fifty percent (50%) of the award has a relative TSR hurdle and 50% a FFO hurdle measuring aggregate FFO performance over the performance period.

The relative TSR hurdle measures the performance of HMC Capital against a comparator group of S&P/ASX 300 A-REITS as at the commencement of the performance period. During this period the HMC Capital TSR was 73%, putting it significantly above the 75th percentile of the comparator group, resulting in 100% of this tranche vesting.

The FFO performance hurdle measures the actual Company Freehold FFO performance for each of the three years in the performance period against its annual FFO targets, as disclosed in its FFO guidance to the ASX for each relevant financial year. Over the performance period including FY20, FY21 and FY22 the Company delivered FFO of 8.7c, 13.1c (post-tax) and 31.0c (pre-tax) per share, in aggregate 52.8c per share, against forecast FFO of 38.97c per share for the same period (with the FFO forecasts being 7.67c, 12.8c (post-tax) and 18.5c (pre-tax) respectively). This actual aggregate FFO result delivered is 135% above the target FFO pool for the period and will result in 100% of this tranche vesting. Each participant has until one month after the FY24 awards are announced to exercise their rights.

FY23 LTIP awards

The Board has determined that the structure of the FY23 awards will be similar to that outlined in Section 5 relating to the FY22 awards. The only proposed significant change is the change in the comparator group for the relative TSR tranche from the S&P/ASX 300 A-REITS to the S&P/ASX 200 A-REITS. This reflects HMC Capital's increase in size and complexity and its inclusion in the S&P/ASX 200 A-REITS index.

New minimum shareholding requirements

The Board agreed at its June 2022 meeting to introduce a new minimum shareholding policy which will apply to all Non-executive Directors (replacing the existing requirements), all Executive KMP and selected other senior executive. This new policy will be implemented in FY23 and details reported in the FY23 Remuneration Report.

8. Employment agreements

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

Key terms of the agreements are set out below.

Table 4: Executive KMP key employment terms

Executive KMP	Notice Period - Company	Notice Period – Executive KMP
Managing Director and Chief Executive Officer	6 months	6 months
Other Executive KMP	6 months	6 months

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

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

9. Details of remuneration for the financial year

Amounts of remuneration

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

Remuneration for Executive KMP for FY22 and FY21

Table 5: Executive KMP total remuneration (statutory disclosures)

	Short-term benefits			Post-employment	Long-term benefits	Share-based payments		Total
	Base Salary*	Cash Bonus	Annual leave	Superannuation	Long service leave	Share benefits	Rights benefits	
Current Executive KMP								
David Di Pilla, Managing Director and Chief Executive Officer								
FY22	682,139	-	90,999	25,433	-	-	860,808	1,659,379
FY21	487,316	-	19,794	28,056	-	-	429,276	964,442
Sid Sharma, Chief Operating Officer								
FY22	526,432	250,000	29,288	24,333	-	-	441,433	1,271,486
FY21	461,800	193,800	19,735	23,845	-	-	260,110	959,290
Will McMicking, Chief Financial Officer								
FY22	426,432	205,000	3,220	24,162	-	-	182,302	841,117
FY21	373,925	120,000	11,261	22,793	-	-	64,823	592,802
Former Executive KMP								
Andrew Selim, General Counsel and Company Secretary								
FY21 [^]	371,698	118,041	11,556	21,786	-	-	100,727	623,808
Andrew Boustred, Development Director								
FY21 [^]	273,491	88,530	4,207	21,061	-	-	83,514	470,803
Total Remuneration								
FY22	1,635,003	455,000	123,507	73,929	-	-	1,484,543	3,771,982
FY21	1,968,230	520,371	66,553	117,541	-	-	938,450	3,611,145

Explanatory notes to the Remuneration for Executive KMP for FY22 and FY21 table are below.

* For David Di Pilla Base salary also includes the FBT car parking expense of \$2,853.

[^] The FY21 remuneration shown represents remuneration until the date the executives ceased to be a KMP, being 18 June 2021.

Remuneration for Non-Executive Directors for FY22 and FY21

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

	Short-term benefits	Post-employment	Long-term benefits	Share-based payments		Total
	Cash Fees [^]	Superannuation	Long service leave	Share benefits	Rights benefits	
Chris Saxon, Chair						
FY22	102,100	22,804	-	-	125,000	249,905
FY21	86,016	16,579	-	-	105,040	207,635
Zac Fried						
FY22	40,840	9,122	-	-	50,000	99,962
FY21	41,324	8,714	-	-	62,432	112,470
Brendon Gale						
FY22	57,187	12,772	-	-	70,000	139,958
FY21	50,457	9,585	-	-	60,658	120,700
Greg Hayes						
FY22	44,924	10,034	-	-	55,000	109,958
FY21	50,457	9,585	-	-	62,876	122,918
Jane McAloon						
FY22	73,763	1,188	-	-	75,000	149,951
FY21	78,170	1,880	-	-	61,546	141,596
Kelly O'Dwyer ^{^^}						
FY22	49,012	10,946	-	-	60,000	119,958
FY21	31,180	5,939	-	-	122,839	159,958
Total Remuneration						
FY22	367,826	66,866	-	-	435,000	869,692
FY21	337,604	52,282	-	-	475,391	865,277

Explanatory notes to the Remuneration for Non-Executive KMP for FY22 and FY21 table are below.

[^] All Non-Executive Directors participate in the Non-Executive Director Equity Plan and receive a portion of their fees in Fee Sacrifice Rights, which are expensed and shown under the Rights Benefits column. Fee Sacrifice Rights awarded in FY21 vested into shares during the current 2022 financial year. The FY22 Rights benefits includes the value each Director sacrificed during FY22 to acquire Rights under the NEDEP.

^{^^}Ms O'Dwyer's FY21 Rights benefits includes a one-off grant of 23,735 share rights to Ms O'Dwyer, as per her Consultancy Agreement prior to election to the Board. The number of Rights she was issued was based on her grant value divided by \$3.16, being the VWAP of a Share over the 5 trading days following announcement of the Company's FY20 full-year results. The Rights were granted under the NEDEP and were not subject to any performance conditions and were subject to Ms O'Dwyer continuing to hold office as a director.

Non-Executive Director's salaries are 100% fixed. The fixed and variable remuneration proportions for Executive KMPs for FY22 is as follows:

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

Executive KMP	Fixed Remuneration %	Variable remuneration % (included STIP and LTIP payments)
David Di Pilla	48%	52%
Sid Sharma	46%	54%
Will McMicking	54%	46%

10. Share-based compensation

Share rights

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

Table 8: FY22 KMP rights awards

Award details and recipient	Grant Date	Fair value at grant date	Number of Rights awarded	Estimated Vesting date	Maximum value to be recognised in future years*
FY22 LTIP (Executive KMP) - David Di Pilla - Sid Sharma - Will McMicking	14/3/2022	\$5.13 [#]	223,189 43,840 35,870	27/08/2024	\$1,004,848 \$197,378 \$161,495
FY22 NEDEP Fee Sacrifice rights - Chris Saxon - Zac Fried - Brendon Gale - Greg Hayes - Jane McAloon - Kelly O'Dwyer	14/3/2022	\$6.58	19,936 7,974 11,164 8,772 11,962 9,569	26/08/2022	- - - - - -
Recognition Rights (Executive KMP, excluding MD&CEO) - Sid Sharma - Will McMicking	14/3/2022	\$6.58	7,184 7,184	30/6/2022	- -

* The entire value of the FY22 NEDEP KMP rights awards and Recognition Rights were expensed in FY22.

[#] This is the weighted average fair value. The fair value of the relative TSR hurdled performance rights was calculated at \$4.03 and the fair value of FFO hurdled performance rights was calculated at \$6.22.

Share rights holding

The number of share rights (including rights granted and vested as part of the compensation during the financial year) over ordinary shares in HMC Capital held during the financial year by each Non-Executive Director and Executive KMP of the Group, including their personally related parties, are set out below:

Table 9: FY22 Rights holdings by KMP

	Rights held at 30 June 2021	Granted in FY22	Vested and exercised in FY22	Lapsed or expired in FY22	Rights held at 30 June 2022
Non-Executive Directors					
Chris Saxon	36,409	19,936	(32,262)	-	24,083
Zac Fried	23,618	7,974	(18,436)	-	13,156
Brendon Gale	21,546	11,164	(18,436)	-	14,274
Greg Hayes	24,137	8,772	(18,436)	-	14,473
Jane McAloon	22,583	11,962	(18,436)	-	16,109
Kelly O'Dwyer	39,066	9,569	(39,066)	-	9,569
Executive KMP					
David Di Pilla	688,760	223,189	-	-	911,949
Sid Sharma	363,209	51,024	-	-	414,233
Will McMicking	119,946	43,054	-	-	163,000

Additional information

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

Table 10: Factors impacting Group performance

	30 June 2022	30 June 2021	30 June 2020	IPO listing price 11 October 2019
Share price at reporting date (\$)	\$4.51*	\$5.44*	\$3.00	\$3.35
Dividends (cents per security)	12.0	12.0	12.0	n/a
FFO post-tax (cents per security)	30.3	13.1	6.0	n/a
TSR of HMC Capital (%)**	(14.3%)	113.2%	(9.4%)	n/a
TSR of S&P/ASX 300 A-REIT Index (%)**	(10.8%)	30.6%	(21.8%)	n/a

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

** TSR for year to 30 June 2020 is from 11 October 2019 (ASX listing date) .

11. Additional disclosures relating to KMP

KMP Shareholdings

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

Table 11: Shareholdings of key management personnel

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

	Balance held at 30 June 2020	Acquired	Vested	Sold	Balance held at 30 June 2021
Non-Executive Directors					
Chris Saxon	165,175	10,601	-	-	175,776
Zac Fried	20,432,049	4,104,015	-	-	24,536,064
Brendon Gale	221,270	10,601	-	-	231,871
Greg Hayes	9,086,183	1,104,500	-	-	10,190,683
Jane McAloon	165,175	-	-	-	165,175
Executive KMP					
David Di Pilla	33,127,978	4,182,952	-	-	37,310,930
Sid Sharma	-	-	-	-	-
Will McMicking	2,321,060	314,691	-	(29,314)	2,606,437

Other transactions

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

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

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 32 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 32 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 Company who are former partners of PricewaterhouseCoopers

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

Rounding of amounts

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

Related party confirmation

The directors confirm that since listing the Company has complied with, and continues to comply with, its Related Party Transaction Policy which is publicly available.

