



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

ASX RELEASE

30 September 2022

ANNUAL REPORT 2022

HomeCo Daily Needs REIT (ASX: HDN) provides the attached Annual Report for the year ended 30 June 2022. It is being dispatched today to those unitholders who have elected to receive it.

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

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About HomeCo Daily Needs REIT

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

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

HomeCo Daily Needs REIT

HMC Funds Management Limited
ACN 105 078 635 AFSL 237257

Annual Report

For the year ended 30 June 2022

Home Co.

Daily Needs
REIT



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



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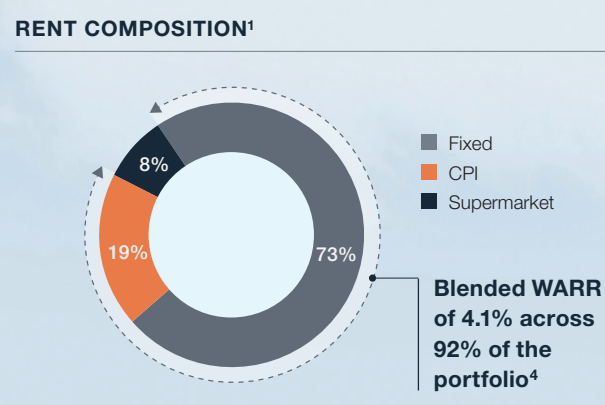
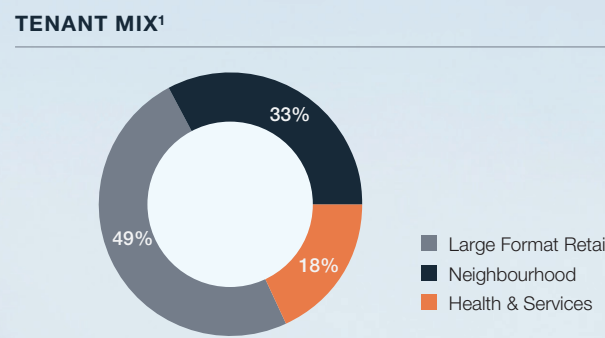
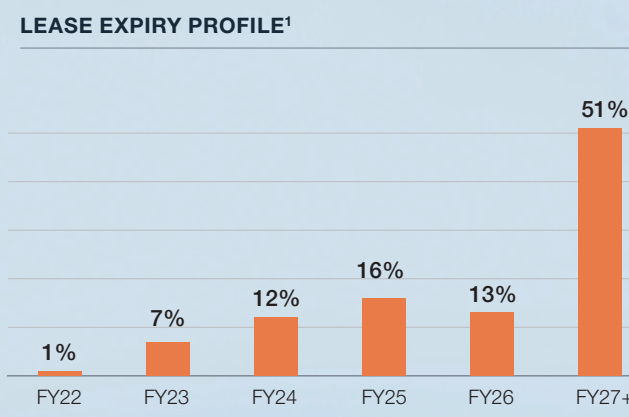
Building a Model Portfolio targeting *consistent* and *growing* distributions



PORTFOLIO STATISTICS

Enhanced scale following the successful merger with Aventus

KEY PORTFOLIO METRICS	
Portfolio value	\$4,649m
Landbank (sqm)	2.5m sqm
Site coverage	37%
WACR	5.33%
WALE ¹	4.9 years
Occupancy ²	>99%
WARR (Fixed) ^{1,3}	3.6%
WARR (Blended) ^{1,4}	4.1%
Tenants	~1,200
Average gross rent	\$349/sqm



Notes: All FY22 metrics as at 30 Jun 22, including McGraths Hill on a 100% basis (\$57.8m) (25.3% owned by HDN) and excluding ROU assets at Parafield and Caringbah (\$11.5m). Metrics also adjusted for sale of Sunshine Coast Home (\$136.7m Jun-22 book value), which settled in August 2022.

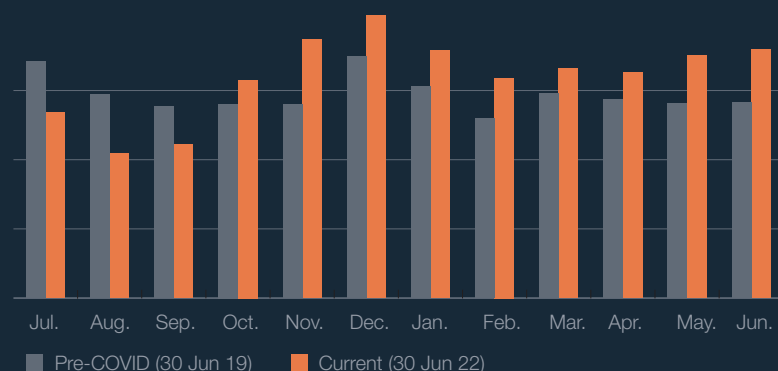
1. By gross income for signed leases and MoUs.
2. By GLA and includes rental guarantees.
3. Weighted Average Rent Reviews on 73% Group tenants that are contracted under fixed escalation rental agreements.
4. Includes both fixed and CPI escalations. Assumes CPI of 6%.



<p>OCCUPANCY</p> <p>>99%</p> <p>for FY22¹</p>	<p>CASH COLLECTION</p> <p>>99%</p> <p>for FY22</p>	<p>LEASING SPREADS³</p> <p>+5.7%</p> <p>200 new leases & renewals in FY22. 3.9% incentive⁴</p>	<p>ANNUAL CUSTOMER VISITATION</p> <p>>80m</p> <p>customers through the HDN Group portfolio⁵</p>
<p>COMP PROPERTY NOI</p> <p>+5.1%</p> <p>vs 30 June 21²</p>	<p>DEVELOPMENT LEASING</p> <p>26,682m²</p> <p>44 leases in FY22</p>	<p>SUPERMARKET MAT GROWTH</p> <p>+3.7%</p> <p>vs 30 June 21⁶</p>	<p>SPECIALITY MAT GROWTH</p> <p>+1.8%</p> <p>vs 30 June 21⁶</p>

MONTHLY CUSTOMER VISITATION (COMPARABLE CENTRES⁷)

Customer visitation has increased by 9% compared to pre-COVID period⁷



Resilient and *growing* income streams notwithstanding ongoing presence of COVID-19

Notes: All FY22 metrics as at 30-Jun-22, including McGraths Hill on a 100% basis (\$57.8m) (25.3% owned by HDN) and excluding ROU assets at Parafield and Caringbah (\$11.5m). Metrics also adjusted for sale of Sunshine Coast Home (\$136.7m Jun-22 book value), which settled in Aug-22.

1. By GLA and includes rental guarantees. Excludes land parcels.
2. Relates to like for like centres and includes Sunshine Coast Home.
3. For new leases and renewals. Includes Sunshine Coast Home.
4. As a percentage of gross rent over lease term.
5. For 12 months ended 30-Jun-22. Annualised for centres that have been operating/acquired for less than 12 months. Assets with car counters calculate customer visitation with an assumption of 1.5 individuals per car. Includes Sunshine Coast Home.
6. Relates to tenants trading for more than +24 month Moving Annual Turnover for the year ended 30-Jun-22 versus Moving Annual Turnover for the year ended 30-Jun-21.
7. Comparable assets trading during the periods 1 July 2021 to 30 June 2022 and 1 July 2018 to 30 June 2019 and includes Sunshine Coast Home. Pre-COVID period relates to 1 July 2018 to 30 June 2019.

