HomeCo Daily Needs REIT
ARSN 645 086 620
HMC Funds Management Limited
ACN 105 078 635, AFSL 237257

ASX RELEASE

16 February 2024

APPENDIX 4D AND HY24 FINANCIAL REPORT

HomeCo Daily Needs REIT (ASX: HDN) provides the attached Appendix 4D and HY24 Financial Report.

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 total assets of approximately $4.7bn spanning approximately 2.5 million square metres of land in Australia's leading metropolitan growth corridors of Sydney, Melbourne, Brisbane, Perth and Adelaide. HDN is also a strategic investor in the Last Mile Logistics (LML) unlisted fund, a complementary mandate which targets core plus transition assets with upside via repositioning into essential last mile real estate infrastructure.

HomeCo Daily Needs REIT
Appendix 4D
Half-year report

1. Company details

Name of entity:	HomeCo Daily Needs REIT
ARSN:	645 086 620
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

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2. Results for announcement to the market

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

	31 Dec 2023 $m	31 Dec 2022 $m	Change $m	Change %
Revenue from ordinary activities	179.0	166.6	12.4	7%
(Loss)/profit from ordinary activities after tax	(10.7)	95.4	(106.1)	(111%)
(Loss)/profit for the half-year	(10.7)	95.4	(106.1)	(111%)

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

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3. Distributions

	Amount per unit Cents
Interim distribution for the year ending 30 June 2024 declared on 18 September 2023. The distribution was paid on 29 November 2023 to unitholders registered on 29 September 2023.	2.075
Interim distribution for the year ending 30 June 2024 was declared on 18 December 2023. The distribution will be paid on 21 February 2024 to unitholders registered on 29 December 2023.	2.075

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4. Distribution reinvestment plans ('DRP')

For the period 1 July 2023 to 31 December 2023, HomeCo Daily Needs REIT operated a DRP under which unitholders could elect to reinvest all or part of their distributions in new units rather than being paid in cash. The DRP price is determined as the average of the daily volume weighted average price (VWAP) of units sold on the Australian Securities Exchange (ASX) during a nominated five-day period, between the announcement date and payment date of the respective distribution, less a discount (if any).

The DRP price for the quarters ended 30 September 2023 and 31 December 2023 did not include a discount.

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5. Net tangible assets

	31 Dec 2023 $	30 Jun 2023 $
Net tangible assets per unit	1.44	1.48

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

6. Details of associates and joint venture entities

Name of associate/joint venture	Reporting entity's percentage holding 31 Dec 2023 %	30 Jun 2023 %	Contribution to profit/(loss) 31 Dec 2023 $m	31 Dec 2022 $m
Aventus Property Syndicate 1 Fund	25.30%	25.30%	0.1	0.2
HMC Last Mile Logistics Property Trust 1	50.10%	50.10%	(0.2)	-
Aggregate share of associate/joint venture's (loss)/profit				
(Loss)/profit from ordinary activities			(0.1)	0.2

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

7. Information about audit or review

The consolidated financial statements were subject to review by the auditors KPMG. A copy of KPMG's unqualified review report is attached as part of the Interim Report.

8. Attachments

The Interim Report of HomeCo Daily Needs REIT for the half-year ended 31 December 2023 is attached.

9. Signed

As authorised by the board of directors

Signed ______________________ Date: 15 February 2024

Simon Shakesheff
Independent Non-Executive Chair

HomeCo Daily Needs REIT

HMC Funds Management Limited
ACN 105 078 635 AFSL 237257

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Daily Needs REIT

Interim Report

For the half-year ended 31 December 2023

The directors of HMC Funds Management Limited (ABN 89 105 078 635, AFSL 237257) (the Responsible Entity), present their report together with the consolidated financial statements of HomeCo Daily Needs REIT. The consolidated financial statements cover HomeCo Daily Needs REIT (the 'Trust' or 'HDN') and the entities it controlled at the end of, or during, the half-year (collectively referred to as the ‘group’).

HMC Funds Management Limited is ultimately owned by HMC Capital Limited (ASX: HMC).

Directors
The following persons were directors of the Responsible Entity at any time during the half-year and up to the date of this report, unless otherwise stated:

Simon Shakesheff	Independent Non-Executive Chair
Stephanie Lai	Independent Non-Executive Director
Robyn Stubbs	Independent Non-Executive Director
Simon Tuxen	Independent Non-Executive Director
David Di Pilla	Non-Executive Director
Greg Hayes	Non-Executive Director

Review of operational and financial performance
A summary of the group’s financial performance for the half-year ended 31 December 2023 is detailed below.