Auditor's independence declaration

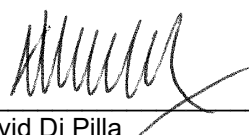
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



Chris Saxon
Chair



David Di Pilla
Director

23 August 2022



Auditor's Independence Declaration

As lead auditor for the audit of Home Consortium Limited 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 Home Consortium Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'S Hadfield'.

Scott Hadfield
Partner
PricewaterhouseCoopers

Sydney
23 August 2022

Home Consortium Limited
Contents
30 June 2022



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Home Consortium Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022



	Note	Consolidated 30 June 2022 \$'000	30 June 2021 \$'000
Revenue			
Revenue from continuing operations	6	78,592	69,397
Other income			
Share of profits of associates and joint ventures accounted for using the equity method	16	71,148	8,940
Gain recognised on investments in associates	16	16,900	-
Other income		100	405
Interest revenue		255	90
Change in assets/liabilities at fair value through profit or loss	7	28,755	(21,954)
Expenses			
Impairment expenses	16	(21,339)	-
Property expenses		(14,354)	(23,994)
Corporate expenses		(21,572)	(10,983)
Loss on demerger		-	(15,446)
Acquisition and transaction costs	8	(11,376)	(1,945)
Finance costs	8	(5,773)	(10,910)
Profit/(loss) before income tax expense from continuing operations		121,336	(6,400)
Income tax expense	9	(14,074)	(89,387)
Profit/(loss) after income tax expense from continuing operations		107,262	(95,787)
Profit after income tax expense from discontinued operations	10	-	9,883
Profit/(loss) after income tax expense for the year		107,262	(85,904)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>107,262</u>	<u>(85,904)</u>
<i>Profit/(loss) for the year is attributable to:</i>			
Non-controlling interest		30,013	4,087
Owners of Home Consortium Limited		77,249	(89,991)
		<u>107,262</u>	<u>(85,904)</u>
<i>Total comprehensive income for the year is attributable to:</i>			
Continuing operations		30,013	4,087
Discontinued operations		-	-
Non-controlling interest		30,013	4,087
Continuing operations		77,249	(99,874)
Discontinued operations		-	9,883
Owners of Home Consortium Limited		77,249	(89,991)
		<u>107,262</u>	<u>(85,904)</u>

Non-controlling interest ('NCI') represents the results of HCDL for the period that it was stapled to HCL.

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

Home Consortium Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022



		Cents	Cents
Earnings per security for profit/(loss) from continuing operations			
Basic earnings per security	40	26.34	(36.55)
Diluted earnings per security	40	26.16	(36.55)
Earnings per security for profit from discontinued operations			
Basic earnings per security	40	-	3.62
Diluted earnings per security	40	-	3.62
Earnings per security for profit/(loss)			
Basic earnings per security	40	26.34	(32.93)
Diluted earnings per security	40	26.16	(32.93)

Earnings per security above is attributable to equity holders of the Company

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

	Note	Consolidated 30 June 2022 \$'000	30 June 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	11	57,555	11,694
Trade and other receivables	12	16,174	6,125
Other assets	13	18,533	13,563
Derivative financial instruments	25	14,425	-
		<u>106,687</u>	<u>31,382</u>
Assets classified as held for sale	14	-	478,592
Total current assets		<u>106,687</u>	<u>509,974</u>
Non-current assets			
Investment property - freehold	15	-	188,100
Investments accounted for using the equity method	16	608,712	263,878
Property, plant and equipment	17	3,140	-
Intangible assets	18	186,774	-
Right-of-use assets	19	4,806	277
Convertible notes	20	2,282	548
Other assets	13	549	-
Deferred tax assets	9	-	19,635
Total non-current assets		<u>806,263</u>	<u>472,438</u>
Total assets		<u>912,950</u>	<u>982,412</u>
Liabilities			
Current liabilities			
Trade and other payables	21	22,777	13,354
Employee benefit obligations	22	4,797	1,137
Lease liabilities	23	717	205
Income tax	9	1,984	1,707
Total current liabilities		<u>30,275</u>	<u>16,403</u>
Non-current liabilities			
Lease liabilities	23	3,628	72
Borrowings	24	-	253,111
Derivative financial instruments	25	-	1,847
Provisions		485	-
Deferred tax liability	9	32,560	-
Total non-current liabilities		<u>36,673</u>	<u>255,030</u>
Total liabilities		<u>66,948</u>	<u>271,433</u>
Net assets		<u>846,002</u>	<u>710,979</u>
Equity			
Contributed equity	26	5,036,746	3,710,382
Reserves	27	(1,227,485)	4,013
Accumulated losses		(2,963,259)	(3,007,503)
Equity attributable to the owners of Home Consortium Limited		846,002	706,892
Non-controlling interest		-	4,087
Total equity		<u>846,002</u>	<u>710,979</u>

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

Home Consortium Limited
Consolidated statement of changes in equity
For the year ended 30 June 2022



Consolidated	Contributed equity \$'000	Profits reserve \$'000	Share-based payments reserve \$'000	Accumulated losses \$'000	Non-controlling interest* \$'000	Total equity \$'000
Balance at 1 July 2020	3,607,986	38,584	472	(2,917,512)	-	729,530
Profit/(loss) after income tax expense for the year	-	-	-	(89,991)	4,087	(85,904)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(89,991)	4,087	(85,904)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 26)	291,996	-	-	-	-	291,996
Capital distribution (note 26)	(189,600)	-	-	-	-	(189,600)
Dividends paid (note 28)	-	(36,699)	-	-	-	(36,699)
Share-based payments	-	-	1,656	-	-	1,656
Balance at 30 June 2021	<u>3,710,382</u>	<u>1,885</u>	<u>2,128</u>	<u>(3,007,503)</u>	<u>4,087</u>	<u>710,979</u>

Consolidated	Contributed equity \$'000	Profits reserve \$'000	Share-based payments reserve \$'000	NCI reserve \$'000	Accumulated losses \$'000	Non-controlling interest* \$'000	Total equity \$'000
Balance at 1 July 2021	3,710,382	1,885	2,128	-	(3,007,503)	4,087	710,979
Profit after income tax expense for the year	-	-	-	-	77,249	30,013	107,262
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	77,249	30,013	107,262
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs (note 26)	1,326,364	-	(478)	(1,265,167)	-	-	60,719
Share-based payments	-	-	3,404	-	-	-	3,404
Transfer from NCI on de-stapling (note 27)	-	-	-	34,100	-	(34,100)	-
Destapling transaction costs	-	-	-	(1,472)	-	-	(1,472)
Other	-	-	-	-	(58)	-	(58)
Dividends paid (note 27)	-	(1,885)	-	-	-	-	(1,885)
Dividends paid (note 28)	-	-	-	-	(32,947)	-	(32,947)
Balance at 30 June 2022	<u>5,036,746</u>	<u>-</u>	<u>5,054</u>	<u>(1,232,539)</u>	<u>(2,963,259)</u>	<u>-</u>	<u>846,002</u>

* Non-controlling interest represents the contributed retained earnings of HCDL.

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

Home Consortium Limited
Consolidated statement of cash flows
For the year ended 30 June 2022



	Consolidated	
Note	30 June 2022 \$'000	30 June 2021 \$'000
Cash flows from operating activities		
Receipts from vendors and tenants (inclusive of GST)	52,422	69,618
Payments to suppliers and employees (inclusive of GST)	(45,151)	(46,199)
Other income - lease mitigation account	-	11,000
Interest paid	(3,959)	(11,761)
Income taxes paid	(1,707)	-
Net cash from operating activities	42 <u>1,605</u>	<u>22,658</u>
Cash flows from investing activities		
Payment for purchase of subsidiary, net of cash acquired	37 (78,504)	-
Payments for investments	(117,972)	-
Payment for investment property - freehold	(9,916)	(317,224)
Payment for investment property - leasehold	-	(5,800)
Payment for derivative financial assets	(10,986)	-
Payments for convertible notes	(1,734)	(548)
Payment for equity accounted investments	(176,616)	(87,437)
Payment for plant and equipment	(3,344)	-
Proceeds from disposal of investment property	718,570	69,000
Proceeds from deposits	-	1,383
Distributions received	16,928	3,119
Proceeds from demerger	-	204,954
Cash balance held by subsidiary on disposal of discontinued operations	10 -	(18,538)
Net cash from/(used in) investing activities	<u>336,426</u>	<u>(151,091)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	275,637
Share issue transaction costs	(1,538)	(5,241)
Proceeds from borrowings	429,750	153,500
Repayment of borrowings	(684,500)	(264,750)
Repayment of lease liabilities and surrenders	(352)	(11,895)
Dividends paid	28 (34,832)	(36,699)
Borrowing costs paid	(698)	-
Net cash (used in)/from financing activities	<u>(292,170)</u>	<u>110,552</u>
Net increase/(decrease) in cash and cash equivalents	45,861	(17,881)
Cash and cash equivalents at the beginning of the financial year	<u>11,694</u>	<u>29,575</u>
Cash and cash equivalents at the end of the financial year	11 <u><u>57,555</u></u>	<u><u>11,694</u></u>

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

Note 1. General information

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

The comparative period results are for the stapled group comprising of HCL and Home Consortium Developments Pty Limited ('HCDL') (ACN 635 859 700) (formerly Home Consortium Developments Limited). As detailed in note 2 below, the shares of HCL and HCDL were destapled on 24 December 2021. As a result, the current period results are for the stapled group until 24 December 2021 and for the destapled group from 25 December 2021 to 30 June 2022.

