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

27 September 2023

ANNUAL REPORT 2023

HomeCo Daily Needs REIT (ASX: HDN) provides the attached Annual Report for the year ended 30 June 2023. It will be dispatched to those unitholders who have elected to receive it.

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

For further information, please contact:

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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

HomeCo.
Daily Needs
REIT

Annual Report

For the year ended 30 June 2023

Acknowledgement of Country

HomeCo Daily Needs REIT acknowledges the Traditional Custodians of country throughout Australia and celebrates their diverse culture and connections to land, sea and community.

We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Contents

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

HOMECO DAILY NEEDS REIT

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

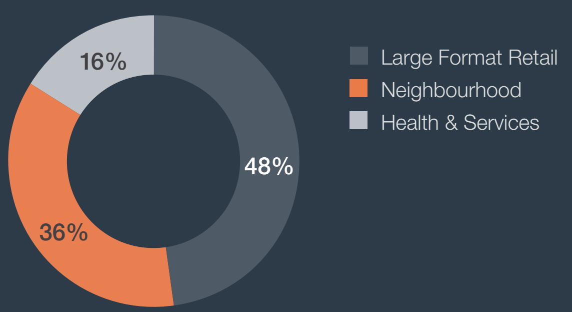
PORTFOLIO STATISTICS

$4.7bn portfolio *diversified* by subsector, tenant and geography

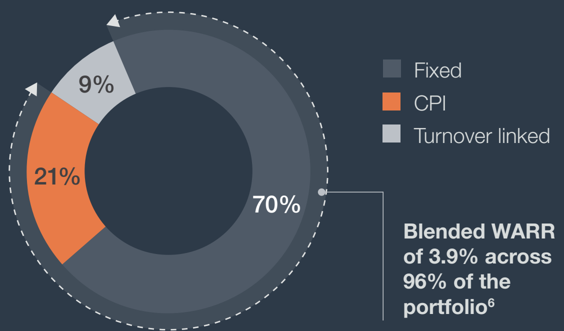
KEY PORTFOLIO METRICS

Portfolio value		$4,677m
Landbank (sqm)		2.5m sqm
Site coverage		37%
WACR[1]		5.46%
WALE[2]		4.8 years
Occupancy[3]		>99%
WARR (Fixed)[2,4]	3.6%	3.9%
WARR CPI[2,5]	4.9%	
Tenants		~1,200
Average gross rent		$357/sqm
Outgoings recovery rate		>60%

TENANT MIX[2]



RENT COMPOSITION[2]

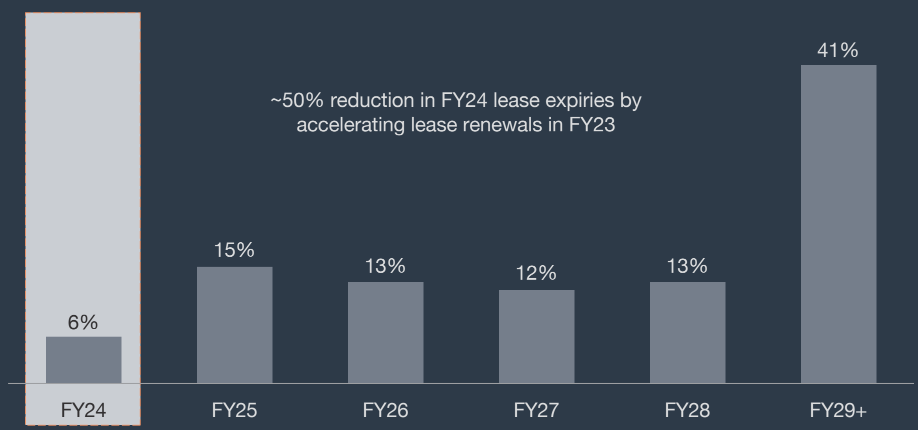


Notes: All FY23 metrics (except for fair value) as at 30-Jun-23, include McGraths Hill and Menai Marketplace on an 100% basis ($57.0m and $175.0m with 25.3% and 50.1% owned by HDN respectively) and excluding ROU assets at Parafield and Caringbah ($11.0m), pro forma adjusted for the disposal of Midland.

1. Weighted Average Capitalisation Rate by gross income.
2. By gross income for signed leases and MoUs.
3. By Gross Lettable Area (GLA) and includes rental guarantees. Excludes land parcels.
4. Weighted Average Rent Reviews on 70% Group tenants that are contracted under fixed escalation rental agreements.
5. Weighted Average Rent Reviews based on CPI-linked escalations set over FY23.
6. Includes both fixed and CPI escalations. Excludes Supermarket Turnover rent.

$357	**+6.0%**	**+5.3%**
AVERAGE GROSS RENT/SQM	LEASING SPREADS[7]	INCENTIVES[8]
Bottom end of landlord cost curve	174 new leases & renewals	Low incentives
+3.8%	**104,000sqm**	**+4.9%**
COMP PROPERTY NOI	LEASING	TENANT MAT GROWTH[9]
Consistent with FY23 guidance	31,960sqm development leasing	vs 30-Jun-22

LEASE EXPIRY PROFILE[10,11]



7. For new leases and renewals, includes Epping.
8. As a percentage of gross rent over lease term.
9. Relates to tenants trading for more than +24 months. Moving Annual Turnover for the year ended 30-Jun-23 versus Moving Annual Turnover for the year ended 30-Jun-22.
10. Weighted Average Lease Expiry by gross income for signed leases and MoUs.
11. Excludes McGraths Hill and Menai Marketplace.

Significant growth upside as tenants recognise increasing *strategic value* of our last mile infrastructure

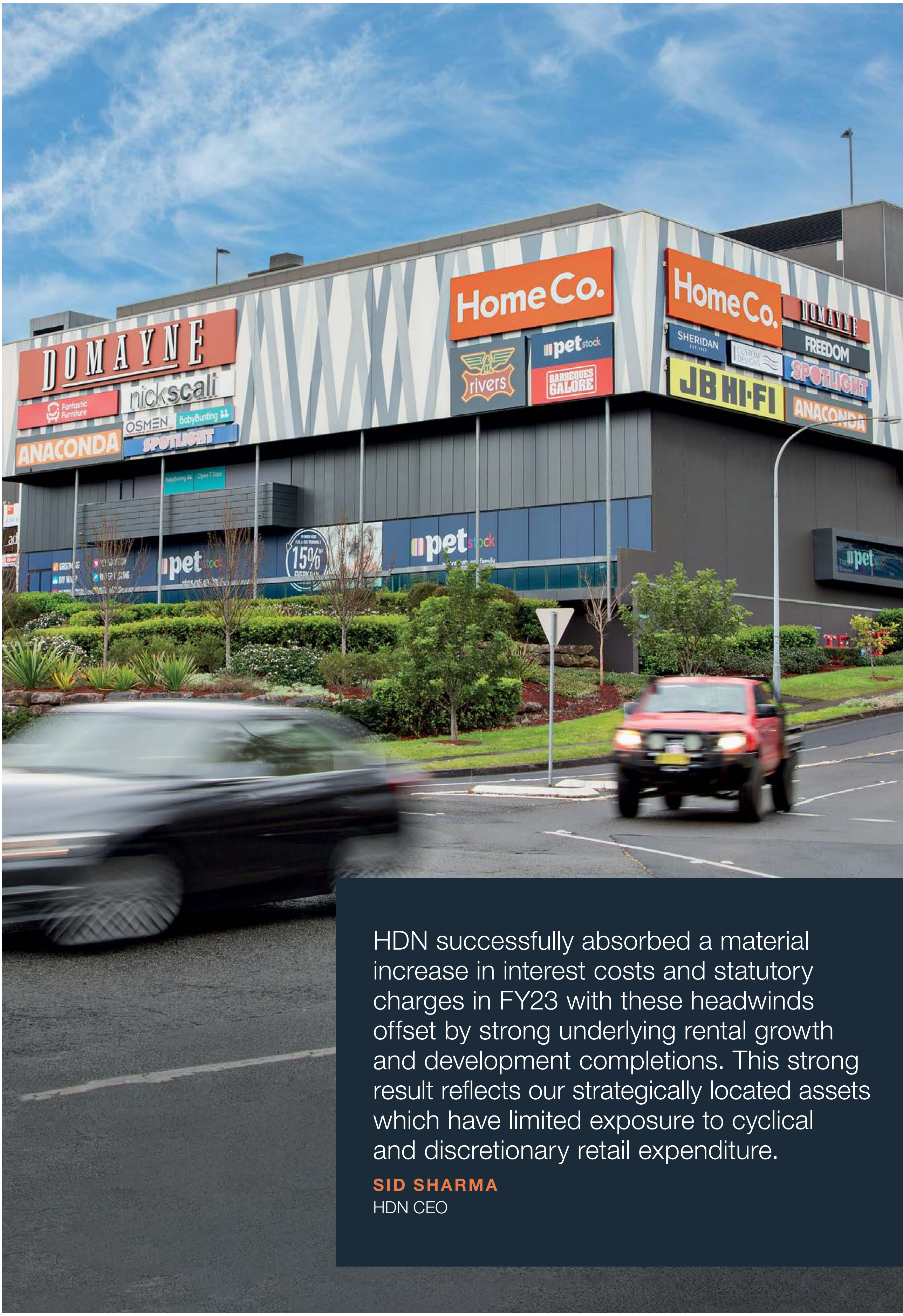
FY23 HIGHLIGHTS

Successfully absorbed significant growth in debt costs with *strong* underlying rental growth