	Consolidated 31 Dec 2023 $m	Consolidated 31 Dec 2022 $m
Property income	178.7	166.5
Net (loss)/profit for the period	(10.7)	95.4
Funds from operations ('FFO')	88.5	89.4
Weighted average units on issue (million)	2,076.3	2,069.2
FFO per unit (cents)	4.3	4.3
Distribution per unit (cents)	4.2	4.2

FFO is a financial measure which is not prescribed by Australian Accounting Standards and represents the group's underlying and recurring earnings from its operations determined by adjusting the statutory net profit or loss 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 group.

FFO for the half year ended 31 December 2023 was $88.5 million or 4.3 cents per unit (31 December 2022: $89.4 million or 4.3 cents per unit). The performance for the half year was driven by higher net property income offset by higher interest expenses.

The group recorded a net loss of $10.7 million for the half-year ended 31 December 2023 (31 December 2022: net profit of $95.4 million). The $106.1 million change compared to the prior period is primarily due to a $94.6 million loss on investment properties and derivative financial instruments during the current period compared to a $7.6 million gain in the previous period.

A reconciliation between net (loss)/profit and FFO for the half-year ended 31 December 2023 is detailed below.

	Consolidated 31 Dec 2023 $'m	Consolidated 31 Dec 2022 $'m
Net (loss)/profit for the half-year	(10.7)	95.4
Straight lining and amortisation	3.4	1.1
Transaction costs	0.3	0.4
Rent guarantee income	-	0.1
Net fair value movements	94.6	(7.6)
Share of loss/(profits) of equity accounted investees	0.1	(0.2)
Distribution from equity accounted investees	1.0	0.2
Other items	(0.2)	-
FFO	**88.5**	**89.4**

Summary of financial position
A summary of the group's financial position as at 31 December 2023 is outlined below.

	Consolidated 31 Dec 2023 $'m	Consolidated 30 Jun 2023 $'m
Assets		
Investment properties	4,433.0	4,659.0
Total assets	4,714.2	4,825.4
Net assets	2,983.1	3,076.1
Net tangible assets	2,983.1	3,076.1
Number of units on issue (million)	2,077.8	2,074.4
Net tangible assets ($ per unit)	1.44	1.48
Capital management		
Debt facility limit	1,820.0	1,820.0
Drawn debt	1,622.7	1,639.1
Cash and undrawn debt	211.9	197.1
Gearing ratio (%)*	34.3%	33.8%
Hedged debt (%)	92.4%	91.5%
Cost of debt (% per annum)	4.3%	3.9%

* Gearing is defined as borrowings (excluding unamortised debt establishment costs) less cash and cash equivalents divided by total assets less right-of-use assets and cash and cash equivalents.

Property portfolio:
At 31 December 2023, the group owned 50 (30 June 2023: 55) daily needs assets across Australia with a combined value of $4,433.0 million (30 June 2023: $4,659.0 million). A reconciliation of the movement in the carrying value of the portfolio during the half year ended 31 December 2023 is disclosed in note 11 of the consolidated financial statements.

As at 31 December 2023, 19 investment properties were independently valued with the remaining investment properties being internally valued. The weighted average capitalisation rate of the portfolio was 5.6% (30 June 2023: 5.5%).

Capital raising:
During the period, the Trust issued 3,390,979 units under the dividend reinvestment plan. Refer to note 16 of the consolidated financial statements for further details:

Particulars	Date of issue	Number of units
Opening balance on 1 July 2023		2,074,368,275
Units issued – distribution reinvestment plan ('DRP')	30 August 2023	2,607,658
Units issued – distribution reinvestment plan ('DRP')	29 November 2023	783,321
Closing balance on 31 December 2023		2,077,759,254

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

	Distribution per unit (cents)	Total distribution $m	Ex-distribution date	Record date	Payment date
September 2023	2.075	43.1	28 September 2023	29 September 2023	29 November 2023
December 2023	2.075	43.1	28 December 2023	29 December 2023	21 February 2024
Total	**4.150**	**86.2**			

The final distribution for the year ended 30 June 2023 of $43.0 million of 2.075 cents per unit was paid on 30 August 2023.

For the period 1 July 2023 to 31 December 2023, the group operated a DRP under which unitholders could elect to reinvest all or part of their distributions in new units rather than being paid in cash. The DRP price is determined as the average of the daily volume weighted average price (VWAP) of units sold on the Australian Securities Exchange (ASX) during a nominated five-day period, between the announcement date and payment date of the respective distribution, less a discount (if any).