HCL is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 7
Gateway
1 Macquarie Place
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Destapling of Home Consortium Developments Limited

The shares of HCL were stapled to the shares in HCDL to form stapled securities such that shares in HCL and HCDL had to be purchased or sold together. The stapled securities, known as HMC, were admitted to the official list of the Australian Securities Exchange ('ASX') on 11 October 2019.

During the periods HCL and HCDL were stapled, the financial statements presented both the financial statements and accompanying notes of HCL and its controlled entities and HCDL jointly as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838. HCL was the deemed parent of the stapled group in accordance with AASB 3 'Business Combinations'. The contributed equity and retained earnings of HCDL were shown as a non-controlling interest in the financial statements even though the equity holders of HCDL (the acquiree) are also equity holders in HCL (the acquirer) by virtue of the stapling arrangement.

On 10 December 2021, the securityholders of HCL and HCDL approved the destapling of securities. Eligible securityholders then received approximately 1.65 HCL shares for each HMC stapled share they held on 17 December 2021. HCL acquired, in consideration for the issue of HCL shares, all of the HCDL shares. HCL shares were then consolidated on the basis that approximately every 2.65 HCL shares were converted into 1 HCL share so that eligible securityholders now hold one HCL share for each HCL stapled share they held. HCDL was delisted from the ASX on 29 December 2021.

These consolidated financial statements are presented as a continuation of the existing group with HCL as the accounting parent entity. The acquisition constitutes a transaction amongst owners, where previously they held their interest through HCL and HCDL (the non-controlling interest), and after the transaction they hold all of their interest directly through HCL. The impact of this transaction has been recognised in equity whereby the difference between the fair value of shares issued and the non-controlling interest of HCDL is recognised in the non-controlling interest ('NCI') reserve (refer note 27).

HCDL was converted from being an unlisted public company to a proprietary company on 25 June 2022.

Note 3. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 36.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of HCL as at 30 June 2022 and the results of all subsidiaries for the year then ended.

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

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

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

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

Note 3. Significant accounting policies (continued)

Operating segments

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

Other property income

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

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

Management fee income

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

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

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

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.

Distribution income

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

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

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

Note 3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Discontinued operations

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

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

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

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

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

Note 3. Significant accounting policies (continued)

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Derivative financial instruments

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

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 assets 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 associates

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

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

The 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.

Note 3. Significant accounting policies (continued)

Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the consent of the parties sharing control.

The group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the group's share of the results of operations of the joint venture. Any change in other comprehensive income ('OCI') of those investees is presented as part of the group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the joint venture are eliminated to the extent of the interest in the joint venture. The financial statements of the joint venture are prepared using the same accounting policies and for the same reporting period as the group.

Convertible notes

Convertible notes are accounted for on an amortised cost basis.

Investment properties

Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss. Investment properties are derecognised when disposed of or when there is no future economic benefit expected. Gains or losses resulting from the disposal of freehold property is measured as the difference between the latest carrying value of the asset at the date of disposal and is recognised when control over the property has been transferred.

Plant and equipment

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

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

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

Fixtures, fittings and equipment	3 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

Leasing costs and tenant incentives

Leasing costs

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

Tenant incentives

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

Note 3. Significant accounting policies (continued)

Right-of-use assets

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

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

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

Intangible assets

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

Goodwill

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

Management rights

Management rights acquired in a business combination are not amortised, on the basis of indefinite life, which is reassessed every year. Instead, they are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

Trade and other payables

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

Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

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

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

Finance costs

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

Note 3. Significant accounting policies (continued)

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

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

Note 3. Significant accounting policies (continued)

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

Fair value measurement

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

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

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

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

Contributed capital

Ordinary shares are classified as equity.

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

Dividends

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

Business combinations

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

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

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

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

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

Note 3. Significant accounting policies (continued)

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

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

Earnings per security

Basic earnings per security

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

Diluted earnings per security

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

Comparatives

Comparatives in the financial statements have been realigned to the current year presentation. There was no effect on the results of operations for the year.

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 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.

Note 3. Significant accounting policies (continued)

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Fair value measurement hierarchy

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

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

Goodwill and other indefinite life intangible assets

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets

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

The group assesses the recoverability of deferred tax assets at each reporting date. In making this assessment, the group considers, in particular, the future business plans, reasons for past losses, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the period in which the taxable losses can be utilised. The recognised net deferred tax liability of \$32.6 million (2021: asset of \$19.6 million) comprises \$5.7 million (2021: \$10.9 million) of carry forward tax losses and \$6.5 million (2021: \$9.0 million) of deductible temporary differences. The group has made a judgement that they will be able to generate sufficient taxable profits over the foreseeable future, based upon its future business plans.

Valuation of derivative financial instruments

The fair value of derivative financial instruments is estimated using valuation techniques which includes assumptions of future events and significant estimates. The fair value of derivatives at the reporting date may differ if there is volatility in market rates and or prices.

Note 5. Operating segments

Identification of reportable operating segments

The group is organised into three operating segments: Investments (renamed from Freehold properties), Funds management and Corporate (renamed from Other). During the previous financial year, the group disposed of the former Masters Hardware leasehold properties via the sale of Home Consortium Leasehold Pty Ltd and its subsidiaries to Home Investment Consortium Trust ('HICT'). Refer note 10 'Discontinued operations' for further information. As a result, the comparatives include Leasehold properties as a separate segment consisting of the discontinued operations.

The operating segments are based on the internal reports that are reviewed by the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

The CODM monitor the performance of the business on the basis of Funds from Operations ('FFO') for each segment. FFO represents the group's underlying and recurring earnings from its operations, and is determined by adjusting the statutory net profit after tax for items which are non-cash, unrealised or capital in nature. The 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 monthly basis. The group only operates in Australia.

Operating segment information

Consolidated - 30 June 2022	Investments \$'000	Funds management \$'000	Corporate \$'000	Total \$'000
Revenue				
Property rental income	13,303	-	-	13,303
Other property income	1,201	-	-	1,201
Management fee income	-	64,088	-	64,088
Total revenue	<u>14,504</u>	<u>64,088</u>	<u>-</u>	<u>78,592</u>
FFO (before income tax)	58,299	53,734	(21,052)	90,981
Depreciation expenses	-	-	(520)	(520)
Net fair value movements	725	-	-	725
Acquisition and transaction costs	(1,711)	(9,665)	-	(11,376)
Impairment expenses	(21,339)	-	-	(21,339)
Amortisation of borrowing costs	(1,788)	-	-	(1,788)
Straight-lining of rental income	(563)	-	-	(563)
Share of associate profit (adjusted)	48,316	-	-	48,316
Gain on investment in associates	16,900	-	-	16,900
Profit/(loss) before income tax expense	<u>98,839</u>	<u>44,069</u>	<u>(21,572)</u>	<u>121,336</u>
Income tax expense				(14,074)
Profit after income tax expense				<u>107,262</u>
Assets				
Segment assets	680,130	223,996	8,824	912,950
Total assets				<u>912,950</u>
<i>Total assets includes:</i>				
Investments in associates	608,712	-	-	608,712
Liabilities				
Segment liabilities	5,688	46,553	14,707	66,948
Total liabilities				<u>66,948</u>

Note 5. Operating segments (continued)

Consolidated - 30 June 2021	Investments \$'000	Leasehold properties* \$'000	Funds management \$'000	Corporate \$'000	Total \$'000
Revenue					
Property rental income	47,053	3,985	-	-	51,038
Other property income	11,489	215	-	-	11,704
Management fee income	-	-	10,855	-	10,855
Total revenue	<u>58,542</u>	<u>4,200</u>	<u>10,855</u>	<u>-</u>	<u>73,597</u>
FFO (before income tax)					
FFO (before income tax)	40,055	-	8,420	(10,983)	37,492
Loss on demerger	(15,446)	-	-	-	(15,446)
Profit from discontinued operations	-	9,883	-	-	9,883
Share of associate profit (adjusted)	2,846	-	-	-	2,846
Net fair value movements	(21,954)	-	-	-	(21,954)
Acquisition and transaction costs	(1,716)	-	(229)	-	(1,945)
Amortisation of borrowing costs	(2,976)	-	-	-	(2,976)
Straight-lining of rental income	(3,503)	-	-	-	(3,503)
Other adjustments	(914)	-	-	-	(914)
Profit/(loss) before income tax expense	<u>(3,608)</u>	<u>9,883</u>	<u>8,191</u>	<u>(10,983)</u>	<u>3,483</u>
Income tax expense					(89,387)
Loss after income tax expense					<u>(85,904)</u>
Assets					
Segment assets	946,855	-	13,526	22,031	982,412
Total assets					<u>982,412</u>
<i>Total assets includes:</i>					
Investments in associates	263,878	-	-	-	263,878
Liabilities					
Segment liabilities	264,017	-	4	7,412	271,433
Total liabilities					<u>271,433</u>

* Revenue from leasehold properties is included in profit from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Note 6. Revenue

	Consolidated 30 June 2022 \$'000	30 June 2021 \$'000
From continuing operations		
Property rental income	13,303	47,053
Other property income	1,201	11,489
Management fee income	64,088	10,855
Revenue from continuing operations	<u>78,592</u>	<u>69,397</u>

Disaggregation of revenue

The revenue from property rental income is recognised on a straight-line basis over the lease term. Other property income and management fee income is recognised over time as services are rendered. All revenue is generated within Australia. Revenue from operating segments is set out in note 5.