Owner and developer of strategic last mile infrastructure *focused* on daily needs & services



MODEL PORTFOLIO CONSTRUCTION



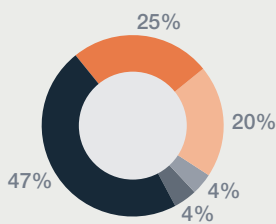
PORTFOLIO TARGET



Geographic location by value

>79%

Metropolitan locations

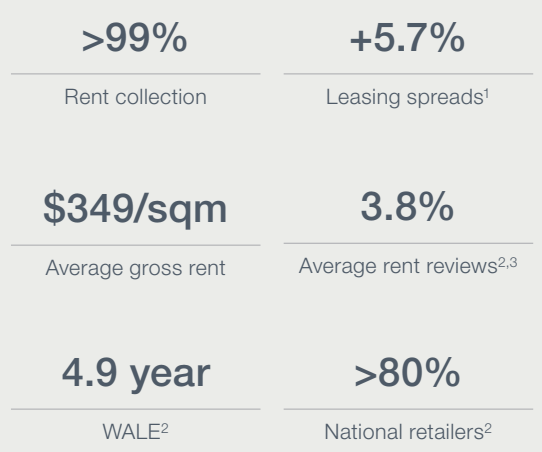


■ NSW ■ VIC ■ QLD ■ SA ■ WA

STRONG INVESTMENT FUNDAMENTALS



SECURE AND GROWING INCOME STREAMS



Top 3 tenants

By gross income⁴



Notes: All FY22 metrics as at 30-Jun-22, including McGraths Hill on a 100% basis (\$57.8m) (25.3% owned by HDN) and excluding ROU assets at Parafield and Caringbah (\$11.5m). Metrics also adjusted for sale of Sunshine Coast Home (\$136.7m Jun-22 book value), which settled in Aug-22.

1. For new leases and renewals, includes Sunshine Coast Home.
2. By gross income for signed leases and signed MoUs
3. Weighted Average Rent Review includes both fixed and CPI escalations and assumes CPI of 4.5%. WARR for tenants contracted under fixed escalation rental agreements is 3.6%.
4. Weighted by Gross Income, excludes Services and Petrol retailers.



GEOGRAPHICALLY DIVERSE & PORTFOLIO

Critical last mile infrastructure supporting *omni-channel* retailing and fulfilment across Australia

Attractive portfolio attributes for omni-channel

~13m people within 10km radius²

~79% metro located

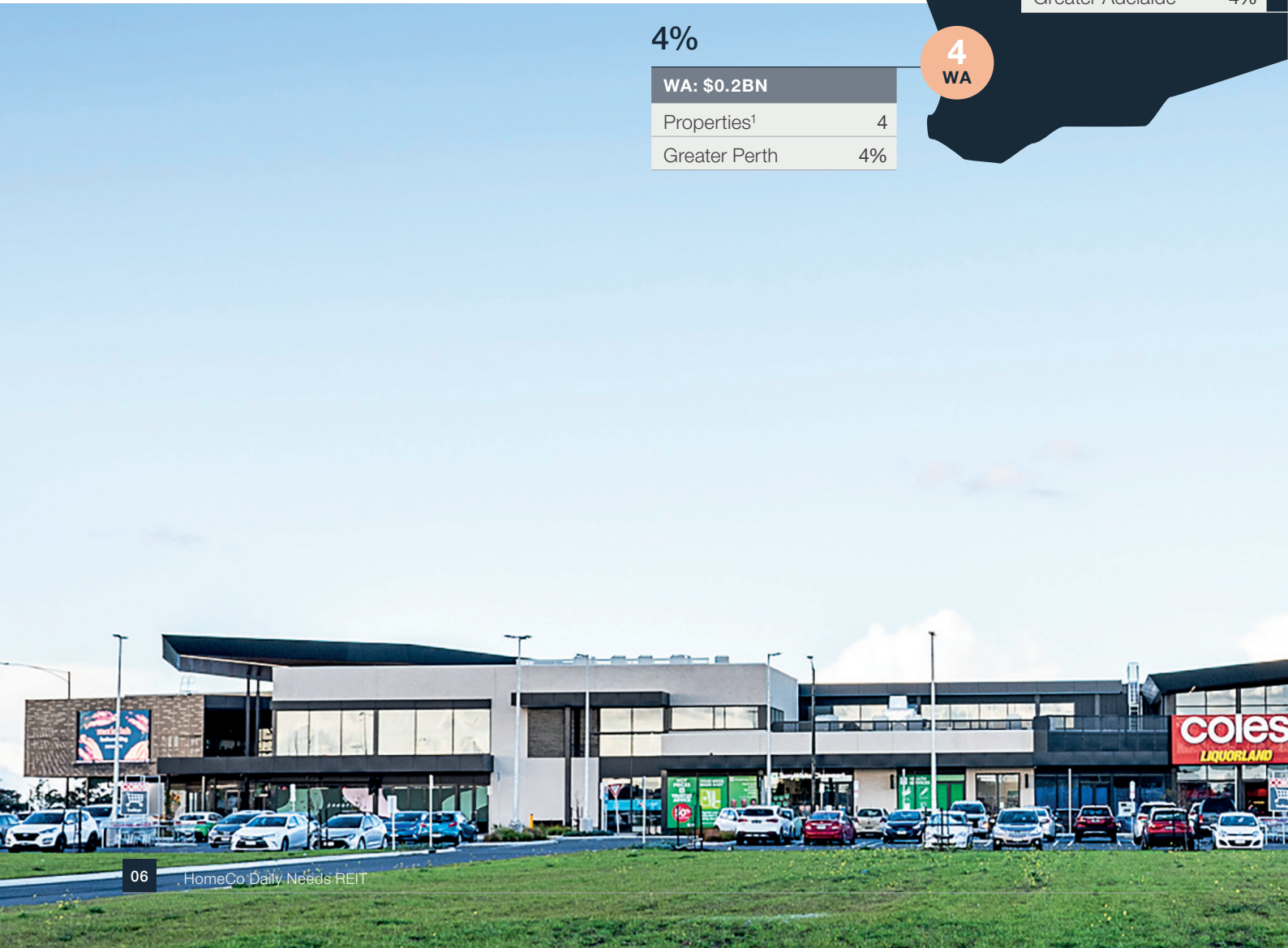
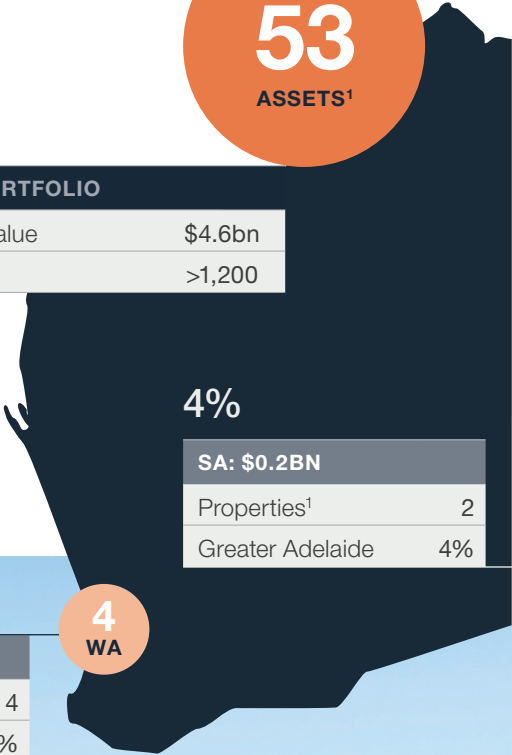
~73% of tenants have click & collect³