The DRP price for the quarters ended 30 September 2023 and 31 December 2023 did not include a discount.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the group during the financial half-year.

Matters subsequent to the end of the financial half-year
No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

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

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Simon Shakesheff
Independent Non-Executive Chair

David Di Pilla
Non-Executive Director

15 February 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of HMC Funds Management Limited, the Responsible Entity of HomeCo Daily Needs REIT

I declare that, to the best of my knowledge and belief, in relation to the review of HomeCo Daily Needs REIT (the Trust) for the half-year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

J.Davis

Jessica Davis

Partner

Sydney

15 February 2024

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HomeCo Daily Needs REIT
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $m	Consolidated 31 Dec 2022 $m
Income			
Property income	4	178.7	166.5
Share of (loss)/profit of equity-accounted investees, net of tax		(0.1)	0.2
Interest income		0.3	0.1
Net change in assets/liabilities at fair value through profit or loss	5	(94.6)	7.6
Expenses			
Property expenses		(47.2)	(41.5)
Corporate expenses		(1.9)	(1.6)
Management fees	21	(9.1)	(8.9)
Acquisition and transaction costs	6	(0.3)	(0.4)
Finance costs	6	(36.5)	(26.6)
(Loss)/profit for the half-year		(10.7)	95.4
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		(10.7)	95.4
		Cents	**Cents**
Basic earnings per unit	22	(0.52)	4.61
Diluted earnings per unit	22	(0.52)	4.61

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

HomeCo Daily Needs REIT
Consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 $m	Consolidated 30 Jun 2023 $m
Assets			
Current assets			
Cash and cash equivalents	7	14.6	16.2
Trade and other receivables	8	4.2	6.2
Derivative financial instruments	13	1.9	3.6
Other assets	9	15.1	10.4
		35.8	36.4
Assets held for sale	10	157.3	15.8
Total current assets		193.1	52.2
Non-current assets			
Investment properties	11	4,433.0	4,659.0
Investments accounted for using the equity method	12	56.7	57.8
Derivative financial instruments	13	30.4	55.4
Other assets	9	1.0	1.0
Total non-current assets		4,521.1	4,773.2
Total assets		4,714.2	4,825.4
Liabilities			
Current liabilities			
Trade and other payables	14	60.6	62.8
Distributions payable	17	43.1	43.0
Lease liabilities		0.2	0.2
Total current liabilities		103.9	106.0
Non-current liabilities			
Borrowings	15	1,616.3	1,632.2
Lease liabilities		10.9	11.1
Total non-current liabilities		1,627.2	1,643.3
Total liabilities		1,731.1	1,749.3
Net assets		2,983.1	3,076.1
Equity			
Contributed equity	16	2,926.3	2,922.4
Retained profits		56.8	153.7
Total equity		2,983.1	3,076.1

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

HomeCo Daily Needs REIT
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

Consolidated	**Contributed equity $m**	**Retained profits $m**	**Total equity $m**
Balance at 1 July 2022	2,914.3	223.4	3,137.7
Profit for the half-year	-	95.4	95.4
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	95.4	95.4
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	4.2	-	4.2
Distributions declared (note 17)	-	(85.9)	(85.9)
Balance at 31 December 2022	2,918.5	232.9	3,151.4

Consolidated	**Contributed equity $m**	**Retained profits $m**	**Total equity $m**
Balance at 1 July 2023	2,922.4	153.7	3,076.1
Loss for the half-year	-	(10.7)	(10.7)
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	(10.7)	(10.7)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 16)	3.9	-	3.9
Distributions declared (note 17)	-	(86.2)	(86.2)
Balance at 31 December 2023	2,926.3	56.8	2,983.1

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

HomeCo Daily Needs REIT
Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Consolidated	
	31 Dec 2023	**31 Dec 2022**
	$m	**$m**
Cash flows from operating activities		
Receipts from tenants (inclusive of GST)	201.6	181.1
Payments to suppliers (inclusive of GST)	(75.9)	(65.7)
Interest income	0.3	-
Interest and other finance costs paid	(32.4)	(22.7)
Net cash from operating activities	93.6	92.7
Cash flows from investing activities		
Payment for acquisition of investment property and capital expenditure	(84.8)	(67.7)
Proceeds on sale of investment properties	90.8	140.0
Distributions from equity-accounted investees	0.6	0.2
Net cash from investing activities	6.6	72.5
Cash flows from financing activities		
Proceeds from borrowings	796.6	79.6
Repayment of borrowings	(813.0)	(164.5)
Borrowing costs paid	(2.9)	(0.1)
Distributions paid	(82.2)	(82.5)
Payment of lease liabilities	(0.3)	-
Net cash used in financing activities	(101.8)	(167.5)
Net decrease in cash and cash equivalents	(1.6)	(2.3)
Cash and cash equivalents at the beginning of the financial half-year	16.2	23.2
Cash and cash equivalents at the end of the financial half-year	14.6	20.9