Note 7. Change in assets/liabilities at fair value through profit or loss

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Net fair value gain/(loss) on investment properties - freehold	5,003	(23,058)
Net fair value (loss)/gain on remeasurement of derivatives	(4,278)	1,104
Realised gain on disposal of investment property	28,030	-
	<u>28,755</u>	<u>(21,954)</u>

Note 8. Expenses

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Profit/(loss) before income tax from continuing operations includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges on borrowings	3,962	7,440
Interest and finance charges on lease liabilities	23	19
Amortisation of borrowing costs*	1,788	2,976
Interest expense - other	-	475
Finance costs expensed	<u>5,773</u>	<u>10,910</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>1,100</u>	<u>519</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	<u>17,995</u>	<u>7,657</u>
<i>Acquisition and transaction costs</i>		
Transaction and group reorganisation costs	<u>11,376</u>	<u>1,945</u>

* Amortisation of borrowing costs includes \$1.3 million (2021: \$1.3 million) written off upon refinancing and limit reduction of debt facility (refer note 24).

Government grants

During the financial year, the group repaid the Australian government JobKeeper support payments amounting to \$0.3 million (2021: receipts of \$0.2 million). These had been recognised as government grants in the financial statements and initially recorded as a deduction in corporate expenses and subsequently reversed.

Note 9. Income tax

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	1,969	1,707
Deferred tax movements	12,105	87,680
Aggregate income tax expense	<u>14,074</u>	<u>89,387</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	<u>12,105</u>	<u>87,680</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense from continuing operations	121,336	(6,400)
Profit before income tax expense from discontinued operations	-	9,883
	<u>121,336</u>	<u>3,483</u>
Tax at the statutory tax rate of 30%	36,401	1,045
Permanent differences and others	(27,544)	1,743
Utilisation of tax losses	5,217	9,426
Derecognition of deferred tax assets	-	77,173
Income tax expense	<u>14,074</u>	<u>89,387</u>
	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Deferred tax (liability)/asset</i>		
Deferred tax (liability)/asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	5,732	10,949
Investment property	-	(223)
Lease liabilities	1,449	83
Management rights	(41,231)	-
Right-of-use assets	(1,466)	(83)
Others	(2,073)	3,425
	<u>(37,589)</u>	<u>14,151</u>
Amounts recognised in equity:		
Transaction costs on share issue	<u>5,029</u>	<u>5,484</u>
Deferred tax asset/(liability)	<u>(32,560)</u>	<u>19,635</u>
Movements:		
Opening balance	19,635	141,157
Charged to profit or loss	(12,105)	(87,680)
Credited to equity	-	1,561
Additions through business combinations (note 37)	(40,090)	-
Derecognised upon sale of leasehold portfolio	-	(35,403)
Closing balance	<u>(32,560)</u>	<u>19,635</u>

Note 9. Income tax (continued)

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Provision for income tax</i>		
Provision for income tax	<u>1,984</u>	<u>1,707</u>
<i>Tax losses not recognised</i>		
	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Unused tax losses for which no deferred tax asset has been recognised	2,511,680	2,530,852
Potential tax benefit at statutory tax rates	753,504	759,256

Included within the amount debited to profit or loss for the year ended 30 June 2021 is reversal of tax losses of \$139.2 million that no longer qualify for recognition. Tax losses carried forward at 30 June 2022 represent losses incurred by the group since the IPO date and are subject to the Continuity of Ownership Test.

The group has not brought to account \$2,511.7 million (2021: \$2,530.9 million) of tax losses, which includes the benefit arising from tax losses incurred prior to HCL's IPO. The benefits of unused tax losses will only be brought to account (with the recognition of a deferred tax asset) when there is convincing evidence that it is probable that they will be realised. Given the change in ownership on IPO and subsequent changes to the underlying business, the likelihood of this is considered to be remote.

This benefit of tax losses will only be obtained if:

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

Note 10. Discontinued operations

On 20 November 2020, the group disposed of the former Masters Hardware leasehold properties (Leasehold segment) via the sale of Home Consortium Leasehold Pty Ltd and its subsidiaries to foundation shareholder Home Investment Consortium Company Pty Limited as trustee for the Home Investment Consortium Trust ('HICT'). The leasehold interest had a net asset position of \$35.5 million and was sold for a nominal \$1 consideration.

The impact of the discontinued operations on the comparative period statement of profit or loss is provided below.

Note 10. Discontinued operations (continued)

Financial performance information

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Total revenue	-	4,200
Total other income	-	47,283
Total expenses	-	(6,107)
Profit before income tax expense	-	45,376
Income tax expense	-	-
Profit after income tax expense	-	45,376
Loss on disposal of subsidiary	-	(35,493)
Income tax expense	-	-
Loss on disposal after income tax expense	-	(35,493)
Profit after income tax expense from discontinued operations	-	9,883

Cash flow information

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Net cash from operating activities	-	4,042
Net cash used in investing activities	-	(12,817)
Net decrease in cash and cash equivalents from discontinued operations	-	(8,775)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Cash and cash equivalents	-	18,538
Trade and other receivables	-	34,123
Investment properties - leasehold	-	79,446
Deferred tax assets	-	35,403
Total assets	-	167,510
Trade and other payables	-	8,017
Provisions	-	2,000
Lease liabilities	-	122,000
Total liabilities	-	132,017
Net assets	-	35,493

Note 10. Discontinued operations (continued)

Details of the disposal

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Total sale consideration*	-	-
Carrying amount of net assets disposed	-	(35,493)
Loss on disposal before income tax	-	(35,493)
Loss on disposal after income tax	-	(35,493)

* Nominal sale consideration of \$1 was settled on disposal of leasehold operations.

Note 11. Cash and cash equivalents

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank	57,555	11,694

Note 12. Trade and other receivables

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	16,431	6,287
Allowance for expected credit losses	(263)	(792)
	16,168	5,495
Accrued income	6	630
	16,174	6,125

Note 13. Other assets

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current assets</i>		
Prepayments	473	3,776
Other deposits	1,938	432
Other receivables	16,122	8,477
Other current assets	-	878
	18,533	13,563
<i>Non-current assets</i>		
Capitalised borrowing costs	549	-
	19,082	13,563

Note 14. Assets classified as held for sale

Consolidated
30 June 2022 30 June 2021
\$'000 \$'000

Investment property	-	478,592
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During the previous financial year, the group entered into conditional agreements to sell a 100% interest in a portfolio of seven large format retail assets ('LFR Portfolio') to HDN for a total purchase price of \$266.4 million less estimated costs of the bonus unit issue of \$8.9 million. HDN unitholder approval was obtained at an extraordinary general meeting on 16 June 2021 and settlement occurred on 1 July 2021.

Ten other properties with a value of \$221.1 million were seeded into HCW which is a separate listed entity established during the current financial year (refer note 16).

Note 15. Investment property - freehold

Consolidated
30 June 2022 30 June 2021
\$'000 \$'000

<i>Non-current assets</i>		
Investment property - freehold - at fair value	-	188,100

Reconciliation

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

Opening balance	188,100	1,013,750
Acquisitions and additions	-	284,548
Disposals	(217,838)	(69,000)
Transfer to HDN upon demerger	-	(584,200)
Transfer to assets held for sale (note 14)	-	(478,592)
Capitalised expenditure	11,492	48,155
Straight-lining and amortisation	(563)	(3,503)
Net gain/(loss) from fair value adjustments	18,809	(23,058)
Closing balance	-	188,100

Refer to note 30 for further information on fair value measurement.

During the financial year, the group sold five investment properties to HDN for a total consideration of \$114.9 million.

Lessors commitments

Consolidated
30 June 2022 30 June 2021
\$'000 \$'000

Minimum lease commitments receivable but not recognised in the financial statements:

Within one year	-	11,706
One to two years	-	11,518
Two to three years	-	11,048
Three to four years	-	9,791
Four to five years	-	7,980
More than five years	-	45,619
	-	97,662

Note 16. Investments accounted for using the equity method

Establishment of HealthCo Healthcare and Wellness REIT (HCW)

During the financial year, the group established HCW, a Trust registered with the Australian Securities and Investment Commission ('ASIC') and listed on the Australian Securities Exchange ('ASX').

HCW was a subsidiary of HCL as at 30 June 2021. In September 2021, HCW issued new equity units for \$650 million with HCL subscribing for \$130 million (20%). HCW repaid the net inter-company loans from HCL (reflecting costs spent in relation to the properties in the portfolio which were owned and seeded by HCL). HCL derecognised assets classified as held for sale of \$221.1 million as at 30 June 2021, recognised a \$2.2 million rental guarantee payable, and recognised investment property gains of \$13.7 million as part of this transaction.

The fair value of the investment in HCW as at the date when control was lost, being \$146.9 million, was calculated using the volume-weighted average price ('VWAP') of HCW shares as traded on the ASX over the first five trading days after listing. This resulted in a gain of \$16.9 million upon the recognition of the investment in associate. The investment in HCW is accounted for as an investment in associate using the equity method of accounting.