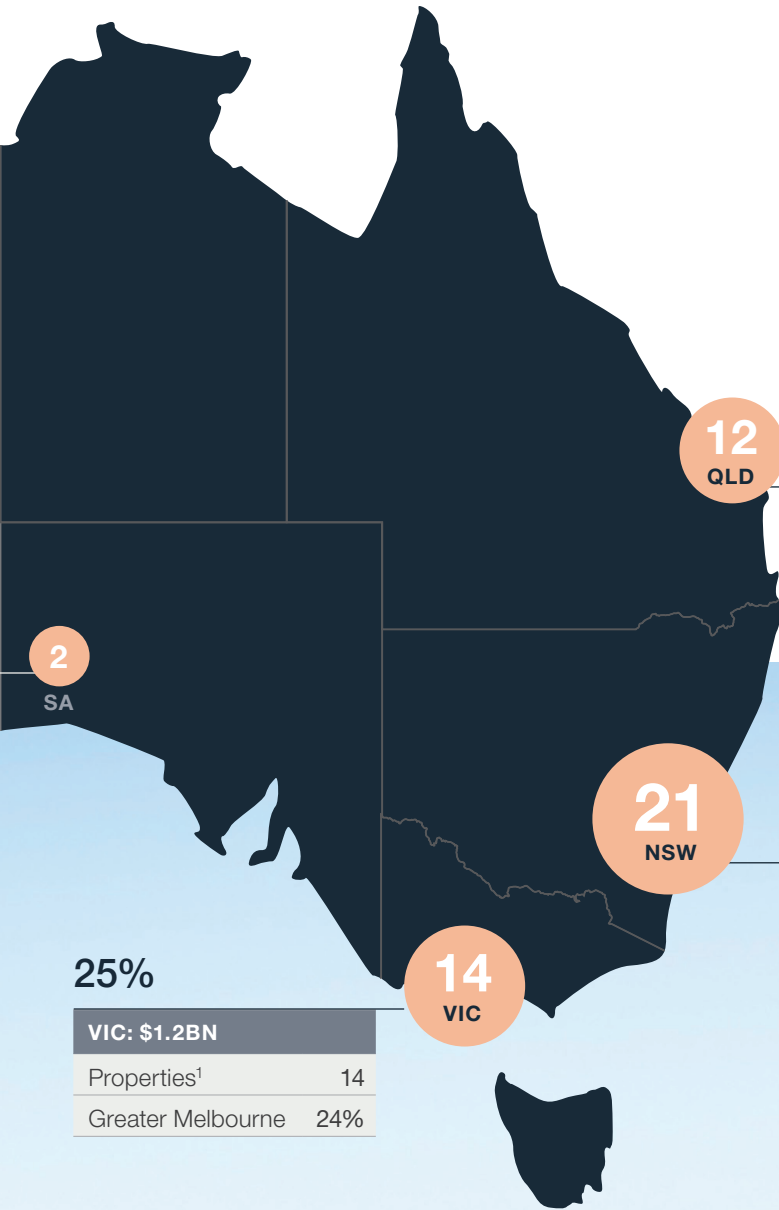
92% by value located on Eastern Seaboard

1.9% population growth⁴ (vs. 1.5% national avg.)

53
ASSETS¹

TOTAL PORTFOLIO	
Portfolio value	\$4.6bn
Tenants	>1,200





20%

QLD: \$0.9BN	
Properties ¹	12
Greater Brisbane	19%

47%

NSW: \$2.2BN	
Properties ¹	21
Greater Sydney	35%

25%

VIC: \$1.2BN	
Properties ¹	14
Greater Melbourne	24%

Notes: Numbers may not add due to rounding. All FY22 metrics as at 30-Jun-22, including McGraths Hill on a 100% basis (\$57.8m) and excluding ROU assets at Parafield and Caringbah (\$11.5m). Metrics also adjusted for sale of Sunshine Coast Home (\$136.7m Jun-22 book value), which settled in Aug-22.

1. Richlands land parcels (108 Pine Road & 159-177 Progress Road) and Armstrong Creek Pad site are consolidated into the adjacent head property.
2. Australian Bureau of Statistics, 2016.
3. Weighted by gross income. Excludes fuel and services tenants.
4. Australian Bureau of Statistics, 2021 – 2026. Based on catchment area.



FY22 HIGHLIGHTS

Successful delivery against FY22 FFO and DPU guidance and *strong progress* made to fortify capital position moving into FY23

FINANCIAL

8.85 cpu

FY22 FFO

+30% increase versus FY21¹
+1% increase versus Feb-22 guidance

\$1.52

NTA/UNIT

+12% increase versus Jun-21²

30.6%

PRO FORMA GEARING³

Lower end of 30-40%
target range

73.5%

PRO FORMA INTEREST RATE
HEDGING³

Notes: All FY22 metrics as at 30-Jun-22, including McGraths Hill on a 100% basis (\$57.8m) (25.3% owned by HDN) and excluding ROU assets at Parafield and Caringbah (\$11.5m). Metrics also adjusted for sale of Sunshine Coast Home (\$136.7m Jun-22 book value), which is expected to settle in Aug-22.

1. Versus FY21 FFO of 4.1cpu annualised for full year given IPO date of 23-Nov-20.
2. Jun-21 NTA/unit at \$1.36.
3. Pro forma for divestment of Sunshine Coast Home. Current gearing at 32.7%. Current interest rate hedging at 67.2%.



ASSET MANAGEMENT

>99%

CASH COLLECTION
FY22 contracted rent

>99%

OCCUPANCY
In line with Jun-21⁴

+5.1%

COMP PROPERTY NOI
vs 30-Jun-21

+5.7%

LEASING SPREADS
200 new leases and renewals⁵

INVESTMENT

\$37m

FY22 DEVELOPMENTS
~10% target ROIC achieved⁶

>\$75m

FY23 TARGET DEVELOPMENTS
7 identified projects
~7% target ROIC⁶

\$500m+

FUTURE PIPELINE
Includes large scale town centre developments
7%+ target ROIC⁶

Net Zero Carbon Emissions

COMMITMENT TO ACHIEVE BY 2028
On-track to deliver against target with clear
strategy and pathway

4. By GLA and includes rental guarantees.
5. Includes new leases and renewals for Sunshine Coast Home.
6. Return on Invested Capital (ROIC) represents cash yield on cost. Estimated ROIC is based on assumptions relating to future income, valuation, capex and is calculated on a fully stabilised basis.