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

Note 1. General information

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

HDN is a listed for-profit public investment trust, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 7
Gateway
1 Macquarie Place
Sydney NSW 2000

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

The Responsible Entity has appointed HMC Property Management Pty Limited (the 'Property Manager') and HMC Investment Management Pty Ltd (the 'Investment Manager') to provide certain asset management, investment management 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 ultimately owned by HMC Capital Limited (ASX: HMC).

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 February 2024.

Note 2. Basis of preparation

These general purpose consolidated financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose consolidated financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, these consolidated financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial half-year ended 31 December 2023 and are not expected to have any significant impact for the full financial year ending 30 June 2024.

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

Note 3. Operating segments

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

Note 3. Operating segments (continued)

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

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

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

Major customers
During the half-year ended 31 December 2023, there were no major customers of the group generating more than 10% (31 December 2022: nil) of the group's external revenue.

Segment results

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
Funds from operations ('FFO')	88.5	89.4
Straight lining and amortisation	(3.4)	(1.1)
Transaction costs	(0.3)	(0.4)
Rent guarantee income	-	(0.1)
Net fair value movements	(94.6)	7.6
Share of (loss)/profit of equity accounted investees	(0.1)	0.2
Distribution of profits of equity accounted investees	(1.0)	(0.2)
Other items	0.2	-
Net (loss)/profit for the half-year	(10.7)	95.4

Note 4. Property income

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
Property rental income	147.5	142.6
Other property income	31.2	23.9
Property income	178.7	166.5

Disaggregation of revenue
Revenue from property rental is recognised on a straight-line basis over the lease term. Other property income is recognised over time as services are rendered.

Note 5. Net change in assets/liabilities at fair value through profit or loss

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
Net fair value (loss)/gain on investment properties (note 11)	(67.9)	10.1
Net fair value loss on derivatives	(26.7)	(2.5)
	(94.6)	7.6

Note 6. Expenses

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
(Loss)/profit includes the following specific expenses:		
Acquisition and transaction costs	0.3	0.4
Finance costs		
Interest and finance charges on borrowings	32.9	24.4
Interest and finance charges on lease liabilities	0.2	0.2
Amortisation of capitalised borrowing costs	3.4	2.0
Finance costs expensed	36.5	26.6

Note 7. Cash and cash equivalents

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Current assets		
Cash at bank	14.6	16.2

Note 8. Trade and other receivables

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Current assets		
Trade receivables	3.0	3.4
Less: Allowance for expected credit losses	(1.9)	(1.8)
	1.1	1.6
Other receivables	3.1	4.6
	4.2	6.2

Note 9. Other assets

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Current assets		
Prepayments	1.1	6.2
Security deposits	0.5	0.4
Other current assets	13.5	3.8
	15.1	10.4
Non-current assets		
Other non-current assets	1.0	1.0

Note 10. Assets held for sale

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Current assets		
Investment properties	157.3	15.8

Assets held for sale represent four assets that are contracted to be sold and expected to settle prior to 30 June 2024.

As at 30 June 2023, assets held for sale represented a parcel of land at the property in HomeCo Epping, Victoria that subsequently settled in September 2023.

Note 11. Investment properties

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Non-current assets		
Investment properties - at fair value	4,433.0	4,659.0

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

	Consolidated 31 Dec 2023 $m
Opening fair value 1 July 2023	4,659.0
Acquisitions	11.5
Capitalised expenditure	62.5
Net unrealised loss from fair value adjustments (note 5)	(67.9)
Disposals	(74.8)
Reclassification to assets held for sale (note 10)	(157.3)
Closing fair value*	4,433.0

* Included in the closing fair value of investment property at 31 December 2023 is $10.8 million (30 June 2023: $11.0 million) relating to leasehold improvements and right-of-use assets of a leasehold property.

Refer to note 18 for further information on fair value measurement.