FINANCIAL	ASSET MANAGEMENT	INVESTMENT
8.6 cpu FY23 FFO In line with guidance	>99% OCCUPANCY In line with Jun-22[4]	~$443m ACCRETIVE CAPITAL RECYCLING[5] $285m assets sold at combined 3% premium to book
$1.48 NTA/UNIT Strong rental growth partially offsetting cap rate movement[1]	>99% RENT COLLECTION FY23 contracted rent	>$80m ACTIVE DEVELOPMENTS ~7% target ROIC[6]
32.8% PRO FORMA GEARING[2] Lower end of 30-40% target range $272m total available liquidity	+3.8% COMP PROPERTY NOI GROWTH Consistent with FY23 guidance	>$120m FY24 DEVELOPMENT COMMENCEMENTS ~7% target ROIC[6]
91.5% INTEREST RATE HEDGING Jun-23[3]	+6.0% LEASING SPREADS Versus 5.7% at Jun-22 174 new leases and renewals with low incentives	$600m+ FUTURE PIPELINE Upscaled from $500m >20 projects identified

Notes: All FY23 metrics as at 30-Jun-23 include McGraths Hill and Menai Marketplace on an 100% basis and the disposal of Midland.

1. NTA includes the fair value of derivatives.
2. Gearing is defined as Borrowings (excluding unamortised debt establishment costs) less cash divided by Total Assets less Right of use assets and Cash and cash equivalents. Pro-forma adjusted for the disposal of Midland which is expected to settle in Sep-23.
3. Based on drawn debt as at Jun-23 and pre Midland sale.
4. By GLA and includes rental guarantees.
5. Represents acquisition of Southlands Boulevarde, the additional land parcel acquisition at Armstrong Creek and the $50m LML Fund commitment by HDN and disposals of Epping, Sunshine Coast and Midland (which is expected to settle in Sep-23).
6. Return on invested capital (ROIC) represents cash yield on cost once development is fully stabilised. Estimated ROIC is based on assumptions relating to future income, valuation, capex and calculated on a fully stabilised basis.



HDN successfully absorbed a material increase in interest costs and statutory charges in FY23 with these headwinds offset by strong underlying rental growth and development completions. This strong result reflects our strategically located assets which have limited exposure to cyclical and discretionary retail expenditure.

SID SHARMA
HDN CEO

Strong rental *growth* driving operational performance and valuations

On behalf of the Board of Directors we are proud to present the HomeCo Daily Needs REIT's (HDN) Annual Report for the period ended 30 June 2023 (FY23). HDN's strong set of FY23 results were a product of robust top line revenue growth and expense management within a unique macro environment underpinned by elevated inflation and interest rate rises. HDN delivered on earnings guidance for FY23 and has a solid platform for sustained performance through FY24. Key highlights for the period are:

Financial highlights:

- FY23 FFO of $177.1m (8.6 cpu) in-line with guidance;
- FY23 DPU of 8.3 cpu in-line with guidance;
- Pro forma gearing of 32.8%[1] at the lower end of the 30-40% target range and interest rate hedging of 91.5%[2]; and
- Jun-23 NTA/unit of $1.48 with strong rental growth partially offsetting capitalisation rate movement.

Operational highlights:

HDN's FY23 result further 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.

HDN's high quality daily needs assets offer defensive income streams underpinned by attractive long-term megatrends. The shift to omni-channel retailing is a long-term structural tailwind which is driving the evolution of the asset base into critical last mile infrastructure.

HDN's strong investment fundamentals are underpinned by low rents set at the bottom end of the landlord cost curve, sector leading re-leasing spreads, and high exposure to national retailers, which are translating into high levels of occupancy, NOI growth and >99% rent collection. Key operational achievements include:

- >99% Occupancy, in-line with Jun-22;
- >99% Contracted rent collection, in-line with Jun-22;
- +3.8% Comparable property NOI growth, consistent with FY23 guidance;
- +6.0% leasing spreads, accelerating from 5.7% at Jun-22 with 174 new leases and renewals signed in the period with low incentives; and
- Accelerated leasing programme with ~50% of FY24 lease expiries now de-risked.

Sustainability:

HDN's Energy Management System (EMS) to convert buildings into smart buildings is progressing well and has delivered a 23% reduction[3] in consumption to date following EMS installation at 27 sites across the HDN network. In addition, solar capacity has been installed across 10 sites as at 30 June, with installation at an additional 5 sites currently underway. The next phase will see the rollout of the EMS and solar installation programs over the balance of HDN sites. These next stages are critical to HDN's commitment to achieving Net Zero by 2028 within the asset base, helping to secure a greener future for future generations.

Developments:

In just over 2 years, HDN has successfully completed 16 development projects, committing over $160m into accretive development projects which have delivered a cash on cash return of over 9%. HDN's track record further builds on HMC Capital's successful repositioning of over >500,000 sqm of GLA since acquiring the former Masters portfolio in 2017.

Looking forward, HDN's land bank spanning over 2.5 million sqm provides compelling long-term upside via relatively low risk tenant demand led development projects. HDN increased the scale of the future development pipeline in FY23 from $500m to $600m+ across over 20 identified projects.

1 Pro-forma adjusted for the disposal of Midland which is expected to settle in Sep-23.
2 Based on drawn debt as at Jun-23 and pre Midland sale.
3 Based on sites installed for more than 3 months.

FY23 marked another period of strong operational performance for HDN, underpinned by high exposure to non-discretionary retail categories and strategic last mile infrastructure. The strong rental reversion we are achieving demonstrates the pricing power of our real estate and our portfolio valuations remain resilient.

Simon Shakesheff
Chair

Sid Sharma
HDN CEO

HDN currently has >$80m in active developments targeting a ~7% ROIC, and is planning to commence an additional >$120m of projects in FY24.

Investment highlights:

HDN undertook a number of strategic and proactive capital recycling initiatives in FY23 to assist in re-weighting back to the model portfolio. HDN announced approximately $143m of accretive acquisitions in FY23 including the purchase of Southlands Boulevarde in WA and a strategic investment in the Last Mile Retail Logistics (**LML**) Fund, both of which have been fully funded through capital recycling initiatives.

Capital management:

In FY23, HDN undertook proactive capital management measures to strengthen its balance. Jun-23 NTA was $1.48 per unit, recording a modest 3% reduction vs Jun-22, driven by an increase in the portfolio capitalisation rate from 5.3% to 5.5%. The resilience of the property portfolio has enabled active asset recycling with funds realised from the divestment of non-core properties Sunshine, Epping and Midland at a combined 3% premium to book value re-invested into the acquisition of Southlands and HDN's investment in the Last Mile Logistics fund.

HDN will continue to leverage its balance sheet to undertake asset recycling and fund organic growth into FY24. Jun-23 gearing of 33.8% is at the lower end of the target gearing range of 30-40% and adjusted for the recently contracted sale of Midland reduces to 32.8%. Hedged debt increased to 92% following a restructure in the fourth quarter of FY23, which provides strong interest rate protection in FY24 and FY25.

Guidance and outlook:

Heading into FY24, HDN remains well positioned to fund its accretive development pipeline and capitalise on attractive acquisition opportunities which may emerge, with gearing at the lower end of the 30-40% target range. HDN will continue to actively recycle capital to fund organic growth and portfolio re-weighting.

HDN is pleased to announce FY24 FFO guidance of 8.6cpu and FY24 DPU guidance of 8.3 cents.

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

Sid Sharma
HDN CEO

S A Shakesheff

Simon Shakesheff
Chair

Financial Report Contents

Directors' Report

30 June 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 financial year (collectively referred to as the 'group').

HMC Funds Management Limited is an ultimately owned subsidiary of HMC Capital Limited (ASX: HMC).

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
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
Bruce Carter	Independent Non-Executive Director (retired on 31 December 2022)

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the group 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 group did not have any employees during the year.

Review of operations and financial performance

The group's financial performance for the year was driven primarily by the impact of prior year acquisitions, including 19 properties acquired as part of the Aventus merger in March 2022, offset by higher interest expenses.

A summary of the group's financial performance for the year ended 30 June 2023 is detailed below.