Australia's *leading* Daily Needs REIT. *Proactive* portfolio and capital management.

On behalf of the Board of Directors we are proud to present to you HomeCo Daily Needs REIT's (HDN or the REIT) Annual Report for the full-year ended 30 June FY22. HDN's FY22 result underscores the strong strategic rationale for the transformational merger with Aventus and the significant progress being made to capitalise on HDN's enhanced growth pipeline following the merger. Key highlights for the period are:

Financial highlights

- FY22 FFO of 8.85 cpu (\$105.6m) up +30% versus FY21¹ and ahead of guidance of 8.8 cpu²
- FY22 DPU of 8.28 cpu up +18% versus FY21¹ and in line with guidance²
- Pro forma gearing of 30.6% versus 32.2% at Dec-21 and interest rate hedging of 73.5%³
- Jun-22 NTA/unit of \$1.52 up 12% versus NTA of \$1.36 at June-21, underpinned by strong portfolio valuation gains



Operational highlights

HDN's FY22 result builds on the REIT's strong track record since listing in November 2020 and delivers against the REIT's core objective to provide stable and growing distributions notwithstanding increased macroeconomic volatility since the beginning of the year.

The transformational merger with Aventus was implemented in March 2022 and the management platforms and systems have been successfully integrated. The management team have maintained strong operational momentum with over 99% occupancy and 99% rent collection in FY22. The management team is capitalising on HDN's enhanced portfolio scale post-merger to drive rental growth in a higher inflation and interest rate environment as demonstrated by positive leasing spreads of +5.7%⁴ and comparable NOI growth of +5.1%⁵.

The portfolio recorded strong valuation gains of \$203m over 2H FY22 resulting in Jun-22 NTA/unit of \$1.52 increasing 12% versus pro forma NTA of \$1.36 at June-21 at merger announcement. This underscores the growing demand for daily needs assets from both private and increasingly, institutional investors. Investors remain attracted to high quality daily needs assets offering defensive income streams underpinned by attractive long-term megatrends. We believe the shift to omni-channel retailing is a long-term structural tailwind which is driving the evolution of our asset base into critical last mile infrastructure.

Sustainability continues to be a focus for HDN and remains central to the long-term performance of the business. During FY22, the REIT advanced a number of its ESG initiatives including progressing towards a green low carbon economy and Net Zero by 2028, implementing the smart energy management strategy across select assets, completing its first GRESB rating submission in 2022 and establishing ESG/sustainability KPIs for the leadership team.

Investment update

We are making significant progress unlocking and accelerating our value accretive \$500m+ development pipeline following the Aventus merger with over 30 projects in various stages of planning. We successfully delivered \$37m of projects on time and budget in FY22 achieving a 10% ROIC⁶. We are now targeting the commencement of over \$75m of developments in FY23 at a ~7% ROIC.

The transformational merger with Aventus has been successfully integrated and the management team has maintained strong operational momentum with over 99% occupancy and 99% rent collection in FY22.



Simon Shakesheff
Chair

Sid Sharma
HDN CEO

Capital Management

HDN has taken proactive capital management measures to strengthen its balance sheet with the sale of our Sunshine Coast LFR asset for \$140m, reducing pro forma gearing towards the bottom-end of our target gearing range. The repayment of debt following the sale will increase HDN's interest rate hedging to 73.5% and provide greater income certainty in an environment of rising interest rates.

Guidance and Outlook

As we move into FY23, HDN is well positioned with pro forma gearing of 30.6% which is at the bottom end of our 30-40% target gearing range. The REIT is in a strong position to fund its accretive development pipeline and capitalise on attractive acquisition opportunities which may emerge with ongoing macroeconomic uncertainty and market volatility. HDN is pleased to announce FY23 pro forma FFO guidance of 8.6 cpu⁷ and FY23 DPU guidance of 8.3 cpu.

On behalf of the Board of Directors we would like to express our appreciation to all of our unitholders for their ongoing support throughout FY22. As we turn to FY23, we are confident in the outlook for HomeCo Daily Needs REIT and we look forward to continuing to deliver growth and value for our unitholders.

A handwritten signature in black ink, appearing to read 'Sid Sharma'.

Sid Sharma
HDN CEO

A handwritten signature in black ink, appearing to read 'S A Shakesheff'.

Simon Shakesheff
Chair

1. Versus FY21 FFO of 4.1 cpu and DPU of 4.2 cpu annualised for full year based on IPO date of 23-Nov-20.
2. Guidance given at 1H FY22 result in Feb-22.
3. Pro forma for divestment of Sunshine Coast. Current gearing at 32.7%. Current interest rate hedging at 67.2%.
4. For new leases and renewals. Includes Sunshine Coast.
5. Versus Jun-21 and relates to like for like centres and includes Sunshine Coast.
6. Return on Invested Capital (ROIC) represents cash yield on cost based on assumptions relating to future income, valuation, capex and is calculated on a fully stabilised basis.
7. Based on average BBSY of 2.7% over the financial year.

Directors' Report

30 JUNE 2022

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

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

Directors

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

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

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the REIT is the investment in a property portfolio of stabilised, predominantly metro-located, convenience-based assets across the target sub-sectors of neighbourhood retail, large format retail and health and services. The REIT did not have any employees during the year.

Review of operational and financial performance

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

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

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

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

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

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

Summary of financial position

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

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

* Gearing is defined as borrowings (excluding unamortised debt establishment costs) less cash and cash equivalents divided by total assets less lease liabilities and cash and cash equivalents.

Directors' Report continued

Property portfolio:

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

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

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

Net tangible assets:

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

Capital raising:

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

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

Financing:

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

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

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

Distributions

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

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

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

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

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

The DRP was not available for the December 2021 distribution.

Significant changes in the state of affairs

Aventus Group – scheme of arrangement

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

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

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

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

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

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

Directors' Report continued

Matters subsequent to the end of the financial year

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

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

Likely developments and expected results of operations

REIT objectives

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

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

Risk considerations

Coronavirus (COVID-19) pandemic

While the impact of the COVID-19 pandemic has continued across multiple Australian states and territories, no lockdown restrictions are currently imposed at any REIT managed properties. The REIT has a strong balance sheet, collected >99% of tenant income in the period to 30 June 2022 and is well-positioned to minimise any foreseeable impacts of COVID-19.