Camden joint ventures

During the financial year, the group entered into a joint venture arrangement with HCW and a third party to acquire and develop three separate parcels of land which are owned by the following special purpose vehicles - The George Trust, General Medical Precinct Trust and Life Sciences Medical Precinct Trust.

The George Trust and General Medical Precinct Trust were initially capitalised at 25%, 25% and 50% by HMC, HCW and the third party, respectively. Life Sciences Medical Precinct Trust was initially capitalised at 30%, 30% and 40% by HMC, HCW and the third party, respectively.

Future capital expenditure is to be funded by HMC and HCW in equal contributions.

Details of investments in associates and joint ventures at the reporting date are provided below:

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Associate - HomeCo Daily Needs REIT	443,194	263,878
Associate - HealthCo Healthcare and Wellness REIT	136,924	-
Joint venture - The George Trust	17,150	-
Joint venture - General Medical Precinct Trust	2,511	-
Joint venture - Life Sciences Medical Precinct Trust	8,933	-
	608,712	263,878
	608,712	263,878

Interests in associates and joint ventures

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

Name	Principal place of business/ Country of incorporation	Ownership interest	
		30 June 2022	30 June 2021
		%	%
HomeCo Daily Needs REIT	Australia	14.1%	28.5%
HealthCo Healthcare and Wellness REIT	Australia	20.9%	-
The George Trust	Australia	40.3%	-
General Medical Precinct Trust	Australia	25.0%	-
Life Sciences Medical Precinct Trust	Australia	30.2%	-

Note 16. Investments accounted for using the equity method (continued)

Summarised financial information

	HDN		HCW	Joint ventures
	30 June 2022	30 June 2021	30 June 2022	30 June 2022
	\$'000	\$'000	\$'000	\$'000
<i>Summarised statement of financial position</i>				
Current assets	52,622	268,785	55,995	1,042
Non-current assets	4,803,567	1,121,640	637,602	87,002
Total assets	4,856,189	1,390,425	693,597	88,044
Current liabilities	117,067	31,515	17,213	5,876
Non-current liabilities	1,601,375	425,778	22,294	-
Total liabilities	1,718,442	457,293	39,507	5,876
Net assets	3,137,747	933,132	654,090	82,168
<i>Summarised statement of profit or loss and other comprehensive income</i>				
Revenue and fair value changes	488,255	62,052	64,269	-
Expenses	(153,143)	(30,720)	(14,657)	-
Profit before income tax	335,112	31,332	49,612	-
Other comprehensive income	-	-	-	-
Total comprehensive income	335,112	31,332	49,612	-
<i>Reconciliation of the group's carrying amount</i>				
Opening carrying amount	263,878	-	-	-
Fair value of investments acquired during the year	-	174,154	-	-
Additional investments acquired during the year	146,243	87,481	136,094	28,594
Share of profit after income tax	60,911	8,940	10,237	-
Share of distributions paid/payable	(19,922)	(6,697)	(4,968)	-
HDN bonus unit reduction	(7,916)	-	-	-
Impairment expenses	-	-	(21,339)	-
Fair value gain on investments in HCW	-	-	16,900	-
Closing carrying amount	443,194	263,878	136,924	28,594

A \$21.3 million impairment to the carrying value of the investment in HCW has been recognised for the year ended 30 June 2022. The investment has been reduced to its recoverable amount which has been based on the net tangible assets per unit of HCW as at 30 June 2022.

Commitments

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	116,582	34,400
Property acquisitions	127,558	274,000

Note 17. Property, plant and equipment

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Fixtures, fittings and equipment - at cost	3,320	-
Less: Accumulated depreciation	(180)	-
	<u>3,140</u>	<u>-</u>

Reconciliations

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

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

Note 18. Intangible assets

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill	49,337	-
Management rights	137,437	-
	<u>186,774</u>	<u>-</u>

Reconciliations

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

Consolidated	Goodwill \$'000	Management rights \$'000	Total \$'000
Balance at 1 July 2021	-	-	-
Additions through business combinations (note 37)	49,337	137,437	186,774
Balance at 30 June 2022	<u>49,337</u>	<u>137,437</u>	<u>186,774</u>

Impairment testing

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

No impairment expense was recognised for the year ended 30 June 2022.

Note 18. Intangible assets (continued)

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

Cash flows	10 years
Discount rate (post-tax)	7.6%
Terminal growth rate	3.0%

Cash flow projections were based on financial budgets for the year ending 30 June 2023. Cash flows beyond the projected period are extrapolated using estimated growth rates.

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

Sensitivity analysis

A 50 basis point increase/decrease in the discount rate would result in a \$186.8 million decrease/\$232.9 million increase in the recoverable value of the cash generating unit.

A 50 basis point increase/decrease in the terminal growth rate would result in a \$168.5 million increase/\$135.4 million decrease in the recoverable value of the cash generating unit.

Note 19. Right-of-use assets

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Right-of-use assets	4,887	585
Less: Accumulated amortisation	(81)	(308)
	<u>4,806</u>	<u>277</u>

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

Reconciliations

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

Consolidated	Office premises
	\$'000
Balance at 1 July 2020	466
Amortisation expense	(189)
Balance at 30 June 2021	277
Additions	4,887
Amortisation expense	(358)
Balance at 30 June 2022	<u>4,806</u>

Note 19. Right-of-use assets (continued)

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

- note 8 for details of interest on lease liabilities and other lease expenses;
- note 23 and note 42 for details of lease liabilities at the beginning and end of the reporting period;
- note 29 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 20. Convertible notes

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Convertible notes	<u>2,282</u>	<u>548</u>

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

Note 21. Trade and other payables

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	3,198	4,267
Rent received in advance	265	1,132
Accrued expenses	15,783	7,636
Other payables	<u>3,531</u>	<u>319</u>
	<u>22,777</u>	<u>13,354</u>

Refer to note 29 for further information on financial instruments.

Note 22. Employee benefit obligations

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	1,038	410
Other employee benefits	<u>3,759</u>	<u>727</u>
	<u>4,797</u>	<u>1,137</u>

Note 23. Lease liabilities

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability	717	205
<i>Non-current liabilities</i>		
Lease liability	3,628	72
	<u>4,345</u>	<u>277</u>

Refer to note 29 for maturity analysis of lease liabilities.

Note 24. Borrowings

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Non-current liabilities</i>		
Senior secured bank debt	-	254,750
Capitalised borrowing costs	-	(1,639)
	<u>-</u>	<u>253,111</u>

Refer to note 29 for further information on financial instruments.

Capitalised borrowing costs of \$0.5 million as at 30 June 2022 have been disclosed as other non-current assets in note 13.

On 29 July 2021, the group completed an upsize and extension of its existing three-year senior secured syndicated debt facility to a \$375.0 million senior secured syndicated debt facility expiring in November 2023. The facility limit was reduced to \$275.0 million in December 2021. The bank loans are secured by assets held by the group. The interest comprises a base rate plus a variable margin, determined by the prevailing loan to valuation ratio.

Financing arrangements

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

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Total facilities		
Senior secured bank debt	275,000	315,000
Used at the reporting date		
Senior secured bank debt	-	254,750
Unused at the reporting date		
Senior secured bank debt	275,000	60,250

Compliance with loan covenants

The group has complied with the financial covenants of its debt facilities during the financial year ended 30 June 2022 and 30 June 2021.

Note 25. Derivative financial instruments

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Current assets</i>		
Derivative asset - equity total return swap	14,425	-
<i>Non-current liabilities</i>		
Derivative liability - interest rate swap	-	(1,847)
	<u>14,425</u>	<u>(1,847)</u>

Refer to note 29 for further information on financial instruments.

Refer to note 30 for further information on fair value measurement.

Note 26. Contributed equity

	Consolidated			
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>299,617,806</u>	<u>290,121,283</u>	<u>5,036,746</u>	<u>3,710,382</u>

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2020	197,912,426	3,607,986
Issue of shares (at \$2.88 per ordinary share)	7 July 2020	48,611,111	140,000
Issue of shares (at \$2.83 per ordinary share)	28 July 2020	3,758,565	10,637
Issue of shares (at \$2.88 per ordinary share)	2 September 2020	6,944,444	20,000
Capital distribution on demerger of HomeCo Daily Needs REIT	26 November 2020	-	(189,600)
Issue of shares (at \$3.80 per ordinary share)	10 December 2020	32,894,737	125,000
Share issue transaction costs, net of tax		-	(3,641)
Balance	30 June 2021	290,121,283	3,710,382
Issue of shares on vesting of share rights	27 August 2021	145,072	478
Share issue upon acquisition of HCDL (refer note 2)	17 December 2021	478,994,382	1,265,167
Share consolidation (refer note 2)	17 December 2021	(478,994,382)	-
Issue of shares on acquisition of Aventus Holdings Limited (refer note 37)	4 March 2022	9,351,451	60,784
Share issue transaction costs, net of tax		-	(65)
Balance	30 June 2022	<u>299,617,806</u>	<u>5,036,746</u>

Until 24 December 2021, the issued shares of the group were made up of stapled securities comprising of one share of HCL and one share of HCDL. As noted in note 2, the stapled securities were destapled effective from 24 December 2021.

Ordinary shares

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

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

Note 26. Contributed equity (continued)

Share buy-back

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

Capital risk management

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

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to security holders, return capital to security holders, issue new shares or sell assets to reduce debt.