	Consolidated 30 Jun 2023 $m	Consolidated 30 Jun 2022 $m
Total revenue and other income	360.6	198.7
Profit for the year	102.2	335.1
Funds from operations ('FFO')	177.1	105.6
Weighted average units on issue (million)	2,070.7	1,193.8
FFO per unit (cents)	8.55	8.85
Distribution per unit (cents)	8.30	8.28

The group recorded total revenue and other income of $360.6 million (30 June 2022: $198.7 million), a profit of $102.2 million (30 June 2022: profit of $335.1 million) and FFO of $177.1 million (30 June 2022: $105.6 million). 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 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.

Directors' Report continued

A reconciliation between net profit and FFO for the year ended 30 June 2023 is detailed below.

	Consolidated 30 Jun 2023 $'m	Consolidated 30 Jun 2022 $'m
Profit for the year	102.2	335.1
Straight lining and amortisation	(1.8)	6.1
Transaction costs	1.8	0.5
Rent guarantee income	0.1	2.0
Net fair value movements	86.9	(225.3)
Share of profits of equity accounted investees	(9.1)	(0.4)
Distributions from equity accounted investees	1.1	0.3
Other items	(0.4)	0.3
Other income	(3.7)	(13.0)
FFO	**177.1**	**105.6**

Summary of financial position

A summary of the group's financial position as at 30 June 2023 is outlined below.

	Consolidated 30 Jun 2023 $'m	Consolidated 30 Jun 2022 $'m
Assets		
Investment properties (excluding assets held for sale)	4,659.0	4,739.9
Total assets	4,825.4	4,856.2
Net assets	3,076.1	3,137.7
Net tangible assets	3,076.1	3,137.7
Number of units on issue (million)	2,074.4	2,067.7
Net tangible assets ($ per unit)	1.48	1.52
Capital management		
Debt facility limit	1,820.0	1,820.0
Drawn debt	1,639.1	1,600.5
Cash and undrawn debt	197.1	242.7
Gearing ratio (%)*	33.8%	32.7%
Hedged debt (%)	91.5%	67.2%
Cost of debt (% per annum)	3.9%	2.5%

* 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 30 June 2023, the group owned 55 (2022: 56) daily needs assets across Australia with a combined value of $4,659.0 million (30 June 2022: $4,739.9 million). A reconciliation of the movement in the property portfolio is disclosed in note 12.

As at 30 June 2023, 28 investment properties were independently valued with the remaining investment properties being internally valued. The weighted average capitalisation rate of the portfolio was 5.5% (30 June 2022: 5.3%).

Capital raising:

During the year, the Trust issued 6,651,586 units under the dividend reinvestment plan. Refer to note 18 of the consolidated financial statements for further details:

Particulars	Date of issue	Number of units
Opening balance	1-Jul-22	2,067,716,689
Units issued – distribution reinvestment plan	22-Aug-22	1,554,412
Units issued – distribution reinvestment plan	25-Nov-22	1,797,014
Units issued – distribution reinvestment plan	27-Feb-23	1,025,331
Units issued – distribution reinvestment plan	26-May-23	2,274,829
Closing balance on 30 June 2023		**2,074,368,275**

Capital management:

The group's bank debt comprises a $1,820.0 million secured debt facility of which $1,639.1 million is drawn at 30 June 2023. The debt facility comprises two term facilities of $810.0 million and $300.0 million expiring in July 2026 and June 2025 respectively and a $710.0 million revolver facility expiring in July 2024. During the year, the $300.0 million term facility was refinanced from a February 2024 expiry to a June 2025 expiry.

The group had $197.1 million in cash and undrawn debt as at 30 June 2023 and gearing of 33.8%. As at 30 June 2023, the group had interest rate hedging of $1,500.0 million. The cost of debt was 3.9% per annum as at 30 June 2023 (30 June 2022: 2.5% per annum).

Distributions

Distributions declared during the financial year were as follows:

	Distribution per unit (cents)	Total distribution $'m	Ex-distribution date	Record date	Payment date
September 2022	2.075	42.9	29 September 2022	30 September 2022	25 November 2022
December 2022	2.075	43.0	29 December 2022	30 December 2022	27 February 2023
March 2023	2.075	43.0	30 March 2023	31 March 2023	26 May 2023
June 2023	2.075	43.0	29 June 2023	30 June 2023	30 August 2023
Total	**8.300**	**171.9**			

The final distribution for the year ended 30 June 2022 of $43.8 million, or 2.12 cents per unit was paid on 22 August 2022.

For the year ended 30 June 2023, the group operated a dividend reinvestment plan (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 2022, 31 December 2022, 31 March 2023 and 30 June 2023 did not include a discount.

Directors' Report continued

Significant changes in the state of affairs

Investment in Last Mile Logistics Fund (LML Fund)

In February 2023, HMC Capital Limited (HMC or HMC Capital) launched the Last Mile Logistics Fund (LML Fund). The LML Fund is a closed-end unlisted vehicle that will target core plus transitional assets with the potential to unlock additional upside through repositioning the assets into non-discretionary daily needs uses with essential last mile real estate infrastructure.

The LML Fund acquired its maiden asset Menai Marketplace in Sydney, NSW in February 2023 for $150.0 million and HMC Capital Limited announced in June 2023 that the LML Fund had reached first financial close following receipt of $400.0 million of equity commitments, including a $50.0 million equity commitment from the group. As at 30 June 2023, the group invested $42.2 million of its equity commitment into HMC Last Mile Logistics Property Trust 1 (owning 50.1% of the fund) which owns Menai Marketplace with the balance of $7.8m committed to HMC Last Mile Logistics Property Trust 2.

The LML Fund will grant HDN a right of first offer to acquire properties from the LML Fund which have been successfully transitioned into core daily need assets.

Portfolio management

As part of portfolio management initiatives to re-weight the portfolio from large format retail to core daily needs assets, the group acquired 2 properties (Southlands and Armstrong Creek Land) for $107.5 million and sold 2 properties for $210.3 million (Sunshine and Epping). Epping Stage 1 has settled and Stage 2 is expected to settle in September 2023.

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

Matters subsequent to the end of the financial year

Upper Coomera Acquisition (Queensland)

In August 2023, the group acquired 100% interest in 28 Coomera Grand Drive, Upper Coomera QLD for $11.5m. This property adjoins the group's existing Upper Coomera holdings.

Exchange of contract on Midland (Western Australia)

In August 2023, the group entered into an unconditional contract to sell HomeCo Midland for $74.8m. This is at a 2.3% premium to the 30 June 2023 valuation and is due to settle after the reporting period.

No other matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

Group objectives

The group'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 group 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

Financial risks

The group's primary source of income is generated through the leasing arrangements it has with tenants across the portfolio. The group 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 group relates to interest rate movements and the impact of this on property capitalisation rates and the cost of debt funding. The group seeks to mitigate this risk by investing in quality properties, 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 group'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 Limited 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 group. 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 group's future strategies and risk framework.

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

The group has considered the impact of environmental, social and governance ('ESG') risk as well as the volatile economic environment in preparing its consolidated 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 consolidated 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 group by the Responsible Entity

Fees paid to the Responsible Entity and its associates out of the group during the year are disclosed in note 26 to the consolidated financial statements. The Responsible Entity was reimbursed $0.8 million (2022: $0.7 million) relating to Non-Executive Director's remuneration. The number of units in the group held by its associates is disclosed on the next page.

Unitholding relating to key management personnel

The number of ordinary units in the group 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	213,707	42,066	42,066	–	297,839
Stephanie Lai	311,525	–	–	–	311,525
Robyn Stubbs	91,001	–	–	–	91,001
Simon Tuxen	227,296	–	–	–	227,296
David Di Pilla	19,235,868	–	268,570	–	19,504,438
Greg Hayes	5,149,215	–	–	–	5,149,215
Bruce Carter*	2,528,486	–	–	(2,528,486)	–
Total	**27,757,098**	**42,066**	**310,636**	**(2,528,486)**	**25,581,314**

* Retired on 31 December 2022

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 2023 and up to the date of this report.