Financial risks

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

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

Sustainability and climate-related and environmental risks

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

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

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

Environmental regulation

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

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

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

Unitholding relating to key management personnel

The number of ordinary units in the REIT held during the year by each director, including their personally related parties, is set out below:

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

Units under option

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

Units issued on the exercise of options

There were no ordinary units of HomeCo Daily Needs REIT issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

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

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

Directors' Report continued

Indemnity and insurance of auditor

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

Proceedings on behalf of the Trust

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

Information on directors

Name:	Simon Shakesheff
Title:	Chair
Experience and expertise:	Simon has over 30 years of experience in the finance and real estate industry including 19 years as an equities analyst covering listed real estate and retail companies at Macquarie Bank and JP Morgan, and a further six years as a corporate advisor to major real estate groups, at UBS and Bank of America Merrill Lynch. Simon is currently the Non-Executive Director of Cbus Property, Assembly Funds Management, Kiwi Property and St George Community Housing.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in units:	213,707 ordinary units

Name:	Simon Tuxen
Title:	Non-Executive Director
Experience and expertise:	Simon was the General Counsel and Company Secretary at Westfield Corporation from 2002 to 2018. Prior to joining Westfield Corporation in 2002, he was the General Counsel of BIL International Limited in Singapore, Group Legal Manager of the Jardine Matheson Group in Hong Kong and a partner with Mallesons Stephen Jaques (now King & Wood Mallesons) from 1987 to 1996. Simon is a Non-Executive Director of Racing New South Wales. Simon has a Bachelor of Law from the University of Melbourne.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in units:	227,296 ordinary units

Name:	Stephanie Lai
Title:	Non-Executive Director
Experience and expertise:	Stephanie has over 20 years of experience as a Chartered Accountant and is a former Merger & Acquisitions partner of Deloitte and KPMG. She has significant experience providing due diligence and advisory services, including forecast reviews to listed entities, sovereign wealth funds, wealth managers and private equity. Stephanie has a Bachelor of Business from the University of Technology, Sydney and is a Graduate Member of the Australian Institute of Company Directors and the Institute of Chartered Accountants (Australia and New Zealand).
Other current directorships:	Non-Executive Director of Superloop Limited (ASX: SLC) – appointed on 11 March 2020, Non-Executive Director of Future Generation Investment Company Limited (ASX: FGX) – appointed on 27 March 2019 and Non-Executive Director of HealthCo Healthcare & Wellness REIT (ASX: HCW) – appointed on 1 August 2021.
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in units:	311,525 ordinary units

Name:	David Di Pilla
Title:	Non-Executive Director
Experience and expertise:	David led the team that founded and established HMC Capital in 2016. David is the founder, a director and the major shareholder of the Aurrum Aged Care group. From 2014 to 2016, he was also a strategic advisor and director to operating subsidiaries of the Tenix Group of Companies. David has over 20 years of experience in investment banking. From 2004 to 2015, he was Managing Director and Senior Adviser at UBS Australia and during this time he advised some of Australia's largest corporations on mergers and acquisitions, debt and equity capital market transactions.
Other current directorships:	Executive Director of HMC Capital (ASX: HMC) – appointed on 11 October 2017 and Non-Executive Director of HealthCo Healthcare and Wellness REIT (ASX: HCW) – appointed on 28 July 2021.
Former directorships (last 3 years):	None
Interests in units:	19,235,868 ordinary units

Directors' Report continued

Name:	Greg Hayes
Title:	Non-Executive Director
Experience and expertise:	<p>Greg is currently a Non-Executive Director of HMC Capital (ASX: HMC); Non-Executive Director of Ingenia Communities (ASX: INA) & Non-Executive Director of Aurrum Holdings Pty Ltd.</p> <p>Having worked across a range of industries including property, infrastructure, energy and logistics, Greg's skills and experience include strategy, finance, mergers and acquisitions and strategic risk management, in particular in listed companies with global operations. Greg was previously Chief Financial Officer and Executive Director of Brambles Limited, Chief Executive Officer and Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim Chief Executive Officer of the Australian Gaslight Company, Chief Financial Officer Australia and New Zealand of Westfield Holdings, Executive General Manager, Finance of Southcorp Limited. Greg has also held Non-Executive Director roles at Incitec Pivot Limited and The Star Entertainment Group Ltd. Greg has a Master of Applied Finance, Graduate Diploma in Accounting, Bachelor of Arts, completed an Advanced Management Programme (Harvard Business School, Massachusetts) and is a Member of the Institute of Chartered Accountants Australia and New Zealand.</p>
Other current directorships:	Non-Executive Director of HMC Capital (ASX: HMC); Non-Executive Director of Ingenia Communities (ASX: INA).
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in units:	5,149,215 ordinary units

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

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

Name:	Darren Holland
Title:	Executive Director (retired as at 30 June 2022)
Experience and expertise:	Darren holds a Bachelor of Business (Land Economics) from the University of Western Sydney and is a licensed real estate Agent. Darren has more than 25 years experience in the retail property industry. He is experienced in leasing, development, asset management and acquisitions, and has grown assets under management from one centre in 2004 to 21 centres at the date of this report, valued at \$2.5 billion. Prior to cofounding the Aventus Property Group, Darren played a leading role in the development and management of the only pure play listed Australian LFR owner and operator to date, Homemaker Retail Group (ASX: HRP).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in units:	13,289,823 ordinary units

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

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

Directors' Report continued

Company secretary

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

Meetings of directors

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

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

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

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

Non-audit services

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

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

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

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

Officers of the Trust who are former partners of PricewaterhouseCoopers

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

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

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

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

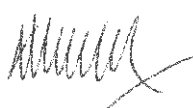
On behalf of the directors



Simon Shakesheff

Chair

17 August 2022



David Di Pilla

Director

17 August 2022

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of HomeCo Daily Needs REIT for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'S Hadfield', is written over a light grey horizontal line.

Scott Hadfield
Partner
PricewaterhouseCoopers

Sydney
17 August 2022

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

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

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2022

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

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

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

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

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

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

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

Notes to the Consolidated Financial Statements

30 JUNE 2022

Note 1. General information

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

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

Level 7 Gateway
1 Macquarie Place
Sydney NSW 2000

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

The current period presented in the financial statements is for the financial year 1 July 2021 to 30 June 2022. The comparative period is from 15 October 2020 to 30 June 2021.

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

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

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

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Net current asset deficiency

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of HomeCo Daily Needs REIT ('Trust' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. HomeCo Daily Needs REIT and its subsidiaries together are referred to in these financial statements as the 'group' or 'REIT'.

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

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

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

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

Operating segments

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

Notes to the Consolidated Financial Statements continued

Revenue recognition

The group recognises revenue as follows:

Property rental income

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

Other property income

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

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

Interest

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

Leasing costs and tenant incentives

Leasing costs

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

Tenant incentives

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

Management fees and other expenses

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

Income tax

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

Current and non-current classification

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Derivative financial instruments

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

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

Non-current assets or disposal groups classified as held for sale

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

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

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

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

Notes to the Consolidated Financial Statements continued

Investment in associate

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

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

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

Investment properties

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

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

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

Rental guarantees

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

Trade and other payables

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

Borrowings

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

Lease liabilities

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

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

Finance costs

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

Provisions

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

Fair value measurement

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

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

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

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

Notes to the Consolidated Financial Statements continued

Contributed capital

Units issued by the Trust are classified as equity.