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

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

Note 27. Reserves

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Profits reserve	-	1,885
Share-based payments reserve	5,054	2,128
Non-controlling interest ('NCI') reserve	(1,232,539)	-
	<u>(1,227,485)</u>	<u>4,013</u>

Profits reserve

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

Share-based payments reserve

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

Non-controlling interest reserve

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

Note 27. Reserves (continued)

Movements in reserves

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

Consolidated	Profits reserve \$'000	Share-based payments reserve \$'000	NCI reserve \$'000	Total \$'000
Balance at 1 July 2020	38,584	472	-	39,056
Dividends paid (note 28)	(36,699)	-	-	(36,699)
Share-based payments	-	1,656	-	1,656
Balance at 30 June 2021	1,885	2,128	-	4,013
Dividends paid	(1,885)	-	-	(1,885)
Share-based payments	-	3,404	-	3,404
Transfer to contributed equity on vesting of rights (note 26)	-	(478)	-	(478)
Transfer from contributed equity on destapling (note 26)	-	-	(1,265,167)	(1,265,167)
Transfer from non-controlling interest	-	-	34,100	34,100
Destapling transaction costs	-	-	(1,472)	(1,472)
Balance at 30 June 2022	<u>-</u>	<u>5,054</u>	<u>(1,232,539)</u>	<u>(1,227,485)</u>

Note 28. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated 30 June 2022 \$'000	30 June 2021 \$'000
Final dividend to shareholders registered on 3 September 2021 of 6.0 cents (2020: 7.5 cents) per ordinary security	17,416	19,292
Interim dividend for the year ended 30 June 2022 of 6.0 cents (2021: 6.0 cents) per ordinary security	<u>17,416</u>	<u>17,407</u>
	<u>34,832</u>	<u>36,699</u>

On 23 August 2022, the directors determined to pay a fully franked dividend of 6.0 cents per ordinary share. The dividends will be paid on 7 October 2022 to eligible shareholders on the register on 2 September 2022.

Franking credits

	Consolidated 30 June 2022 \$'000	30 June 2021 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>12,889</u>	<u>21,355</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 29. Financial instruments

Financial risk management objectives

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as interest rate swap contracts to hedge certain risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

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

Price risk

The group's main exposure to price risk arises from the total return equity swap (equity swap) disclosed in note 25 to the financial statements. The fair value of the equity swap is dependent upon the price of Sigma Healthcare Limited (ASX: SIG) a company listed on the Australian Securities Exchange.

A 10% increase/decrease in the share price of SIG would result in a \$8.3 million increase/decrease in the fair value of the equity swap assuming all other variables are held constant. This would also result in a \$5.8 million increase/decrease in net profit after tax and equity.

Interest rate risk

The group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the group to interest rate risk. Borrowings obtained at fixed rates expose the group to fair value risk. The policy is to maintain approximately 50% of borrowings at fixed rates using interest rate swaps to achieve this when necessary.

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

Consolidated	30 June 2022		30 June 2021	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	0.66%	-	1.87%	254,750
Interest rate swaps (notional principal amount)	-	-	0.89%	(175,000)
Net exposure to cash flow interest rate risk		-		79,750

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

An official increase/decrease in interest rates of 50 (2021: 50) basis points would have an adverse/favourable effect on profit before tax of \$Nil (2021: \$0.4 million) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Interest rate swap

In the prior year, the group had an interest rate swap contract with a notional principal amount of \$175.0 million. The maturity date of the interest rate swap contract was October 2022. The interest rate swap hedges the group's risk against an increase in variable interest rates. However, hedge accounting is not applied.

During the financial year, the group novated its interest rate swap contract to HDN for consideration of \$0.2 million.

Note 29. Financial instruments (continued)

Credit risk

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

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

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

Liquidity risk

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

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

Refer to note 24 for details of unused borrowing facilities at the reporting date.

Remaining contractual maturities

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

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

Note 29. Financial instruments (continued)

Consolidated - 30 June 2021	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	4,267	-	-	-	4,267
Other payables	319	-	-	-	319
<i>Interest-bearing - variable</i>					
Bank loans	4,741	256,157	-	-	260,898
<i>Interest-bearing - fixed rate</i>					
Lease liability	215	72	-	-	287
Total non-derivatives	<u>9,542</u>	<u>256,229</u>	<u>-</u>	<u>-</u>	<u>265,771</u>
Derivatives					
Interest rate swaps net settled	1,553	461	-	-	2,014
Total derivatives	<u>1,553</u>	<u>461</u>	<u>-</u>	<u>-</u>	<u>2,014</u>

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

Note 30. Fair value measurement

Fair value hierarchy

The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivative financial instruments	-	14,425	-	14,425
Total assets	<u>-</u>	<u>14,425</u>	<u>-</u>	<u>14,425</u>
Consolidated - 30 June 2021				
Assets				
Investment property - freehold	-	-	188,100	188,100
Investment property - held for sale	-	-	478,592	478,592
Total assets	<u>-</u>	<u>-</u>	<u>666,692</u>	<u>666,692</u>
Liabilities				
Derivative financial instruments	-	1,847	-	1,847
Total liabilities	<u>-</u>	<u>1,847</u>	<u>-</u>	<u>1,847</u>

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

There were no transfers between levels during the financial year.

Note 30. Fair value measurement (continued)

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 the 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 take into consideration occupancy rates and returns on investment.

For properties not independently valued during the 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 observable market inputs. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Level 3 assets and liabilities

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average) 30 June 2022	Range (weighted average) 30 June 2021
Investment property - freehold and held for sale	(i) Capitalisation rate	Nil	4.8% to 8.0% (6.5%)
	(ii) Discount rate	Nil	5.5% to 9.0% (7.1%)
	(iii) Terminal yield	Nil	5.3% to 8.3% (6.6%)
	(iv) Rental growth	Nil	2.0% to 3.5% (2.7%)

A higher capitalisation rate, discount rate or terminal yield will lead to a lower fair value. A higher growth rate will lead to a higher fair value. The 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 fair value by \$ Nil (2021: \$26.9 million).

Note 31. Key management personnel disclosures

Compensation

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

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Short-term employee benefits	2,581,336	2,892,758
Post-employment benefits	140,795	169,823
Share-based payments	1,919,543	1,413,841
	<u>4,641,674</u>	<u>4,476,422</u>

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company, and unrelated firms:

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	392,416	408,733
<i>Other services - PricewaterhouseCoopers</i>		
Other assurance services	8,731	8,160
Review of destapling shareholder booklet	76,500	-
	<u>85,231</u>	<u>8,160</u>
<i>Total remuneration to PricewaterhouseCoopers</i>	<u><u>477,647</u></u>	<u><u>416,893</u></u>
<i>Other auditors</i>		
Audit or review of the financial statements	18,000	-
<i>Other services</i>		
Other assurance services	13,000	-
<i>Total remuneration to other auditors</i>	<u><u>31,000</u></u>	<u><u>-</u></u>

Note 33. Contingent liabilities

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

Note 34. Commitments

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	26,950	17,556
Property acquisitions	-	125,045
	<u>26,950</u>	<u>142,601</u>

Note 35. Related party transactions

Parent entity

Home Consortium Limited is the parent entity of the group.

Subsidiaries

Interests in subsidiaries are set out in note 38.

Associates

Interests in associates are set out in note 16.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

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

HCW Funds Management Limited (Responsible Entity) was appointed as the responsible entity of HCW during the financial year. The Responsible Entity has appointed HMC Property Management Pty Limited (the 'Property Manager') and HMC Investment Management Pty Ltd (the 'Investment Manager') to provide certain asset management, investment management and development management services to HCW in accordance with an Investment Management and Property and Development Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are wholly owned subsidiaries of the group. Refer note 16 for details of the establishment of HCW.

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

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

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

	Consolidated	
	30 June 2022	30 June 2021
	\$	\$
Sale of goods and services:		
Property rental and other property income derived from director and shareholder related entities	839,970	6,700,113
Investment management and property management fees derived from HDN and HCW	62,607,034	10,118,036
Responsible Entity expenses reimbursed from HDN and HCW	1,981,868	288,946
Management fees derived from director and KMP related entity	918,750	1,248,790
Payment for goods and services:		
Payment for office space, associated costs and reimbursement of expenses to a director related entity	-	43,749
Payment for settlement adjustments relating to tenant rent and property expenses	2,192,165	1,962,001
Other transactions:		
(i) Rental guarantee expenses payable to HDN and HCW	2,689,997	475,000
(ii) Receipts from HDN and HCW (reimbursement of property deposits, capital expenditure and IPO transaction costs)	15,392,422	26,140,642
(iii) Sub underwriter fee	-	405,000
(iv) Sale of 50% interest in Proxima (Southport) QLD to HCW	5,000,000	-
(v) Novation of interest rate swap to HDN	198,791	-

Settlement of assets classified as held for sale

Refer to note 14 for assets classified as held for sale for properties that were later settled during the financial year to HCW and HDN.

Note 35. Related party transactions (continued)

Settlement of investment properties

Refer to note 15 for investment properties that were disposed during the financial year to HDN.

Receivable from and payable to related parties

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

	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$	\$
Current receivables:		
Trade receivables from the director and shareholder related entities	56,474	496,117
Receivables from HDN and HCW	22,300,644	6,251,806
Receivables from director and KMP related entity	55,000	-
Current payables:		
Payables to HDN and HCW	1,593,661	-

Loans to/from related parties

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

	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$	\$
Non-current receivables:		
Convertible notes in a director and KMP related entity	2,281,500	548,000

All related party receivables are considered to be recoverable.