Indemnity and insurance of officers

The group has indemnified the directors of the group 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 group paid a premium in respect of a contract to insure the directors of the Responsible Entity against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Trust has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Trust or any related entity against a liability incurred by the auditor. During the financial year, 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:	Independent Non-Executive 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 chair of Kiwi Property Group, and a non-executive director of Cbus Property, Assembly Funds Management 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:	297,839 ordinary units

Name:	**Stephanie Lai**
Title:	Independent Non-Executive Director
Experience and expertise:	Stephanie has over 25 years of experience, is a Chartered Accountant and a former Transaction Services 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 Future Generation Investment Company Limited (ASX: FGX) (appointed on 27 March 2019), Non-Executive Director of HealthCo Healthcare & Wellness REIT (ASX: HCW) (appointed on 1 August 2021) and Non-Executive Director of Abacus Storage Operations Limited and Abacus Storage Funds Management Limited as Responsible Entity of Abacus Storage Property Trust (appointed on 13 June 2023).
Former directorships (last 3 years):	Non-Executive Director of Superloop Limited (ASX: SLC) – retired on 1 March 2023
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in units:	311,525 ordinary units

Directors' Report continued

Name:	**Robyn Stubbs**
Title:	Independent Non-Executive Director
Experience and expertise:	Robyn is a Board director working across several ASX 200-300 companies including Brickworks Limited. She is a non-executive director of Ranfurlie Asset Management. She also provides executive coaching services to a diverse range of corporate clients via the Stephenson Mansell Group. Robyn enjoyed a successful 25 plus years career as a senior executive in large, complex organisations. She spent 8 years with Stockland as a General Manager, her last role heading up retail leasing across a portfolio of 40 shopping centres nationally. Robyn is a graduate of the Australian Institute of Company Directors and holds a Master of Science degree in Coaching Psychology from the University of Sydney and was awarded a university medal with her business degree from the University of Technology, Sydney.
Other current directorships:	Non-Executive Director of Brickworks Limited (ASX: BKW) – appointed on 1 January 2020.
Former directorships (last 3 years):	Non-Executive Director of InvoCare Limited (ASX: IVC) – retired on 20 February 2021; Aventus Group (ASX: AVN) – retired on 4 March 2022; Inghams Group Limited (ASX: ING) – retired on 21 June 2023.
Special responsibilities:	None
Interests in units:	91,001 ordinary units

Name:	**Simon Tuxen**
Title:	Independent 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:	**David Di Pilla**
Title:	Non-Executive Director
Experience and expertise:	David led the team that founded the consortium which led to the ultimate establishment of HMC Capital in 2016. Since this time, the HMC Group has grown from its initial Masters portfolio to today being a diversified alternative asset manager with assets under management of ~$8.0 billion. David has over 30 years of experience in investment banking, strategic advisory & consulting and corporate leadership as a Director and CEO. During his 20-year investment banking career, David was Managing Director of UBS Investment Bank for over 15 years and during this time led some of Australia's landmark transactions across corporate M&A, Equity & Debt Capital Markets. Prior to his time at UBS, David reached the position of Vice President, Investment Banking at JP Morgan.
Other current directorships:	Executive Director of HMC Capital Limited (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:	19,504,438 ordinary units

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

'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 Limited (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 2023, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	**Held**	**Attended**	**Held**
Simon Shakesheff	8	8	6	6
Stephanie Lai	8	8	6	6
Robyn Stubbs	8	8	–	–
Simon Tuxen	8	8	–	–
David Di Pilla*	8	8	–	–
Greg Hayes	7	8	6	6
Bruce Carter (retired on 31 December 2022)	4	4	–	–

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

* David Di Pilla attended 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 consolidated 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 consolidated 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 Trust, acting as advocate for the Trust or jointly sharing economic risks and rewards.

Officers of the Trust who are former partners of KPMG

Stephanie Lai was appointed as a director of the Trust on 16 October 2020. She is a former partner of KPMG, the current auditor, having been a partner until 2009.

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.

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

On behalf of the directors

S A Shakesheff

Simon Shakesheff
Independent Non-Executive Chair

16 August 2023

David Di Pilla
Non-Executive Director

Auditor's Independence Declaration

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 audit of HomeCo Daily Needs REIT for the financial year ended 30 June 2023 there have been:

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

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

KPMG

KPMG

J.Davis

Jessica Davis

Partner

Sydney

16 August 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

		Consolidated	
	Note	**30 Jun 2023 $m**	**30 Jun 2022 $m**
Revenue			
Property income	5	347.3	198.3
Share of profit of equity-accounted investees, net of tax	13	9.1	0.4
Other income		3.7	–
Interest income		0.5	–
Net change in assets/liabilities at fair value through profit or loss	6	(86.9)	225.3
Expenses			
Property expenses [1]		(89.7)	(48.8)
Corporate expenses		(3.4)	(2.6)
Management fees [1]	26	(18.0)	(13.6)
Acquisition and transaction costs	7	(1.8)	(0.5)
Finance costs	7	(58.6)	(23.4)
Profit for the year		102.2	335.1
Other comprehensive income for the year		–	–
Total comprehensive income for the year		102.2	335.1

		Cents	**Cents**
Basic earnings per unit	29	4.94	28.07
Diluted earnings per unit	29	4.94	28.07

1 Comparatives in the financial statement have been reclassified to the current year's presentation. There was no effect on the results of operations for the comparative year (refer to the "Comparatives" section in note 2 for further information).

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 2023

		Consolidated	
	Note	30 Jun 2023 $m	30 Jun 2022 $m
Assets			
Current assets			
Cash and cash equivalents	8	16.2	23.2
Trade and other receivables	9	6.2	4.5
Derivative financial instruments	14	3.6	–
Other assets	10	10.4	10.8
		36.4	38.5
Assets held for sale	11	15.8	14.1
Total current assets		52.2	52.6
Non-current assets			
Investment properties	12	4,659.0	4,739.9
Investments accounted for using the equity method	13	57.8	7.6
Derivative financial instruments	14	55.4	55.1
Other assets	10	1.0	1.0
Total non-current assets		4,773.2	4,803.6
Total assets		4,825.4	4,856.2
Liabilities			
Current liabilities			
Trade and other payables	15	62.8	73.2
Distributions payable	19	43.0	43.8
Lease liabilities	17	0.2	0.2
Total current liabilities		106.0	117.2
Non-current liabilities			
Borrowings	16	1,632.2	1,590.0
Lease liabilities	17	11.1	11.3
Total non-current liabilities		1,643.3	1,601.3
Total liabilities		1,749.3	1,718.5
Net assets		3,076.1	3,137.7
Equity			
Contributed equity	18	2,922.4	2,914.3
Retained profits		153.7	223.4
Total equity		3,076.1	3,137.7

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 2023

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

	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 year	–	102.2	102.2
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	102.2	102.2
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 18)	8.1	–	8.1
Distributions declared (note 19)	–	(171.9)	(171.9)
Balance at 30 June 2023	2,922.4	153.7	3,076.1

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 2023

		Consolidated	
	Note	30 Jun 2023 $m	30 Jun 2022 $m
Cash flows from operating activities			
Receipts from tenants (inclusive of GST)		368.4	213.6
Payments to suppliers (inclusive of GST)		(145.5)	(49.3)
Interest received		0.5	–
Interest and other finance costs paid		(54.6)	(19.7)
Net cash from operating activities	30	168.8	144.6
Cash flows from investing activities			
Payment for acquisition of investment property and capital expenditure		(201.8)	(914.0)
Proceeds on sale of investment properties		194.5	–
Payment attributable to investment in equity-accounted investees	13	(42.2)	–
Distribution from equity-accounted investees	13	0.9	2.3
Cash acquired on acquisition of Aventus Retail Property Fund		–	5.9
Net cash used in investing activities		(48.6)	(905.8)
Cash flows from financing activities			
Proceeds from issue of units	18	–	158.3
Unit issue transaction costs		–	(3.5)
Proceeds from borrowings	30	592.1	1,179.8
Repayment of borrowings	30	(553.5)	(696.1)
Borrowing costs paid		(0.5)	(7.5)
Payment of lease liabilities		(0.7)	–
Payment for derivative financial instruments		–	(16.0)
Distributions paid	30	(164.6)	(80.1)
Net cash (used in)/from financing activities		(127.2)	534.9
Net decrease in cash and cash equivalents		(7.0)	(226.3)
Cash and cash equivalents at the beginning of the financial year		23.2	249.5
Cash and cash equivalents at the end of the financial year	8	16.2	23.2

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

Notes to the Consolidated Financial Statements

30 June 2023

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 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

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

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 consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 16 August 2023.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the group for the financial year ended 30 June 2023.

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

Going concern

As at 30 June 2023, the group was in a net current liability position of $53.8 million (30 June 2022: $64.6 million). The net assets include $15.8 million in assets held for sale (30 June 2022: $14.1 million). As detailed in note 16, the group has access to an unused bank debt facility of $180.9 million as at 30 June 2023 (30 June 2022: $219.5 million). Accordingly, the consolidated financial statements continue to be prepared on a going concern basis.

The directors of the responsible entity have concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis, as they believe that the group 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 consolidated financial statements.

Notes to the Consolidated Financial Statements continued

Note 2. Significant accounting policies continued

Basis of preparation

These general purpose consolidated 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 consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The consolidated 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 consolidated 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 consolidated financial statements, are disclosed in note 3.

Parent entity information

In accordance with section 295(2)(b) of the *Corporations Act 2001*, these consolidated 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 as at 30 June 2023 and the results of all subsidiaries for the year then ended.

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

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

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

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

Operating segments

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

Revenue recognition

The group recognises revenue as follows:

Property rental income

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

Other property income

Other property income represents 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.

Notes to the Consolidated Financial Statements continued

Note 2. Significant accounting policies continued

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. The group has not adopted hedge accounting.