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

Distributions

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

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

Earnings per unit

Basic earnings per unit

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

Diluted earnings per unit

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

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

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

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

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

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

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2022. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

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

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

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

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

Note 3. Critical accounting judgements, estimates and assumptions

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

Fair value measurement hierarchy

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

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

The fair value assessment of investment property as at 30 June 2022 has been conducted using the information available at the time of the preparation of the financial statements and best estimates of future performance. Refer to note 21 for details of valuation techniques used.

Notes to the Consolidated Financial Statements continued

Note 4. Operating segments

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

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

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

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

Major customers

During the year ended 30 June 2022, there were no major customers of the group generating more than 10% of the group's external revenue. For the year ended 30 June 2021, approximately 24.7% of the group's external revenue was derived from rental income from two main tenants being Woolworths Group Limited and Coles Group Limited.

Segment results

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

Note 5. Property income

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

Disaggregation of revenue

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

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

	Consolidated	
	30 Jun 2022 \$m	Period from 15 Oct 2020 to 30 Jun 2021 \$m
Net unrealised fair value gain on investment properties	185.3	16.8
Net unrealised fair value gain on derivatives	40.0	–
	225.3	16.8

Note 7. Expenses

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

Notes to the Consolidated Financial Statements continued

Note 8. Cash and cash equivalents

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
Current assets		
Cash at bank	23.2	249.5

Note 9. Trade and other receivables

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
Current assets		
Trade receivables	2.3	0.6
Other receivables	1.8	0.9
GST receivable	0.4	0.2
	4.5	1.7

Note 10. Other assets

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

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

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

Note 11. Assets held for sale

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
<i>Current assets</i>		
Investment property	14.1	14.1

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

Note 12. Investments accounted for using the equity method

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
<i>Non-current assets</i>		
Investment in associate – Aventus Property Syndicate 1 Fund	7.6	–

Interests in associates

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

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

Notes to the Consolidated Financial Statements continued

Summarised financial information

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

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

Note 13. Investment property

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

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

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
<i>Non-current assets</i>		
Investment property – at fair value	4,739.9	1,111.8
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	1,111.8	–
Additions on Aventus group merger (including transaction costs)	2,551.4	–
Additions upon demerger from HMC Capital	–	550.6
Acquisitions	828.8	492.3
Capitalised expenditure	56.8	51.0
Straight-lining and amortisation of incentives	5.8	1.1
Net unrealised gain from fair value adjustments (note 6)	185.3	16.8
Closing fair value*	4,739.9	1,111.8

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

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

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

Lease payments receivable (undiscounted)

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

Notes to the Consolidated Financial Statements continued

Note 14. Derivative financial instruments

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
<i>Non-current assets</i>		
Derivative asset	55.1	–

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

Note 15. Trade and other payables

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
<i>Current liabilities</i>		
Trade payables	25.2	7.4
Rent received in advance	7.3	2.0
Accrued expenses	26.1	7.4
Interest payable	0.2	0.1
Other payables	14.4	2.1
	73.2	19.0

Refer to note 20 for further information on financial instruments.

Note 16. Borrowings

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
<i>Non-current liabilities</i>		
Bank loans	1,600.5	420.7
Capitalised borrowing costs	(10.5)	(5.9)
	1,590.0	414.8

Refer to note 20 for further information on financial instruments.

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

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

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

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

Financing arrangements

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

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

Note 17. Lease liabilities

	Consolidated	
	30 Jun 2022 \$m	30 Jun 2021 \$m
<i>Current liabilities</i>		
Lease liability	0.2	–
<i>Non-current liabilities</i>		
Lease liabilities	11.3	11.0

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

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

Notes to the Consolidated Financial Statements continued

Note 18. Contributed equity

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

Movements in ordinary units

Details	Date	Units	\$m
Balance	15 October 2020	–	–
Units issued to HMC Capital (ASX: HMC)	20 November 2020	257,226,546	379.2
Units issued on initial public offering (at \$1.33 per unit)	26 November 2020	225,563,910	300.0
Units issued to directors of Responsible Entity	26 November 2020	122,807	0.2
Units issued as part of Entitlement Offer	4 May 2021	73,585,566	95.3
Units issued as part of Entitlement Offer	14 May 2021	131,034,888	169.7
Transaction costs on issue of units		–	(18.4)
Balance	30 June 2021	687,533,717	926.0
Units issued as part of institutional placement (at \$1.45 per unit)	9 July 2021	48,275,862	70.0
Units issued as part of institutional placement (at \$1.61 per unit)	17 September 2021	54,854,195	88.3
Units issued as part of the distribution reinvestment plan (at \$1.42 per unit)	19 November 2021	3,927,429	5.6
Units issued on acquisition of Aventus Holdings Limited (refer note 13)	4 March 2022	1,257,007,121	1,803.8
Units issued to HMC Capital in lieu of one-off acquisition fees (at \$1.50 per unit)*	6 April 2022	14,904,111	22.3
Units issued as part of distribution reinvestment plan (at \$1.51 per unit)	20 May 2022	1,214,254	1.8
Transaction costs on issue of units		–	(3.5)
Balance	30 June 2022	2,067,716,689	2,914.3

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

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

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

Unit buy-back

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

Capital risk management

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

Note 20. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

Price risk

The group is not exposed to any significant price risk.

Interest rate risk

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

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

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

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

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

Derivatives interest rate swap

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

Credit risk

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

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

There are no significant tenants with credit risk exposures as at 30 June 2022 and 30 June 2021.

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

Liquidity risk

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

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

Refer to note 16 for details of unused borrowing facilities at the reporting date.

Remaining contractual maturities

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

Notes to the Consolidated Financial Statements continued

Consolidated – 30 Jun 2022	1 year or less \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	Over 5 years \$m	Remaining contractual maturities \$m
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	25.2	–	–	–	25.2
Other payables	14.4	–	–	–	14.4
<i>Interest-bearing – variable</i>					
Bank loans	43.7	352.2	1,575.4	–	1,971.3
<i>Interest-bearing – fixed rate</i>					
Lease liability	0.7	0.7	1.6	32.9	35.9
Total non-derivatives	84.0	352.9	1,577.0	32.9	2,046.8

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

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

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Consolidated – 30 Jun 2022	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Investment property	–	–	4,739.9	4,739.9
Investment property – held for sale	–	–	14.1	14.1
Other assets	–	–	1.0	1.0
Derivatives – interest rate swaps	–	55.1	–	55.1
Total assets	–	55.1	4,755.0	4,810.1

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

Assets and liabilities held for sale are measured at fair value on a non-recurring basis. There were no transfers between levels during the financial year.

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

Valuation techniques for fair value measurements categorised within level 2 and level 3

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

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

Level 3 assets and liabilities

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

A higher capitalisation rate, discount rate or terminal yield will lead to a lower fair value. A higher rental growth rate will lead to a higher fair value. The capitalisation rate is the most significant input into the valuation of investment property and therefore most sensitive to changes in valuation. A 25 (2021: 25) basis point change in capitalisation rate would increase/decrease the fair value by \$232 million (2021: \$50.9 million).