Note 12. Investments accounted for using the equity method

	Consolidated	
	31 Dec 2023 $m	30 Jun 2023 $m
Non-current assets		
Investment in associate - Aventus Property Syndicate 1 Fund	6.9	6.9
Investment in joint venture - HMC Last Mile Logistics Property Trust 1	49.8	50.9
	56.7	57.8

Interests in associates/joint ventures

Interests in associates/joint ventures are accounted for using the equity method of accounting. Information relating to the group's associate/joint venture is set out below:

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 Dec 2023 %	30 Jun 2023 %
Aventus Property Syndicate 1 Fund	Australia	25.30%	25.30%
HMC Last Mile Logistics Property Trust 1	Australia	50.10%	50.10%

Note 13. Derivative financial instruments

	Consolidated	
	31 Dec 2023 $m	30 Jun 2023 $m
Current assets		
Derivative asset - interest rate swap contracts	1.9	3.6
Non-current assets		
Derivative asset - interest rate swap contracts	30.4	55.4

Refer to note 18 for further information on fair value measurement.

Note 14. Trade and other payables

	Consolidated	
	31 Dec 2023 $m	30 Jun 2023 $m
Current liabilities		
Trade payables	1.9	7.8
Rent received in advance	14.8	9.9
Accrued expenses	32.2	36.9
Interest payable	6.7	4.9
Other payables	5.0	3.3
	60.6	62.8

Note 15. Borrowings

	Consolidated	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Non-current liabilities		
Bank debt	1,622.7	1,639.1
Capitalised borrowing costs	(6.4)	(6.9)
	1,616.3	1,632.2

The group's bank debt comprises a $1,820.0 million secured debt facility. The debt facility comprises two term facilities of $300.0 million and $810.0 million expiring in June 2025 and July 2026 respectively and two revolver facilities of $355.0 million each expiring in December 2025 and December 2027. The initial $710.0 million term facility expiring in July 2024 was refinanced to two revolver facilities of $355.0 million each expiring in December 2025 and December 2027.

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 financial half-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	
	31 Dec 2023 $m	**30 Jun 2023 $m**
Total facilities		
Bank debt	1,820.0	1,820.0
Used at the reporting date		
Bank debt	1,622.7	1,639.1
Unused at the reporting date		
Bank debt	197.3	180.9

Note 16. Contributed equity

	Consolidated			
	31 Dec 2023 Units	**30 Jun 2023 Units**	**31 Dec 2023 $m**	**30 Jun 2023 $m**
Ordinary class units - fully paid	2,077,759,254	2,074,368,275	2,926.3	2,922.4

Movements in ordinary units

Details	**Date**	**Units**	**$m**
Balance	1 July 2023	2,074,368,275	2,922.4
Units issued as part of distribution reinvestment plan ('DRP') (at $1.17 per unit)	30 August 2023	2,607,658	3.0
Units issued as part of DRP (at $1.15 per unit)	29 November 2023	783,321	0.9
Balance	31 December 2023	2,077,759,254	2,926.3

Note 17. Distributions

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

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
Interim distribution for the year ending 30 June 2024 of 2.075 cents (2022: 2.075 cents) per unit declared on 18 September 2023. The distribution was paid on 29 November 2022 to unitholders registered on 29 September 2022.	43.1	42.9
Interim distribution for the year ending 30 June 2024 of 2.075 cents (2022: 2.075 cents) per unit declared on 18 December 2023. The distribution will be paid on 21 February 2024 to unitholders registered on 29 December 2023.	43.1	43.0
	86.2	85.9

The final distribution for the year ended 30 June 2023 of $43.0 million of 2.075 cents per unit was paid on 30 August 2023.

Note 18. Fair value measurement

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

Consolidated - 31 Dec 2023	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Assets				
Investment properties	-	-	4,433.0	4,433.0
Investment properties - held for sale	-	-	157.3	157.3
Other assets	-	-	1.0	1.0
Derivatives - interest rate swaps	-	32.3	-	32.3
Total assets	-	32.3	4,591.3	4,623.6

Consolidated - 30 Jun 2023	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
Assets				
Investment properties	-	-	4,659.0	4,659.0
Investment properties - held for sale	-	-	15.8	15.8
Other assets	-	-	1.0	1.0
Derivatives - interest rate swaps	-	59.0	-	59.0
Total assets	-	59.0	4,675.8	4,734.8

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

There were no transfers between levels during the financial half-year.

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

Note 18. Fair value measurement (continued)

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

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.