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

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

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

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

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

Investment in associate

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

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

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

Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The classification as a joint venture is based on contractual rights and obligations of individual investors rather than the legal structure of the joint arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

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.

Note 2. Significant accounting policies continued

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 recurring 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 group's valuation policy, where there is a significant change in the fair value of an asset or liability from one period to another, an analysis is undertaken, which includes verification of major inputs applied to the latest valuation and comparison, where applicable with external sources of data.

Contributed capital

Units issued by the Trust are classified as equity.

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

Distributions

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

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

Earnings per unit

Basic earnings per unit

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

Diluted earnings per unit

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

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

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

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

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

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

Comparatives

Comparatives in the financial statement have been reclassified to the current year's presentation. There was no effect on the results of operations for the comparative year.

The prior year comparative for Management Fees and Property Expenses have been reclassified by $6.9m to ensure consistency with current year presentation. There has been no change to the total expenses.

Notes to the Consolidated Financial Statements continued

Note 2. Significant accounting policies continued

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 2023. 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 consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated 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 2023 have been conducted using the information available at the time of the preparation of the consolidated financial statements and best estimates of future performance. Refer to note 21 for details of valuation techniques used.

Note 4. Operating segments

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

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 statement of financial position for segment assets and liabilities.

Major customers

During the year ended 30 June 2023 and 30 June 2022, there were no major customers of the group generating more than 10% of the group's external revenue.

Segment results

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Funds from operations ('FFO')	177.1	105.6
Straight lining and amortisation	1.8	(6.1)
Transaction costs	(1.8)	(0.5)
Rent guarantee income	(0.1)	(2.0)
Net fair value movements	(86.9)	225.3
Share of profits of equity accounted investees	9.1	0.4
Distributions from equity accounted investees	(1.1)	(0.3)
Other items	0.4	(0.3)
Other income	3.7	13.0
Profit for the year	102.2	335.1

Notes to the Consolidated Financial Statements continued

Note 5. Property income

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Property rental income	295.0	158.3
Other property income	52.3	40.0
Property income	347.3	198.3

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 6. Net change in assets/liabilities measured at fair value

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Net fair value (loss)/gain on investment properties (note 12)	(90.8)	185.3
Net fair value (loss)/gain on derivatives	3.9	40.0
	(86.9)	225.3

Note 7. Expenses

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Profit includes the following specific expenses:		
Acquisition and transaction costs	1.8	0.5
Finance costs		
Interest and finance charges on borrowings	54.1	20.0
Interest and finance charges on lease liabilities	0.4	0.4
Amortisation of capitalised borrowing costs	4.1	3.0
Finance costs expensed	58.6	23.4

Note 8. Cash and cash equivalents

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Current assets		
Cash at bank	16.2	23.2

Note 9. Trade and other receivables

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Current assets		
Trade receivables	3.4	4.5
Less: Allowance for expected credit losses	(1.8)	(2.2)
	1.6	2.3
Other receivables	4.6	1.8
GST receivable	–	0.4
	6.2	4.5

Note 10. Other assets

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Current assets		
Prepayments	6.2	5.8
Security deposits	0.4	0.4
Other current assets	3.8	4.6
	10.4	10.8
Non-current assets		
Other non-current assets	1.0	1.0

Note 11. Assets held for sale

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Current assets		
Investment properties	15.8	14.1

Assets held for sale represents a parcel of land at the property in HomeCo Epping, Victoria that is contracted to be sold and expected to settle in September 2023.

Prior year assets held for sale represents a $14.1 million parcel of land at the property located in Hawthorn East, Victoria that was contracted to be sold to HomeCo (Hawthorn East) Development Pty Ltd, a subsidiary of HMC Capital Limited. Completion was subject to a condition precedent which had a sunset date which has now passed. Given that the condition precedent was not met by that date, HDN has rescinded the contract in accordance with its terms and the asset reclassified to investment properties (note 12) from assets held for sale in the previous year.

Note 12. Investment properties

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Non-current assets		
Investment property – at fair value	4,659.0	4,739.9
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	4,739.9	1,111.8
Additions on Aventus group merger (including transaction costs)	–	2,551.4
Acquisitions	107.5	828.8
Capitalised expenditure (including transaction costs)	88.4	56.8
Straight-lining and amortisation of incentives	5.9	5.8
Net unrealised (loss)/gain from fair value adjustments (note 6)	(90.8)	185.3
Disposals	(190.2)	–
Reclassification from assets held for sale (note 11)	14.1	–
Reclassification to assets held for sale (note 11)	(15.8)	–
Closing fair value*	4,659.0	4,739.9

* Included in the closing fair value of investment properties at 30 June 2023 is $11.0 million (30 June 2022: $11.5 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 which is 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 2023 $m	**30 Jun 2022 $m**
Minimum lease commitments receivable but not recognised in the consolidated financial statements:		
1 year or less	275.5	252.7
Between 1 and 2 years	252.5	233.9
Between 2 and 3 years	211.1	204.5
Between 3 and 4 years	176.0	162.5
Between 4 and 5 years	140.3	127.5
Over 5 years	407.9	405.0
	1,463.3	1,386.1

Note 13. Investments accounted for using the equity method

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Non-current assets		
Investment in associate – Aventus Property Syndicate 1 Fund	6.9	7.6
Investment in joint venture – HMC Last Mile Logistics Property Trust 1	50.9	–
	57.8	7.6

Interests in associates

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

		Ownership interest	
Name	**Principal place of business/ Country of incorporation**	**30 Jun 2023 %**	**30 Jun 2022 %**
Aventus Property Syndicate 1 Fund	Australia	25.3%	25.3%

Interests in joint ventures

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

		Ownership interest	
Name	**Principal place of business/ Country of incorporation**	**30 Jun 2023 %**	**30 Jun 2022 %**
HMC Last Mile Logistics Property Trust 1	Australia	50.1%	–

Notes to the Consolidated Financial Statements continued

Note 13. Investments accounted for using the equity method continued

Summarised financial information

	Aventus Property Syndicate 1 Fund		HMC Last Mile Logistics Property Trust 1	
	30 Jun 2023 $m	30 Jun 2022 $m	30 Jun 2023 $m	30 Jun 2022 $m
Summarised statement of financial position				
Current assets	1.4	1.1	1.9	–
Non-current assets	57.0	58.4	176.3	–
Total assets	58.4	59.5	178.2	–
Current liabilities	1.0	1.3	2.7	–
Non-current liabilities	30.0	28.4	74.0	–
Total liabilities	31.0	29.7	76.7	–
Net assets	27.4	29.8	101.5	–
Summarised statement of profit or loss and other comprehensive income				
Revenue	4.0	3.9	5.4	–
Fair value gains/(loss) on derivatives	(0.3)	0.6	1.3	–
Fair value gains/(loss) on investment property	(0.9)	7.5	16.2	–
Expenses	(3.9)	(1.7)	(4.1)	–
Profit/(loss)	(1.1)	10.3	18.8	–
Other comprehensive income	–	–	–	–
Total comprehensive income	(1.1)	10.3	18.8	–
Reconciliation of the group's carrying amount				
Opening carrying amount	7.6	–	–	–
Additions during the year	–	9.6	42.2	–
Share of profit/(loss)	(0.3)	0.4	9.4	–
Share of distributions paid/payable	(0.4)	(0.3)	(0.7)	–
Return of capital received	–	(2.1)	–	–
Closing carrying amount	6.9	7.6	50.9	–

Interests in associates and joint ventures had no capital commitments at 30 June 2023 and 30 June 2022.

Note 14. Derivative financial instruments

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Current assets		
Derivatives – Interest rate swap contracts	3.6	–
Non-current assets		
Derivatives – Interest rate swap contracts	55.4	55.1

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

Note 15. Trade and other payables

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Current liabilities		
Trade payables	7.8	25.2
Rent received in advance	9.9	7.3
Accrued expenses	36.9	26.1
Interest payable	4.9	0.2
Other payables	3.3	14.4
	62.8	73.2

Refer to note 20 for further information on financial instruments.

Note 16. Borrowings

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Non-current liabilities		
Bank debt	1,639.1	1,600.5
Capitalised borrowing costs	(6.9)	(10.5)
	1,632.2	1,590.0

Refer to note 20 for further information on financial instruments.

The group's bank debt comprises a $1,820.0 million secured debt facility of which $1,639.1 million is drawn at 30 June 2023. The debt facility comprises two term facilities of $810.0 million and $300.0 million expiring in July 2026 and June 2025 respectively and a $710.0 million revolver facility expiring in July 2024. During the year, the $300.0 million term facility was refinanced from a February 2024 expiry to a June 2025 expiry.

The interest comprises of 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 year.