Notes to the Consolidated Financial Statements continued

Note 22. Key management personnel disclosures

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

Note 23. Remuneration of auditors

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

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

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

Note 24. Contingent liabilities

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

Note 25. Commitments

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

Note 26. Related party transactions

Responsible entity

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

Investment Manager and Property Manager

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

Parent entity

HomeCo Daily Needs REIT is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Associates

Interests in associates are set out in note 12.

Other transactions within the Trust

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

Transactions with related parties Responsible Entity fees:

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

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

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

Notes to the Consolidated Financial Statements continued

The following other transactions occurred with related parties:

	Consolidated	
	30 Jun 2022 \$'000	Period from 15 Oct 2020 to 30 Jun 2021 \$'000
Sale of goods and services:		
Receipts from Home Consortium Limited towards settlement adjustments relating to tenant rent and property expenses	2,470	1,962
Payment for goods and services: Payments to Home Consortium Limited*	381,300	26,141
Other transactions:		
Rental guarantee income from Home Consortium Limited	–	475
Rental guarantee and rental income from Home Consortium Leasehold Pty Ltd	1,873	–
Other income from Home Consortium Leasehold Pty Ltd**	13,000	–
Novation of interest rate swap Home Consortium Limited	199	–
Sub-underwriting fee paid to Home Consortium Developments Limited	–	405

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

** Purchase price adjustment relating to South Nowra acquisition.

Receivable from and payable to related parties

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

	Consolidated	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Current receivables:		
Trade receivables from Home Investment Consortium Trust – a director related entity of David Di Pilla and Greg Hayes	–	200
Trade and other receivables from Home Consortium Limited	38	–
Current payables:		
Trade and other payables to the Investment Manager and Property Manager	20,079	4,299
Trade and other payables to the Responsible Entity	–	26
Trade and other payables to Home Consortium Limited	–	1,927

Terms and conditions

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

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

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

Statement of financial position

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

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

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

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 2, except for the following:

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

Notes to the Consolidated Financial Statements continued

Note 28. Interests in subsidiaries

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

Name	Principal place of business/ Country of incorporation	Ownership interest	
		30 Jun 2022 %	30 Jun 2021 %
HomeCo DNR Finance Pty Ltd	Australia	100%	100%
HomeCo DNR (Braybrook) Property Trust	Australia	100%	100%
HomeCo DNR (Hawthorn East) Property Trust	Australia	100%	100%
HomeCo DNR (Keysborough) Property Trust	Australia	100%	100%
HomeCo DNR (Mornington) Property Trust	Australia	100%	100%
HomeCo DNR (Rosenthal) Property Trust	Australia	100%	100%
HomeCo DNR (Armstrong Creek) Property Trust	Australia	100%	100%
HomeCo DNR (Box Hill) Property Trust	Australia	100%	–
HomeCo DNR (South Morang) Property Trust	Australia	100%	–
HomeCo DNR (No. 3) Property Trust	Australia	100%	–
HomeCo DNR (Pakenham) Property Trust	Australia	100%	–
HomeCo DNR (Tingalpa) Property Trust	Australia	100%	100%
HomeCo DNR (Richlands) Property Trust	Australia	100%	100%
HomeCo DNR (Marsden) Property Trust	Australia	100%	100%
HomeCo DNR (Upper Coomera CC) Property Trust	Australia	100%	100%
HomeCo DNR (Bundall) Property Trust	Australia	100%	–
HomeCo DNR (Mackay) Property Trust	Australia	100%	–
HomeCo DNR (Toowoomba) Property Trust	Australia	100%	–
HomeCo DNR (Upper Coomera) Property Trust	Australia	100%	–
HomeCo DNR (Victoria Point) Property Trust	Australia	100%	–
HomeCo DNR (North Lakes) Property Trust	Australia	100%	–
HomeCo DNR (Richlands) Property Trust	Australia	100%	–
HomeCo DNR (Butler) Property Trust	Australia	100%	100%
HomeCo DNR (Joondalup) Property Trust	Australia	100%	100%
HomeCo DNR (Ellenbrook) Property Trust	Australia	100%	100%
HomeCo DNR (Parafield) Property Trust	Australia	100%	100%
HomeCo DNR (Vincentia) Property Trust	Australia	100%	100%
HomeCo DNR (Penrith) Property Trust	Australia	100%	100%
HomeCo DNR (Prestons) Property Trust	Australia	100%	100%

Name	Principal place of business/ Country of incorporation	Ownership interest	
		30 Jun 2022 %	30 Jun 2021 %
HomeCo DNR (Glenmore Park) Property Trust	Australia	100%	100%
HomeCo DNR (Gregory Hills TC) Property Trust	Australia	100%	100%
HomeCo DNR (Seven Hills) Property Trust	Australia	100%	100%
HomeCo DNR (Marsden Park NSW) Property Trust	Australia	100%	–
HomeCo DNR (Coffs Harbour) Property Trust	Australia	100%	–
HomeCo DNR (No. 5) Property Trust	Australia	100%	–
HomeCo DNR (Gregory Hills Home) Property Trust	Australia	100%	–
HomeCo DNR (No.8) Property Trust	Australia	100%	–
Aventus Ballarat Unit Trust	Australia	100%	–
Aventus Bankstown Unit Trust	Australia	100%	–
Aventus Belrose Unit Trust	Australia	100%	–
Aventus Belrose Unit Trust	Australia	100%	–
Aventus Caringbah Unit Trust	Australia	100%	–
Aventus Castle Hill Unit Trust	Australia	100%	–
Aventus Cranbourne Unit Trust	Australia	100%	–
Aventus Cranbourne Thompsons Road Unit Trust	Australia	100%	–
Aventus Epping Unit Trust	Australia	100%	–
Aventus Highlands Unit Trust	Australia	100%	–
Aventus Jindalee Unit Trust	Australia	100%	–
Aventus Kotara South Unit Trust	Australia	100%	–
Aventus Kotara South Unit Trust	Australia	100%	–
Aventus Logan Unit Trust	Australia	100%	–
Aventus Marsden Park Unit Trust	Australia	100%	–
Aventus Midland Unit Trust	Australia	100%	–
Aventus Mile End Unit Trust	Australia	100%	–
Aventus Mile End Stage 3 Unit Trust	Australia	100%	–
Aventus Peninsula Unit Trust	Australia	100%	–
Aventus Sunshine Coast Unit Trust	Australia	100%	–
Aventus Tuggerah Unit Trust	Australia	100%	–
Aventus Warners Bay Unit Trust	Australia	100%	–
Aventus Property Administration Pty Ltd	Australia	100%	–

Notes to the Consolidated Financial Statements continued

Note 29. Earnings per unit

	Consolidated	
	30 Jun 2022 \$m	Period from 15 Oct 2020 to 30 Jun 2021 \$m
Profit	335.1	31.3