Terms and conditions

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

Note 36. 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 June 2022	30 June 2021
	\$'000	\$'000
Profit/(loss) after income tax	49,061	(89,220)
Total comprehensive income/(loss)	49,061	(89,220)

Statement of financial position

	Parent	
	30 June 2022	30 June 2021
	\$'000	\$'000
Total current assets	11,141	12,011
Total assets	2,079,380	977,526
Total current liabilities	9,536	4,455
Total liabilities	9,536	259,691
Equity		
Contributed equity	5,036,746	3,710,382
Profits reserve	24,821	1,885
Share-based payments reserve	4,837	2,128
Accumulated losses	(2,996,560)	(2,996,560)
Total equity	<u>2,069,844</u>	<u>717,835</u>

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 3, except for the following:

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

Note 37. Business combinations

Aventus Holdings Limited ('AHL')

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

The acquired business contributed revenues of \$5.0 million to the group for the period from 4 March 2022 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full-year contributions would have been revenues of \$17.4 million.

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

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

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

The values identified in relation to the acquisition of AHL are provisional as at 30 June 2022.

Note 38. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2022 %	30 June 2021 %
Subsidiaries of Home Consortium Limited:			
Home Consortium Property Pty Ltd	Australia	100%	100%
Home Consortium Property Trust	Australia	100%	100%
Aventus Holdings Limited	Australia	100%	-
HMC Capital Partners Trust A	Australia	100%	-
HMC Capital Partners Trust B	Australia	100%	-
HMC Capital Partners Trust C	Australia	100%	-
Subsidiaries of Home Consortium Developments Pty Limited (HCDL)*			
HomeCo Childcare Pty Ltd**	Australia	100%	100%
HMC Funds Management Limited**	Australia	100%	100%
HMC Investment Management Pty Ltd**	Australia	100%	100%
HMC Property Management Pty Ltd**	Australia	100%	100%
HCW Funds Management Limited**	Australia	100%	-
HMC Capital Funds Management Pty Ltd**	Australia	100%	-
Home Consortium Developments Property Trust	Australia	-	100%

* As detailed in note 2, HCDL was de-stapled from the HMC group during the year. HCL obtained 100% control of HCDL and its subsidiaries from 24 December 2021.

** Entity is a 100% owned subsidiary of HCDL.

Note 39. Deed of cross guarantee

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

HCL and its wholly owned subsidiaries represent a 'Closed Group' for the purposes of the Instrument, and as there were no other parties to the deed of cross guarantee that are controlled by HCL, they also represented the 'Extended Closed Group'.

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

Note 40. Earnings per security

	Consolidated	
	30 June 2022 \$'000	30 June 2021 \$'000
<i>Earnings per security for profit/(loss) from continuing operations</i>		
Profit/(loss) after income tax	107,262	(95,787)
Non-controlling interest	(30,013)	(4,087)
Profit/(loss) after income tax	<u>77,249</u>	<u>(99,874)</u>

Note 40. Earnings per security (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	293,292,529	273,245,680
Adjustments for calculation of diluted earnings per share:		
Rights over ordinary shares	2,017,991	-
	<u>295,310,520</u>	<u>273,245,680</u>
	Cents	Cents
Basic earnings per security	26.34	(36.55)
Diluted earnings per security	26.16	(36.55)
	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Earnings per security for profit from discontinued operations</i>		
Profit after income tax	-	9,883
Non-controlling interest	-	-
	<u>-</u>	<u>9,883</u>
	Cents	Cents
Basic earnings per security	-	3.62
Diluted earnings per security	-	3.62
	Consolidated	Consolidated
	30 June 2022	30 June 2021
	\$'000	\$'000
<i>Earnings per security for profit/(loss)</i>		
Profit/(loss) after income tax	107,262	(85,904)
Non-controlling interest	(30,013)	(4,087)
	<u>77,249</u>	<u>(89,991)</u>
	Cents	Cents
Basic earnings per security	26.34	(32.93)
Diluted earnings per security	26.16	(32.93)

Nil (2021: 1,869,816) share rights over ordinary shares have been excluded from the calculation of diluted earnings per security as they are anti-dilutive.

Note 41. Share-based payments

The share-based payment expense for the year was \$3.4 million (2021: \$1.7 million).

Share rights

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

Note 41. Share-based payments (continued)

Share rights issued in the 2022 financial year

During the financial year, the group made a number of equity awards. These included the FY22 LTIP (which has predetermined relative total shareholder return and aggregated FFO performance hurdles and also service conditions), NEDEP fee sacrifice rights (which upon vesting are only subject to disposal restrictions), recognition rights awards (service conditions only) and a number of sign-on awards to newly appointed executives in compensation for equity awards forgone from prior employers (service conditions only).

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

30 June 2022		Estimated vesting date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Plan details	Grant date						
FY20 LTIP	14/10/2019	27/08/2022	436,485	-	-	-	436,485
IPO employee grant	14/10/2019	14/10/2022	344,319	-	-	(8,695)	335,624
FY20 COVID-19 grant	25/08/2020	30/09/2022	262,567	-	-	-	262,567
FY21 LTIP (MD & CEO)	25/11/2020	27/08/2023	376,083	-	-	-	376,083
FY21 NEDEP fee sacrifice rights	25/11/2020	27/08/2021	145,072	-	(145,072)	-	-
FY21 LTIP (Executive KMP, excluding MD & CEO)	18/01/2021	27/08/2023	305,290	33,054	-	-	338,344
FY22 LTIP	14/03/2022	28/08/2024	-	508,115	-	(19,130)	488,985
FY22 NEDEP fee sacrifice rights	14/03/2022	25/08/2022	-	69,377	-	-	69,377
Recognition rights	14/03/2022	30/06/2022	-	107,041	-	(2,874)	104,167
Sign-on award	14/03/2022	01/04/2024	-	37,500	-	-	37,500
Sign-on award	14/03/2022	25/08/2022	-	25,235	-	-	25,235
Sign-on award	14/03/2022	27/08/2023	-	14,399	-	-	14,399
Sign-on award	14/03/2022	31/01/2024	-	9,885	-	-	9,885
Sign-on award	19/05/2022	26/04/2023	-	20,172	-	-	20,172
Sign-on award	19/05/2022	26/04/2024	-	20,172	-	-	20,172
Sign-on award	19/05/2022	26/04/2025	-	20,172	-	-	20,172
			<u>1,869,816</u>	<u>865,122</u>	<u>(145,072)</u>	<u>(30,699)</u>	<u>2,559,167</u>
30 June 2021							
Plan details	Grant date	Estimated vesting date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year
FY20 LTIP	14/10/2019	27/08/2022	374,627	-	-	61,858	436,485
IPO employee grant	14/10/2019	14/10/2022	300,000	-	-	44,319	344,319
FY20 COVID-19 grant	25/08/2020	30/09/2022	-	262,567	-	-	262,567
FY21 LTIP (MD & CEO)	25/11/2020	27/08/2023	-	376,083	-	-	376,083
FY21 NEDEP fee sacrifice rights	25/11/2020	27/08/2021	-	145,072	-	-	145,072
FY21 LTIP (Executive KMP, excluding MD & CEO)	18/01/2021	27/08/2023	-	305,290	-	-	305,290
			<u>674,627</u>	<u>1,089,012</u>	<u>-</u>	<u>106,177</u>	<u>1,869,816</u>

* Includes 110,655 top-up awards that were made for existing awards during FY21, as these awards have been added to their original awards.

There are 104,167 share rights that are vested and exercisable as at 30 June 2022 (2021: Nil). The weighted average remaining contractual life of share rights outstanding at the end of the financial year was 0.9 years (2021: 1.5 years).

Note 41. Share-based payments (continued)

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

Plan details	Grant date	Vesting date	Share price at grant date \$	Expected Volatility %	Dividend yield %	Risk-free interest rate %	Fair value at grant date \$
FY21 LTI awards - Relative TSR	14/03/2022	26/08/2023	6.58	40.0%	2.3%	1.0%	6.22
FY21 LTI awards - Freehold FFO	14/03/2022	26/08/2023	6.58	40.0%	2.3%	1.0%	6.37
FY22 LTI awards - Relative TSR	14/03/2022	26/08/2024	6.58	38.0%	2.3%	1.5%	4.03
FY22 LTI awards - Freehold FFO	14/03/2022	26/08/2024	6.58	38.0%	2.3%	1.5%	6.22
FY22 NEDEP fee sacrifice rights	14/03/2022	26/08/2022	6.58	40.0%	-	0.8%	6.58
Recognition rights	14/03/2022	30/06/2022	6.58	40.0%	-	0.2%	6.58
Sign-on award	14/03/2022	01/04/2024	6.58	40.0%	2.3%	1.3%	6.28
Sign-on award	14/03/2022	26/08/2022	6.58	40.0%	-	0.3%	6.58
Sign-on award	14/03/2022	26/08/2023	6.58	40.0%	2.3%	0.9%	6.37
Sign-on award	14/03/2022	31/01/2024	6.58	40.0%	2.3%	1.2%	6.31
Sign-on award	19/05/2022	26/04/2023	5.74	38.0%	2.3%	1.2%	5.62
Sign-on award	19/05/2022	26/04/2024	5.74	38.0%	2.3%	2.5%	5.49
Sign-on award	19/05/2022	26/04/2025	5.74	38.0%	2.3%	2.8%	5.36

Note 42. Cash flow information

Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Profit/(loss) after income tax expense for the year	107,262	(85,904)
Adjustments for:		
Depreciation expenses	520	-
Impairment expenses	21,339	-
Share-based payments expenses	3,404	1,656
Share of profit from associates and joint ventures	(71,148)	(8,940)
Net gain on disposal of investment property	(28,030)	-
Net fair value adjustment to investment property - freehold	(5,003)	23,058
Net fair value adjustment on remeasurement of derivative financial assets	6,324	-
Gain recognised on investments in associates	(16,900)	-
Straight-lining of rental income	563	(3,503)
Amortisation of capitalised borrowing costs	1,788	2,976
Management fees not received in cash	(22,300)	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
Increase in trade and other receivables	(7,653)	(5,151)
Decrease in deferred tax assets	12,105	123,083
(Increase)/decrease in other operating assets	(3,212)	1,496
Increase/(decrease) in trade and other payables	1,351	(22,834)
Decrease in derivative liabilities	(1,847)	(1,279)
Increase/(decrease) in other operating liabilities	3,042	(2,000)
Net cash from operating activities	<u>1,605</u>	<u>22,658</u>