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

Notes to the Consolidated Financial Statements continued

Note 16. Borrowings continued

Financing arrangements

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

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Total facilities		
Bank debt	1,820.0	1,820.0
Used at the reporting date		
Bank debt	1,639.1	1,600.5
Unused at the reporting date		
Bank debt	180.9	219.5

Note 17. Lease liabilities

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Current liabilities		
Lease liabilities	0.2	0.2
Non-current liabilities		
Lease liabilities	11.1	11.3

Lease liability mainly represents the head lease agreement (ground lease) for the Parafield property. The lease has a 26 year term remaining with a 49 year option to extend.

For other AASB 16 disclosures, refer to note 12 for right-of-use assets, note 7 for interest expense, note 20 for maturity analysis of lease liabilities and the consolidated statement of cash flows for repayment of lease liabilities.

Note 18. Contributed equity

	Consolidated			
	30 Jun 2023 Units	**30 Jun 2022 Units**	**30 Jun 2023 $m**	**30 Jun 2022 $m**
Ordinary class units – fully paid	2,074,368,275	2,067,716,689	2,922.4	2,914.3

Movements in ordinary units

Details	**Date**	**Units**	**$m**
Balance	1 July 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 ('DRP') (at $1.42 per unit)	19 November 2021	3,927,429	5.6
Units issued on acquisition of Aventus Holdings Limited	4 March 2022	1,257,007,121	1,803.8
Units issued to HMC Capital Limited 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 DRP (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
Units issued as part of DRP (at $1.32 per unit)	22 August 2022	1,554,412	2.1
Units issued as part of DRP (at $1.17 per unit)	25 November 2022	1,797,014	2.1
Units issued as part of DRP (at $1.28 per unit)	27 February 2023	1,025,331	1.3
Units issued as part of DRP (at $1.15 per unit)	26 May 2023	2,274,829	2.6
Balance	30 June 2023	2,074,368,275	2,922.4

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

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.

Distribution reinvestment plans ('DRP')

For the year 1 July 2022 to 30 June 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 2022, 31 December 2022, 31 March 2023 and 30 June 2023 did not include a discount.

Unit buy-back

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

Notes to the Consolidated Financial Statements continued

Note 18. Contributed equity continued

Capital risk management

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

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

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

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

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

Note 19. Distributions

Distributions declared during the financial year were as follows:

	Consolidated	
	30 Jun 2023 $m	30 Jun 2022 $m
Interim distribution for the year ended 30 June 2023 of 2.075 cents (2022: 2.00 cents) per unit declared on 20 September 2022. The distribution was paid on 25 November 2022 to unitholders registered on 30 September 2022. Refer to note 18 for distribution settled in units.	42.9	15.8
Interim distribution for the year ended 30 June 2023 of 2.075 cents (2022: 2.08 cents) per unit declared on 15 December 2022. The distribution was paid on 27 February 2023 to unitholders registered on 30 December 2022. Refer to note 18 for distribution settled in units.	43.0	16.5
Interim distribution for the year ended 30 June 2023 of 2.075 cents (2022: 2.08 cents) per unit declared on 27 March 2023. The distribution was paid on 26 May 2023 to unitholders registered on 31 March 2023. Refer to note 18 for distribution settled in units.	43.0	42.7
Final distribution for the year ended 30 June 2023 of 2.075 cents (2022: 2.12 cents) per unit declared on 5 June 2023. The distribution will be paid on 30 August 2023 to unitholders registered on 30 June 2023*	43.0	43.8
	171.9	118.8

* Final distribution will be paid subsequent to the end of the financial year on 30 August 2023.

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:

	30 Jun 2023		30 Jun 2022	
Consolidated	**Weighted average interest rate %**	**Balance $m**	**Weighted average interest rate %**	**Balance $m**
Bank loans – variable rate	4.0%	1,639.1	2.5%	1,600.5
Interest rate swap contracts – cash flow hedges (notional principal amount)		(1,500.0)		(1,075.0)
Net exposure to cash flow interest rate risk		139.1		525.5

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

Interest rate sensitivity

Sensitivities in interest rates of 50 (2022: 50) basis points based on the drawn debt at 30 June 2023 would have an adverse/favourable effect on profit of $0.7 million (2022: $4.6 million), noting the debt drawn balance during the period was varied and partially hedged.

Derivatives interest rate swap

The group has entered into interest rate swap contracts with notional/principal value as at 30 June 2023 of $1,500.0 million (2022: $1,075.0 million). 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 1.8 years (2022: 2.8 years) as at 30 June 2023. The weighted average fixed rate is 2.11% per annum including caps (2022: 1.36%). Contracts with interest rate caps pay variable interest rates until the fixed rate is reached.

Note 20. Financial instruments continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the consolidated 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.

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.

Consolidated – 30 Jun 2023	1 year or less $m	Between 1 and 2 years $m	Between 2 and 5 years $m	Over 5 years $m	Remaining contractual maturities $m
Non-derivatives					
Non-interest bearing					
Trade payables	7.8	-	-	-	7.8
Other payables	3.3	-	-	-	3.3
Interest-bearing – variable					
Bank loans	94.3	894.9	861.1	-	1,850.3
Interest-bearing – fixed rate					
Lease liability	0.7	0.6	1.4	32.4	35.1
Total non-derivatives	106.1	895.5	862.5	32.4	1,896.5

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

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

Note 21. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated – 30 Jun 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

Consolidated – 30 Jun 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Investment properties	–	–	4,739.9	4,739.9
Investment properties – 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

Note 21. Fair value measurement continued

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

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

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) 30 Jun 2023	Range (weighted average) 30 Jun 2022
Investment properties –	(i) Capitalisation rate	4.5% to 6.8% (5.5%)	4.0% to 6.5% (5.3%)
including held for sale	(ii) Discount rate	5.3% to 7.5% (6.5%)	5.3% to 7.3% (6.3%)
	(iii) Terminal yield	4.8% to 7.0% (5.7%)	4.3% to 6.8% (5.6%)

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 the capitalisation rate would result in a decrease in the fair value of investment property by $202.0 million and a 25 basis point decrease in the capitalisation rate would result in an increase in the fair value of investment property by $230.0 million.

Note 22. Key management personnel disclosures

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

Note 23. Remuneration of auditors

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

	Consolidated	
	30 Jun 2023 $'000	**30 Jun 2022 $'000**
Audit services – KPMG (30 June 2022: PricewaterhouseCoopers)		
Audit or review of the consolidated financial statements	310	362
Other assurance and tax services – KPMG (30 June 2022: PricewaterhouseCoopers)		
Compliance plan audit	11	22
	321	384

During the year, non-audit services relating to tax compliance work was $nil (30 June 2022: $100,000).

Note 24. Contingent liabilities

The group had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Note 25. Commitments

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Capital commitment		
Committed at the reporting date but not recognised as liabilities:		
Capital expenditure	59.3	23.3
Property acquisitions	10.9	13.7
	70.2	37.0

Notes to the Consolidated Financial Statements continued

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 Limited (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 13.

Joint ventures

Interests in joint ventures are set out in note 13.

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) of the Trust and its subsidiaries 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 and its related entities:

Type of fee	Method of fee calculation	Consolidated 30 Jun 2023 $'000	Consolidated 30 Jun 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	27,901	16,341
Base management fee rebate*		(9,875)	(2,744)
Net Base management fee *		18,026	13,597
Property management fees*	3.0% of gross property income	10,235	5,709
Property management fee increase*		9,875	2,744
Net Property management fees *		20,110	8,453
Leasing fees	7.5% of year 1 gross income on renewals 15.0% of year 1 gross income on new leases	3,744	1,977
Development management fees	5.0% of project spend up to $2.5 million 3.0% of project spend thereafter	2,264	2,322
Acquisition fees	1.0% of purchase price	1,828	30,035
Disposal fees	0.5% of sale price	971	–
Reimbursement of Responsible Entity expenses	Cost recovery	835	710

* 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.

Note 26. Related party transactions continued

The following other transactions occurred with related parties:

	Consolidated	
	30 Jun 2023 $'000	**30 Jun 2022 $'000**
Sale of goods and services:		
Receipts from HMC Capital Limited towards settlement adjustments relating to tenant rent and property expenses	498	2,470
Payment for goods and services:		
Payments to HMC Capital Limited*	6,219	381,300
Other transactions:		
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 HMC Capital Limited	–	199
HMC Capital Limited's share of distributions declared as a unitholder of HDN	24,348	17,321

* Payments to HMC Capital Limited in the current period relate to recharges. Prior period balance relate to property acquisitions.

** 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 2023 $'000	**30 Jun 2022 $'000**
Current receivables:		
Trade and other receivables from HMC Capital Limited	372	38
Current payables:		
Trade and other payables to the Investment Manager and Property Manager	9,545	20,079
Distributions payable to HMC Capital Limited	6,058	6,179

In February 2023, HMC Capital Limited launched the LML Fund and HDN had invested $42.2 million of its equity commitment into HMC Last Mile Logistics Property Trust 1 (owning 50.1% of the fund) which owns Menai Marketplace with the balance of $7.8m committed to HMC Last Mile Logistics Property Trust 2.