	Number	Number
Weighted average number of units used in calculating basic earnings per unit	1,193,763,801	524,184,640
Weighted average number of units used in calculating diluted earnings per unit	1,193,763,801	524,184,640

	Cents	Cents
Basic earnings per unit	28.07	5.97
Diluted earnings per unit	28.07	5.97

Reconciliation of profit to net cash from operating activities

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

Non-cash investing and financing activities

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

Changes in liabilities arising from financing activities

Consolidated	Bank loans \$m	Lease liability \$m	Distribution payable \$m	Total \$m
Balance at 15 October 2020	–	–	–	–
Net cash from financing activities	420.7	–	–	420.7
Distributions declared during the year	–	–	24.2	24.2
Dividends paid during the year	–	–	(11.7)	(11.7)
Acquisition of investment property lease	–	11.0	–	11.0
Balance at 30 June 2021	420.7	11.0	12.5	444.2
Net cash from/(used in) financing activities	1,179.8	(1.0)	–	1,178.8
Distributions declared during the year	–	–	118.8	118.8
Distributions paid during the year	–	–	(80.1)	(80.1)
Non-cash dividends under dividend reinvestment plan	–	–	(7.4)	(7.4)
Acquisition of investment property lease	–	1.3	–	1.3
Balance at 30 June 2022	1,600.5	11.3	43.8	1,655.6

Note 31. Events after the reporting period

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

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

Directors' Declaration

30 JUNE 2022

In the opinion of the directors of the Responsible Entity:

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

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

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

On behalf of the directors of the Responsible Entity



Simon Shakesheff
Chair
17 August 2022



David Di Pilla
Director
17 August 2022

Independent Auditor's Report to the Unitholders of HomeCo Daily Needs REIT



Independent auditor's report

To the unitholders of HomeCo Daily Needs REIT

Report on the audit of the financial report

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the Directors' declaration.

Basis for opinion

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

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

Independence

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

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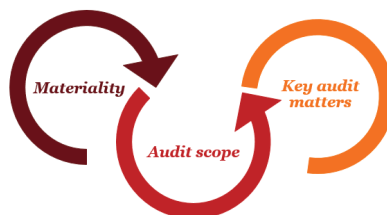
Independent Auditor's Report to the Unitholders of HomeCo Daily Needs REIT continued



Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of \$15 million, which represents approximately 0.5% of the Group's net assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group net assets because, in our view, it is a common benchmark for entities with a high level of growth.
- We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

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

All procedures are performed by the Group engagement team.

Key audit matters

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



Key audit matter	How our audit addressed the key audit matter
<p>Investment property <i>Refer to note 13 in the financial report</i></p> <p>This was a key audit matter as the investment property is the most significant balance in the consolidated statement of financial position (\$4,739.9 million as at 30 June 2022) and due to the level of judgement required in determining the fair value of each investment property.</p> <p>The Group's significant judgments included discounted cash flow analysis, the capitalisation method or the use of observable inputs that require significant adjustments based on unobservable inputs.</p>	<p>Our audit procedures on investment property included, amongst others:</p> <ul style="list-style-type: none"> • Understanding and evaluating controls over investment property valuations, including the control that the Board reviews and approves the valuations adopted. • Obtaining an understanding of the prevailing market conditions in locations in which the Group invests by obtaining recent property market reports and meeting with property valuation experts. • Understanding the specifics of the investment property portfolio including significant new leases entered into during the period, lease expiries, vacancy rates and planned capital expenditure through inquiring with management. We also inquired with both management and external property valuers about the ongoing impact of environmental, social and governance ('ESG') risk as well as the volatile economic environment on investment property valuations and how this has been considered in determining fair value as at 30 June 2022. • Selecting a sample of leases and comparing the rental income used in the investment property valuation to the relevant underlying lease agreements. • Selecting a sample of investment properties based on certain risk criteria and assessing the appropriateness of key assumptions used in the external valuations and internal valuation models. These procedures included, amongst others: <ul style="list-style-type: none"> ◦ assessing the appropriateness of the capitalisation rate, discount rate, outgoings and market rents used in the valuation against industry benchmarks and market data, including comparable transactions where possible. ◦ assessing the appropriateness of other assumptions in the valuations such as growth rates, vacancies, rent free periods and incentives through inquiring with management and valuers, and obtaining other audit evidence such as new lease agreements. • Agreeing the fair value of all investment properties to the external or internal valuation models and assessing the competency, capability and objectivity of the relevant valuer. • Checking the valuation of investment properties had been performed in line with the Group's policy. • Assessing the appropriateness of management's accounting treatment of the properties acquired in relation to the Aventus Group transaction. • Assessing if the Group's disclosures relating to investment properties are in accordance with the requirements of Australian Accounting Standards.

Other information

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022,

Independent Auditor's Report to the Unitholders of HomeCo Daily Needs REIT continued



but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' report, Unitholder information and Corporate directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.


PricewaterhouseCoopers


Scott Hadfield
Partner

Sydney
17 August 2022

Related Party Leases

30 JUNE 2022

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

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

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

Details of leases with Spotlight are provided below:

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

Details of leases with Anaconda are provided below:

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

Details of leases with Harris Scarfe are provided below:

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

Unitholder Information

30 JUNE 2022

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

Distribution of equitable units

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

	Ordinary units	
	Number of holders	% of total units issued
1 to 1,000	1,281	0.03
1,001 to 5,000	2,333	0.32
5,001 to 10,000	1,931	0.71
10,001 to 100,000	6,609	9.45
100,001 and over	567	89.49
	12,721	100.00

Holding less than a marketable parcel is 438

Equity unit holders

Twenty-one largest quoted equity unit holders

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

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

* This includes all subsidiaries.

Unitholder Information continued

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the Trust are set out below:

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

* This includes all subsidiaries.

Voting rights

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

Ordinary units

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

There are no other classes of equity units.

Restricted securities

There are no restricted securities.

Corporate Directory

30 JUNE 2022

Directors	Simon Shakesheff Simon Tuxen Stephanie Lai David Di Pilla Greg Hayes Bruce Carter Robyn Stubbs Darren Holland
Responsible Entity	HMC Funds Management Limited Level 7 Gateway 1 Macquarie Place Sydney NSW 2000
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	HomeCo Daily Needs REIT units are listed on the Australian Securities Exchange (ASX code: HDN)
Business objectives	In accordance with the ASX Listing Rule 4.10.19, the Trust confirms that the group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting year in a way that is consistent with its business objectives.
Corporate Governance Statement	<p>The directors of the Responsible Entity are committed to conducting the business of HomeCo Daily Needs REIT in an ethical manner and in accordance with the highest standards of corporate governance. HomeCo Daily Needs REIT has adopted and has fully complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent that they are applicable to an externally managed listed entity.</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 released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and HomeCo Daily Needs REIT's other corporate governance policies and charters can be found on its website at https://www.hmccapital.com.au/our-funds/homeco-daily-needs-reit/</p>

**Home
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Daily Needs
REIT