Description	**Unobservable inputs**	**Range (weighted average) 31 Dec 2023**	**Range (weighted average) 30 Jun 2023**
Investment properties - including held for sale	(i) Capitalisation rate	4.8% to 6.8% (5.6%)	4.5% to 6.8% (5.5%)
	(ii) Discount rate	5.5% to 7.4% (6.7%)	5.3% to 7.5% (6.5%)
	(iii) Terminal yield	5.0% to 7.0% (5.8%)	4.8% to 7.0% (5.7%)

A higher capitalisation rate, discount rate or terminal yield will lead to a lower fair value. A higher rental growth rate will lead to a higher fair value. The capitalisation rate is the most significant input into the valuation of investment property and therefore most sensitive to changes in valuation. A 25 basis point increase in capitalisation rate would result in a decrease in the fair value of investment property by $193.8 million and a 25 basis point decrease in capitalisation rate would result in an increase in the fair value of investment property by $212.1 million.

Note 19. Contingent liabilities

The group had no contingent liabilities as at 31 December 2023 and 30 June 2023.

Note 20. Commitments

	Consolidated 31 Dec 2023 $m	**Consolidated 30 Jun 2023 $m**
Capital commitment		
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	45.1	59.3
Property acquisitions	150.0	10.9
	195.1	70.2

Note 21. Related party transactions

Following is a summary of fees paid to the Responsible Entity and its related entities:

		Consolidated	
Type of fee	**Method of fee calculation**	**31 Dec 2023 $'000**	**31 Dec 2022 $'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	13,818	13,904
Base management fee rebate*		(4,756)	(4,960)
Net Base management fee*		9,062	8,944
Property management fees*	3.0% of gross property income	5,196	4,980
Property management fee increase*		4,756	4,960
Net Property management fees*		9,952	9,940
Leasing fees	7.5% of year 1 gross income on renewals 15.0% of year 1 gross income on new leases	2,567	2,306
Development management fees	5.0% of project spend up to $2.5 million 3.0% of project spend thereafter	1,726	953
Acquisition fees	1.0% purchase price	115	150
Disposal fees	0.5% of sale price	454	700
Reimbursement of Responsible Entity expenses	Cost recovery	396	440

* Aventus's (AVN) existing property management agreements continue to apply to the management and development of the AVN portfolio. However, if the fees under the existing AVN property management agreement are higher than what would have been incurred had such agreement been replaced with the HDN property management agreement, the base management fees are reduced by that excess.

The following other transactions occurred with related parties:

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
Payment for goods and services:		
Payments to HMC Capital Limited*	539	-
Other transactions:		
HMC Capital Limited's share of distributions declared as a unitholder of HDN	12,097	12,111
Rental, rental guarantee and other income from other director related entities	5,963	2,846

* Payments to HMC Capital Limited in the current period related to recharges.

Note 21. Related party transactions (continued)

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

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Current receivables:		
Trade and other receivables from HMC Capital Limited	182	372
Receivables from other director related entities	29	1,158
Current payables:		
Trade and other payables to the Investment Manager and Property Manager	4,791	9,545
Distributions payable to HMC Capital Limited	6,058	6,058
Prepaid income from other director related entities	4,600	-

Note 22. Earnings per unit

	Consolidated	
	31 Dec 2023 $m	**31 Dec 2022 $m**
(Loss)/profit for the half-year	(10.7)	95.4
	Number	**Number**
Weighted average number of units used in calculating basic earnings per unit	2,076,255,838	2,069,193,166
Weighted average number of units used in calculating diluted earnings per unit	2,076,255,838	2,069,193,166
	Cents	**Cents**
Basic earnings per unit	(0.52)	4.61
Diluted earnings per unit	(0.52)	4.61

Note 23. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

HomeCo Daily Needs REIT
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached consolidated financial statements and notes give a true and fair view of the group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of the Responsible Entity, HMC Funds Management Limited, made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity

S A Shakesheff

Simon Shakesheff
Independent Non-Executive Chair

David Di Pilla
Non-Executive Director

15 February 2024

Independent Auditor's Review Report

To the unitholders of HomeCo Daily Needs REIT

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of HomeCo Daily Needs REIT (the Trust).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of HomeCo Daily Needs REIT does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2023;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 23 comprising material accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises HomeCo Daily Needs REIT (the Trust) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ended on 31 December 2023.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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

KPMG

Responsibilities of the Directors for the Interim Financial Report

The Directors of HMC Funds Management Limited as the Responsible Entity of the Trust are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and.
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

J.Davis

Jessica Davis

Partner

Sydney

15 February 2024