LML Fund is an unlisted investment fund managed by HMC Capital Limited. The LML Fund will target core plus transitional assets with potential to unlock additional upside through repositioning the assets into non-discretionary daily needs uses with essential last mile real estate infrastructure. The commitment from the group highlights the complementary nature of the LML Fund strategy and the opportunity for the group to benefit from a significant pipeline of acquisition opportunities in the future. The LML Fund will grant the group a right of first offer to acquire properties from the LML Fund which have been successfully transitioned into core daily need assets.

A $14.1 million parcel of land at the property located in Hawthorn East, Victoria was contracted to be sold to HomeCo (Hawthorn East) Development Pty Ltd, a subsidiary of HMC Capital Limited. Completion was subject to a condition precedent which had a sunset date which has now passed. Given that the condition precedent was not met by that date, HDN has rescinded the contract in accordance with its terms and the asset reclassified to investment properties from assets held for sale in the previous year.

HMC Capital Limited (as the procuring party) paid a $4.6 million non-refundable fee to the vendor in relation to HDN's acquisition of Southlands Boulevarde in Western Australia. HDN then subsequently reimbursed HMC Capital Limited for this sum that was then treated as the deposit upon exchange of contracts on 23 January 2023 between HDN and the vendor.

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 2023 $m	**30 Jun 2022 $m**
Profit/(loss)	208.9	46.3
Total comprehensive income	208.9	46.3

Statement of financial position

	Parent	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Total current assets	8.9	15.9
Total assets	4,543.7	3,776.0
Total current liabilities	56.6	75.0
Total liabilities	1,666.4	943.6
Equity		
Contributed equity	2,922.4	2,914.3
Accumulated losses	(45.1)	(81.9)
Total equity	2,877.3	2,832.4

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 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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.
- Investments in associates and joint ventures 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 2023 %	Ownership interest 30 Jun 2022 %
Aventus Ballarat Unit Trust	Australia	100%	100%
Aventus Bankstown Unit Trust	Australia	100%	100%
Aventus Belrose Unit Trust	Australia	100%	100%
Aventus Caringbah Unit Trust	Australia	100%	100%
Aventus Castle Hill Unit Trust	Australia	100%	100%
Aventus Cranbourne Thompsons Road Unit Trust	Australia	100%	100%
Aventus Cranbourne Unit Trust	Australia	100%	100%
Aventus Diversified Unit Trust	Australia	100%	100%
Aventus Epping Unit Trust	Australia	100%	100%
Aventus Highlands Unit Trust	Australia	100%	100%
Aventus Jindalee Unit Trust	Australia	100%	100%
Aventus Kotara South Unit Trust	Australia	100%	100%
Aventus Logan Holding Trust	Australia	100%	100%
Aventus Logan Unit Trust	Australia	100%	100%
Aventus Marsden Park Unit Trust	Australia	100%	100%
Aventus Midland Unit Trust	Australia	100%	100%
Aventus Mile End Stage 3 Unit Trust	Australia	100%	100%
Aventus Mile End Unit Trust	Australia	100%	100%
Aventus Peninsula Unit Trust	Australia	100%	100%
Aventus Property Administration Pty Ltd	Australia	100%	100%
Aventus Sunshine Coast Unit Trust	Australia	100%	100%
Aventus Tuggerah Unit Trust	Australia	100%	100%
Aventus Warners Bay Unit Trust	Australia	100%	100%
HDN (Southlands Boulevarde) Property Trust	Australia	100%	–
HDN Lismore Trust	Australia	100%	–
HDN Woodlea Town Centre Trust	Australia	100%	–
HomeCo (HDN No.1) Property Trust	Australia	100%	–
HomeCo (HDN No.2) Property Trust	Australia	100%	–
HomeCo DNR (Armstrong Creek) Property Trust	Australia	100%	100%
HomeCo DNR (Box Hill) Property Trust	Australia	100%	100%
HomeCo DNR (Braybrook) Property Trust	Australia	100%	100%
HomeCo DNR (Bundall) Property Trust	Australia	100%	100%
HomeCo DNR (Butler) Property Trust	Australia	100%	100%
HomeCo DNR (Coffs Harbour) Property Trust	Australia	100%	100%
HomeCo DNR (Cranbourne West) Property Trust	Australia	100%	–
HomeCo DNR (Ellenbrook) Property Trust	Australia	100%	100%
HomeCo DNR (Glenmore Park) Property Trust	Australia	100%	100%

Name	Principal place of business/ Country of incorporation	Ownership interest 30 Jun 2023 %	Ownership interest 30 Jun 2022 %
HomeCo DNR (Gregory Hills Home) Property Trust	Australia	100%	100%
HomeCo DNR (Gregory Hills TC) Property Trust	Australia	100%	100%
HomeCo DNR (Hawthorn East) Property Trust	Australia	100%	100%
HomeCo DNR (Joondalup) Property Trust	Australia	100%	100%
HomeCo DNR (Kellyville West) Property Trust	Australia	100%	–
HomeCo DNR (Keysborough) Property Trust	Australia	100%	100%
HomeCo DNR (Leppington) Property Trust	Australia	100%	–
HomeCo DNR (LML Fund) Trust	Australia	100%	100%
HomeCo DNR (Mackay) Property Trust	Australia	100%	100%
HomeCo DNR (Marsden Park NSW) Property Trust	Australia	100%	100%
HomeCo DNR (Marsden Park) Property Trust	Australia	100%	100%
HomeCo DNR (Mornington) Property Trust	Australia	100%	100%
HomeCo DNR (No. 1) Property Trust	Australia	100%	–
HomeCo DNR (No. 2) Property Trust	Australia	100%	–
HomeCo DNR (No. 3) Property Trust	Australia	100%	100%
HomeCo DNR (No. 5) Property Trust	Australia	100%	100%
HomeCo DNR (No. 6) Property Trust	Australia	100%	100%
HomeCo DNR (No. 7) Property Trust	Australia	100%	–
HomeCo DNR (No. 9) Property Trust	Australia	100%	–
HomeCo DNR (No. 10) Property Trust	Australia	100%	100%
HomeCo DNR (No. 12) Property Trust	Australia	100%	100%
HomeCo DNR (No.8) Property Trust	Australia	100%	100%
HomeCo DNR (North Lakes) Property Trust	Australia	100%	100%
HomeCo DNR (Pakenham) Property Trust	Australia	100%	100%
HomeCo DNR (Parafield) Property Trust	Australia	100%	100%
HomeCo DNR (Penrith) Property Trust	Australia	100%	100%
HomeCo DNR (Prestons) Property Trust	Australia	100%	100%
HomeCo DNR (Richlands) Property Trust	Australia	100%	100%
HomeCo DNR (Richlands Land) Property Trust	Australia	100%	100%
HomeCo DNR (Rosenthal) Property Trust	Australia	100%	100%
HomeCo DNR (Seven Hills) Property Trust	Australia	100%	100%
HomeCo DNR (South Morang) Property Trust	Australia	100%	100%
HomeCo DNR (Tingalpa) Property Trust	Australia	100%	100%
HomeCo DNR (Toowoomba) Property Trust	Australia	100%	100%
HomeCo DNR (Upper Coomera CC) Property Trust	Australia	100%	100%
HomeCo DNR (Upper Coomera) Property Trust	Australia	100%	100%
HomeCo DNR (Victoria Point) Property Trust	Australia	100%	100%
HomeCo DNR (Vincentia) Property Trust	Australia	100%	100%
HomeCo DNR Finance Pty Ltd	Australia	100%	100%

Notes to the Consolidated Financial Statements continued

Note 29. Earnings per unit

	Consolidated	
	30 Jun 2023 $m	30 Jun 2022 $m
Profit	102.2	335.1
	Number	Number
Weighted average number of units used in calculating basic earnings per unit	2,070,695,634	1,193,763,801
Weighted average number of units used in calculating diluted earnings per unit	2,070,695,634	1,193,763,801
	Cents	Cents
Basic earnings per unit	4.94	28.07
Diluted earnings per unit	4.94	28.07

Note 30. Cash flow information

Reconciliation of profit to net cash from operating activities

	Consolidated	
	30 Jun 2023 $m	30 Jun 2022 $m
Profit for the year	102.2	335.1
Adjustments for:		
Share of profit of equity-accounted investees	(9.1)	(0.4)
Net change in assets/liabilities at fair value through profit or loss	86.9	(225.3)
Finance costs – non-cash	1.6	3.0
Straight-lining and amortisation of rental income/guarantees	(14.5)	(7.9)
Others	(3.7)	–
Transaction costs	1.8	0.5
Change in operating assets and liabilities:		
Movement in trade and other receivables	(0.8)	3.3
Movement in other operating assets	(1.3)	1.5
Movement in trade and other payables	3.1	32.7
Movement in rent received in advance	2.6	2.1
Net cash from operating activities	168.8	144.6

Non-cash investing and financing activities

	Consolidated	
	30 Jun 2023 $m	**30 Jun 2022 $m**
Units issued under distribution reinvestment plan	(8.1)	(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
Net fair value movement of investment properties	(90.8)	185.3
Net fair value movement of derivatives	3.9	40.0
	(95.0)	217.9

Changes in liabilities arising from financing activities

Consolidated	**Bank loans $m**	**Lease liability $m**	**Distribution payable $m**	**Total $m**
Balance at 1 July 2021	420.7	11.0	12.5	444.2
Net cash (used in)/from 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
Net cash (used in)/from financing activities	38.6	(0.7)	–	37.9
Distributions declared during the year	–	–	171.9	171.9
Distributions paid during the year	–	–	(164.6)	(164.6)
Non-cash dividends under dividend reinvestment plan	–	–	(8.1)	(8.1)
Other items	–	0.7	–	0.7
Balance at 30 June 2023	1,639.1	11.3	43.0	1,693.4

Note 31. Events after the reporting period

Upper Coomera Acquisition (Queensland)

In August 2023, the group acquired 100% interest in 28 Coomera Grand Drive, Upper Coomera QLD for $11.5m. This property adjoins the group's existing Upper Coomera holdings.