Note 42. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated	
	30 June 2022	30 June 2021
	\$'000	\$'000
Additions to the right-of-use assets	4,887	-
Shares issued in relation to business combinations (note 37)	60,784	-
Shares issued on acquisition of property	-	20,000
Capital distribution on demerger of HDN	-	(189,600)
Units acquired in HDN	140,272	-
	<u>205,943</u>	<u>(169,600)</u>

Changes in liabilities arising from financing activities

Consolidated	Senior secured bank debt \$'000	Lease liabilities \$'000	Total \$'000
Balance at 1 July 2020	366,000	143,077	509,077
Net cash used in financing activities	(111,250)	(11,895)	(123,145)
Transfer to investment property - leasehold	-	(8,905)	(8,905)
Disposal of leasehold property	-	(122,000)	(122,000)
	<u>254,750</u>	<u>277</u>	<u>255,027</u>
Balance at 30 June 2021	254,750	277	255,027
Net cash used in financing activities	(254,750)	(334)	(255,084)
Acquisition of leases	-	4,402	4,402
	<u>-</u>	<u>4,402</u>	<u>4,402</u>
Balance at 30 June 2022	<u>-</u>	<u>4,345</u>	<u>4,345</u>

Note 43. Events after the reporting period

HMC Capital Partners Fund I

On 4 July 2022, HMC Capital's wholly owned subsidiary HMC Investment Management Pty Limited (Manager) launched HMC Capital Partners Fund I (the Fund), an Australian domiciled unlisted wholesale fund providing exposure to a high-conviction investment strategies. The Fund will target public and private companies in Australia and New Zealand with real assets. HMC Capital has committed to investing \$150.0 million of equity into the Fund subject to the qualifications set out in the Fund information memorandum dated July 2022.

As part of an early commitment incentive program, initial investors into the Fund will receive rebated management fees and be eligible to subscribe for options in HMC Capital, subject to receiving (and making a valid application order) a prospectus in respect of such options and compliance with relevant law. The options are proposed to be issued following approval at HMC Capital's next AGM which is expected to be held in November 2022.

Following HMC Capital lodging an initial substantial holder notice in Sigma Healthcare Limited (ASX: SIG) in June 2022, HMC Capital increased its combined relevant and economic interest to 13.9%. The investment is being acquired as a seed asset for the Fund.

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.

In the directors' opinion:

- the attached financial statements and notes of Home Consortium Limited comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 39 to the HMC financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001, from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2022.

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

On behalf of the directors



Chris Saxon
Chair



David Di Pilla
Director

23 August 2022



Independent auditor's report

To the members of Home Consortium Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Home Consortium Limited (the Company) 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.

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Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of \$4.2 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.
- The Group engagement team directed the involvement of the component audit team who performed an audit of the financial information of Healthco Healthcare and Wellness REIT ("HCW"). The component engagement team of HomeCo Daily Needs REIT ('HDN') is the Group engagement team and as such, all other procedures outside those performed over HCW were performed by the Group team.
- For the work performed by the component audit team, we considered the level of involvement we needed to have in their audit work to be able to evaluate whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's financial report as a whole. This included active dialogue during the audit with the component audit team and consideration of the results of their work.



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

Investments accounted for using the equity method

Refer to note 16 of the financial report

The carrying value of the associates accounted for under the equity method at 30 June 2022 totalled \$580.1 million and comprised \$443.2 million for HomeCo Daily Needs REIT ('HDN') and \$136.9 million for HealthCo Healthcare and Wellness REIT ('HCW').

In accordance with Australian Accounting Standards, interests in associates need to be assessed for indicators of impairment at the reporting date. If indicators of impairment exist, the recoverable amount for each investment needs to be estimated.

We have considered this a key audit matter due to the financial significance of the associates, the level of judgement required to determine the fair value of the investment properties they hold and the complexity and judgements required in determining their recoverable amount.

The significant judgments included discounted cash flow analysis, the capitalisation method or the use of observable inputs that require significant adjustments based on unobservable inputs.

Business Combination

Refer to note 37 of the financial report

On 4 March 2022 the Group acquired 100% of the ordinary shares of Aventus Holdings Limited ('Aventus') whose activities included investment and management of large format retail property assets.

This was a key audit matter due to the complexity of the valuation methods adopted in calculating the intangible assets acquired and the consequent accounting treatment.

Our audit procedures on associates accounted for using the equity method included, amongst others:

- Reperforming the equity method of accounting calculations by reference to underlying investee financial information.
- Evaluating the assessment made by the Group of whether there were any indicators of impairment. Where such indicators exist, evaluating, with the help of our valuation subject matter experts, the impairment assessment methodologies and the significant assumptions used. In addition, we tested the mathematical accuracy of the model on a sample basis.
- Considering the professional competence of the component auditors and performing procedures to obtain sufficient evidence that the component auditors' work was adequate for our audit. This included understanding the audit procedures performed by the component auditors over investment properties, with a focus on evaluating their work over the methodology and key assumptions such as the capitalisation rate, discount rate, market rents, terminal yield and capital expenditure adopted by management.
- Assessing the reasonableness of the relevant disclosures in the financial reports in light of the requirements of Australian Accounting Standards.

Our audit procedures on the business combination included, amongst others:

- Understanding and evaluating the Group's accounting treatment and process to identify the intangible assets.
- With the assistance of our valuation subject matter experts, assessing the appropriateness of the methods used and assumptions made by the Group in determining the value of the acquired intangible assets.



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none">• Assessing the appropriateness of assumptions made by the Group in determining the value of the identified tangible assets and liabilities acquired.• Agreeing the consideration paid to relevant supporting documents.• Recalculating the goodwill balance.• Recalculating the deferred tax impact of the accounting entries posted.• Assessing the reasonableness of the relevant disclosures in the financial reports in light of the requirements of Australian Accounting Standards.

Other information

The Directors of the Company 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, Security Holder 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 and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial report

The Directors 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 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 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 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.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 12 to 30 of the Directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Home Consortium Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Scott Hadfield'.

Scott Hadfield
Partner

Sydney
23 August 2022

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

Distribution of equitable securities

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

	Ordinary securities Number of holders of securities	% of total securities issued
1 to 1,000	900	0.11
1,001 to 5,000	1,126	1.13
5,001 to 10,000	710	1.78
10,001 to 100,000	745	5.85
100,001 and over	60	91.13
	<u>3,541</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary securities Number held	% of total securities issued
Home Investment Consortium Trust*	90,354,537	30.16
HSBC Custody Nominees (Australia) Limited	76,845,654	25.65
JP Morgan Nominees Australia Pty Limited	29,856,578	9.96
Citicorp Nominees Pty Limited	11,667,833	3.89
National Nominees Limited	8,410,296	2.81
BNP Paribas Noms Pty Ltd	8,356,688	2.79
GOAT Properties Pty Ltd	7,596,973	2.53
Aurum Holdings Pty Ltd	7,010,418	2.34
Netwealth Investments Limited	3,743,101	1.25
UBS Nominees Pty Ltd	3,693,480	1.23
BBFIT Investments Pte Limited	3,103,125	1.04
Bridgebox Pty Ltd	2,759,639	0.92
CW Property Nominees Pty Ltd	2,238,806	0.75
Citicorp Nominees Pty Limited	1,867,101	0.62
HSBC Custody Nominees (Australia) Limited	1,561,086	0.52
Longmorn Pty Ltd	1,350,000	0.45
BNP Paribas Nominees Pty Ltd	1,206,963	0.40
SG Foundation Investments Pty Ltd	1,071,014	0.36
Doux Argent Pty Ltd	901,899	0.30
RRI Investments Pty Ltd	870,247	0.29
	<u>264,465,438</u>	<u>88.26</u>

* Home Investment Consortium Trust holding includes all subsidiaries.

Unquoted equity securities

	Number on issue	Number of holders
Share rights	2,559,167	44

Substantial security holders

Substantial holders in the Company are set out below:

	Number held	Ordinary securities % of total securities issued
Home Investment Consortium Trust*	90,354,537	30.16

* Home Investment Consortium Trust holding includes all subsidiaries.

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of securities
Ordinary securities	Upon retirement from the Board	101,493

Directors	Chris Saxon David Di Pilla Zac Fried Greg Hayes Jane McAloon Brendon Gale Kelly O'Dwyer
Company secretary	Andrew Selim
Registered office and Principal place of business	Level 7 Gateway 1 Macquarie Place Sydney NSW 2000
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: 1300 554 474
Auditor	PricewaterhouseCoopers Tower One, International Towers Sydney Level 17, 100 Barangaroo Avenue Barangaroo NSW 2000
Stock exchange listing	Home Consortium Limited shares are listed on the Australian Securities Exchange (ASX code: HMC)
Website	https://www.hmccapital.com.au/
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Home Consortium Limited in an ethical manner and in accordance with the highest standards of corporate governance. Home Consortium Limited has adopted and has fully complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations').</p> <p>The group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and ASX Appendix 4G are approved and released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Home Consortium Limited's other corporate governance policies and charters can be found on it's website at https://hmccapital.com.au/investor-centre</p>



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