Exchange of contract on Midland (Western Australia)

In August 2023, the group entered into an unconditional contract to sell HomeCo Midland for $74.8m. This is at a 2.3% premium to the 30 June 2023 valuation and is due to settle after the reporting period.

No other matter or circumstance has arisen since 30 June 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.

Directors' Declaration

30 June 2023

In the opinion of the directors of HMC Funds Management Limited, the Responsible Entity of HomeCo Daily Needs REIT (the Trust):

- the attached consolidated financial statements and notes comply with the *Corporations Act 2001*, the Australian 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 2023 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 2023.

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

On behalf of the directors of the Responsible Entity

S A Shakesheff

Simon Shakesheff
Independent Non-Executive Chair

David Di Pilla
Non-Executive Director

16 August 2023

Independent Auditor's Report

Independent Auditor's Report

To the unitholders of HomeCo Daily Needs REIT

Opinion

We have audited the ***Financial Report*** of HomeCo Daily Needs REIT (the Trust).

In our opinion, the accompanying Financial Report of the Trust is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 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 year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Trust and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent Auditor's Report continued

KPMG

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 of the current year.

This matter was 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 this matter.

Valuation of investment property ($4,659m)

Refer to accounting policy note 2 and notes 12 and 21 of the Financial Report

The key audit matter	How the matter was addressed in our audit
The valuation of investment property and investment property under development is a key audit matter as it is significant in value (being 97% of total assets) and requires auditor judgement in evaluating the significant inputs in the complex valuations. Our audit approach for investment property focused on significant and judgemental inputs into the valuations used by the Group in both internal and external valuation models. Specifically, these included: • Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; • Capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset; and • Forecast cash flows including: market rental income projections, terminal yields and other key leasing assumptions.	Our procedures in assessing the valuations of investment property included: • Understanding the Group's process regarding the valuation of investment property, including evaluating the Group's valuation policy; • Assessing the Group's methodologies used in the valuations of investment property for consistency with accounting standards and the Group's valuation policy; • Assessing the scope, competence and objectivity of both the external experts engaged by the Group and internal valuers; • Taking into account the asset classes, geographies and characteristics of individual investment properties, assessing the adopted discount rates, cap rates, terminal yields and market rental income through comparison to market analysis published by industry experts, recent market transactions, and inquiries with the Group. • Assessing the Group's key leasing assumptions, where significant, against each property's recorded rental income, lease expiry and current vacancy levels; • Checking a sample of contractual rental income, lease expiries and vacancy levels to tenancy schedules as per lease agreements; • Assessing the assumptions used by the Group in the computation of the internal valuations with reference to the assumptions used in the valuation reports completed by the external valuation experts;

	• Assessing events after balance date, in accordance with the accounting standards, for adjusting events impacting the Group's valuation of investment properties; and • Assessing the disclosures in the financial report using our understanding obtained from our testing, and against the accounting standards.

Other Information

Other Information is financial and non-financial information in HomeCo Daily Needs REIT's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of HMC Funds Management Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit 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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of HMC Funds Management Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Trust or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report continued

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

KPMG

KPMG

J Davis

Jessica Davis

Partner

Sydney

16 August 2023

Related Party Leases

30 June 2023

The group leases a number of its premises to related parties.

Since the date of the last financial report for the year ended 30 June 2022, the following leases with the tenants listed below now form part of the group's portfolio and are disclosed in accordance with the terms of ASX waivers granted to the group in November 2020 and July 2021. These leases have been entered into on arm's length terms and reflect customary provisions commonly found in commercial leases of a similar nature.

Details of leases for Spotlight are provided below:

Location	Terms and renewal
HomeCo Mackay	Initial term of 10 years which is expected to commence in June 2024 with 2 options to renew for 10 years each.
HomeCo Ballarat	Initial term of 6 years which is expected to commence in February 2024 with 1 option to renew for 6 years.
HomeCo Cranbourne	Extension of lease for a term of 2 years which commenced in May 2023 with 2 options to renew for 8 years each.

Details of leases with Anaconda are provided below:

Location	**Terms and renewal**
HomeCo South Nowra	Initial term of 10 years which commenced in February 2023 with 3 options to renew for 10 years each.
HomeCo Ballarat	Initial term of 6 years which is expected to commence in June 2024 with 1 option to renew for 6 years.
HomeCo Mackay	Initial term of 10 years which is expected to commence in February 2024 with 3 options to renew for 10 years each.
HomeCo Tuggerah	Initial term of 10 years which is expected to commence in October 2024 with 3 options to renew for 10 years each.

Details of leases with Harris Scarfe are provided below:

Location	Terms and renewal
HomeCo Peninsula	Initial term of 7 years which commenced in March 2022 and currently holding over.

Details of leases with Aurrum Childcare are provided below:

Location	Terms and renewal
HomeCo Toowoomba	Initial term of 10 years which is expected to commence during FY24 with 2 options to renew for 10 years each.

Unitholder Information

30 June 2023

The unitholder information set out below was applicable as at 31 July 2023.

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	1,369	0.03%
1,001 to 5,000	2,386	0.33%
5,001 to 10,000	2,086	0.77%
10,001 to 100,000	7,045	10.04%
100,001 and over	537	88.83%
	13,423	100.00%

Holding less than a marketable parcel is 516.

Equity unit holders

Twenty largest quoted equity unit holders

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

	Ordinary units	
	Number held	**% of total units issued**
HSBC Custody Nominees	518,614,245	25.00
JP Morgan Nominees Australia Limited	297,711,329	14.35
Home Consortium Limited*	291,960,463	14.07
Citicorp Nominees Pty Limited	138,148,806	6.66
National Nominees Limited	93,337,465	4.50
RRI Investments Pty Ltd (RRI Property Unit A/C)	50,382,739	2.43
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	47,707,402	2.30
BNP Paribas Noms Pty Ltd (DRP)	42,754,303	2.06
BB Retail Capital Pty Ltd (The Blundy Family Trust A/C)	26,239,442	1.26
Aurrum Holdings Investment Company Pty Ltd (Aurrum Holdings Invest A/C)	25,005,679	1.21
JD Marnabeck Pty Ltd	17,369,642	0.84
BNP Paribas Noms(NZ) Ltd	16,543,694	0.80
Netwealth Investments Limited	15,860,891	0.76
Citicorp Nominees Pty Limited	15,703,786	0.76
Rayra Pty Limited	12,940,376	0.62
Mr Michael Kenneth Hansen + Mrs Alison Betty Hansen	7,939,296	0.38
Coloskye Pty Limited	7,096,883	0.34
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd	6,283,558	0.30
CW Property Nominees Pty Ltd	5,001,136	0.24
Mr John Craig Charlton + Mrs Jane Amanda Lewis (Charlton Super Fund A/C)	4,737,014	0.23
	1,641,338,149	79.12

* This includes all subsidiaries.

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*	291,960,463	14.07

* 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 2023

Directors

Simon Shakesheff

Stephanie Lai

Robyn Stubbs

Simon Tuxen

David Di Pilla

Greg Hayes

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

KPMG

Level 38, Tower 3
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Stock exchange listing

HomeCo Daily Needs REIT units are listed on the Australian Securities Exchange (ASX code: HDN)

Corporate Governance Statement

The directors of the Responsible Entity are committed to conducting the business of HomeCo Daily Needs REIT in an ethical manner and in accordance with the highest standards of corporate governance. HomeCo Daily Needs REIT has adopted and has fully complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent that they are applicable to an externally managed listed entity.

The group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the 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/

colliercreative.com.au #HOC0017

Home Co.

Daily Needs REIT