

Home Consortium

ASX RELEASE

26 August 2020

Appendix 4E and FY20 Annual Financial Report

Home Consortium provides the attached Appendix 4E and FY20 Annual Financial Report.

-ENDS-

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Authorised for release by the Home Consortium Board

About HomeCo

HomeCo is an internally managed Australian property group focused on ownership, development and management. HomeCo is built on a platform of big brands and hyper-convenience, with each centre anchored by leading brands backed by some of Australia's most successful property development and retail organisations including predominantly national retailers spanning daily needs, leisure and lifestyle and services enterprises.

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Home Consortium Limited
ABN 94 138 990 593
(trading as Home Consortium)
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Home Consortium Developments Limited
ACN 635 859 700

1. Company details

Name of entity:	Home Consortium which is a stapled group comprising Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Limited (ACN 635 859 700)
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

Home Consortium's financial performance for the year ended 30 June 2020 was materially influenced by the ASX listing in October 2019 and associated activities.

This Appendix 4E is required to include consolidated results only and should be read in conjunction with the 'Review of operations and financial performance' contained within the director's report, which includes a breakdown of the results for both the freehold and leasehold properties.

	30 June 2020 \$m	30 June 2019 \$m	Change \$m	Change %
Revenues from ordinary activities	73.3	49.2	24.1	49%
Loss from ordinary activities after tax	(2.8)	(22.6)	19.8	88%
Loss for the year	(2.8)	(22.6)	19.8	88%

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 30 June 2020 paid on 19 March 2020 to shareholders registered on 5 March 2020.	4.50	4.50
Final dividend for the year ended 30 June 2020 will be paid on 18 September 2020 to shareholders registered on 4 September 2020.	7.50	7.50

Comments

The loss for the group after providing for income tax amounted to \$2,800,000 (30 June 2019: \$22,600,000).

Refer to the directors' report for detailed commentary on review of operations.

3. Net tangible assets

	30 June 2020 \$	30 June 2019 \$
Net tangible assets per ordinary security	3.69	4.54

The net tangible assets per ordinary security is calculated based on 197,912,426 ordinary shares on issue as at 30 June 2020 and 93,333,335 ordinary shares that would have been in existence had the share-consolidation occurred as at 30 June 2019.

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

4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

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


5. Attachments

Details of attachments (if any):

The Annual Report of Home Consortium for the year ended 30 June 2020 is attached.

6. Signed

As authorised by the Board of Directors

Signed  _____

Date: 25 August 2020

David Di Pilla
Director

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Home Consortium

"Home Consortium" is a stapled group comprising Home Consortium Limited (ACN 138 990 593) and Home Consortium Developments Limited (ACN 635 859 700)

Annual Report - 30 June 2020

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**Home Consortium
Contents
For the year ended 30 June 2020**

**Home
Consortium**

Directors' report	2
Auditor's independence declaration	21
Consolidated statement of profit or loss and other comprehensive income	22
Consolidated statement of financial position	23
Consolidated statement of changes in equity	24
Consolidated statement of cash flows	25
Notes to the consolidated financial statements	26
Home Consortium Developments Limited statement of profit or loss and other comprehensive income	60
Home Consortium Developments Limited statement of financial position	61
Home Consortium Developments Limited statement of changes in equity	62
Home Consortium Developments Limited statement of cash flows	63
Home Consortium Developments Limited notes to the financial statements	64
Directors' declaration	69
Independent auditor's report to the members of Home Consortium	70
Related party leases	77
Stapled Security Holder information	79
Corporate directory	81

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The directors of Home Consortium Limited (referred to hereafter as the 'Company' or 'parent entity' or 'HCL') and Home Consortium Developments Limited ('HCDL') present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Home Consortium Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020, and the financial statements of HCDL.

On 11 October 2019, HCL and HCDL were admitted to the official list of the Australian Securities Exchange ('ASX'). Fully paid ordinary shares in each of HCL and HCDL are stapled together to form stapled securities, and trades under the name "Home Consortium" (ASX code: HMC).

HCDL was incorporated in Australia on 29 August 2019 as a public company limited by shares. The current period information presented in the financial statements of HCDL is for the period 29 August 2019 to 30 June 2020.

Principal activity

The principal activity of the group during the year was the ownership, development and management of a property portfolio comprising hyper-convenience retail and services centres.

Directors

David Di Pilla: Executive Chairman and Chief Executive Officer (appointed on 11 October 2017)

Chris Saxon: Deputy Chairman and Lead Independent Non-Executive Director (appointed on 23 September 2019)

Zac Fried: Non-Executive Director (appointed on 23 September 2019)

Greg Hayes: Non-Executive Director (appointed on 23 September 2019)

Jane McAloon: Independent Non-Executive Director (appointed on 23 September 2019)

Brendon Gale: Independent Non-Executive Director (appointed on 23 September 2019)

Information on directors

Name: David Di Pilla
Title: Executive Chairman and Chief Executive Officer
Experience and expertise: David led the team that founded and established the consortium to acquire the group in 2016. David is the founder, a director and the major shareholder of the Aurrum Aged Care group. From 2014 to 2016, he was also a strategic advisor and director to operating subsidiaries of the Tenix Group of Companies. David has over 20 years of experience in investment banking. From 2004 to 2015, he was Managing Director and Senior Adviser at UBS Australia and during this time he advised some of Australia's largest corporations on mergers and acquisitions, debt and equity capital market transactions.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 33,167,089 ordinary shares
Interests in rights: 268,365 share rights over ordinary shares

Name: Chris Saxon
Title: Deputy Chairman and Lead Independent Non-Executive Director
Experience and expertise: Chris is a leading Australian lawyer and was, until 2019, a partner with Baker McKenzie. Chris's practice included large-scale mergers and acquisition ('M&A') transactions across a range of sectors, notably energy (gas, electricity, renewable), industrials, infrastructure and mining. He has consistently been ranked as one of Australia's foremost project and M&A lawyers and has been lead adviser on government restructuring transactions and privatisations, major trade sales and infrastructure projects. Chris served as Chairman of Baker McKenzie Australia for five years (2012-2017) and has held numerous leadership roles within the firm.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.
Interests in shares: 175,776 ordinary shares
Interests in rights: 3,559 share rights over ordinary shares

Name: Zac Fried
Title: Non-Executive Director
Experience and expertise: Zac worked closely with David Di Pilla and the team who founded and established the consortium to acquire the group in 2016. Zac is the Executive Deputy Chairman of the Spotlight Group ('SGH'). Established in 1973, SGH owns a number of major and iconic Australian retail brands: Spotlight, Anaconda, Mountain Designs and Harris Scarfe. SGH also controls one of Australia's largest privately-owned property portfolios, Spotlight Property Group, and operates a significant family office engaged in extensive investment and philanthropic activities. With over 10,000 employees and 250 big box retail outlets across four countries with large greenfield redevelopment opportunities, SGH is one of Australia's leading retail and property industry participants. Zac's focus at SGH includes the oversight of SGH's property development and leasing portfolio. He has almost 30 years of retail and property industry experience and a demonstrable track record of successful site identification, property value creation, and the fostering of many longstanding and close lessee relationships. Zac has played the central role at SGH in the development of many of Australia and New Zealand's premier retail, office, and homemaker centres. In addition to his role at SGH, Zac is the President of the Large Format Retail Association ('LFRA'). The LFRA is the preeminent industry association responsible for representing the Australian retail industry interests of operators, investors, property owners, developers and service providers that collectively generate approximately \$80 billion or 25% of all retail sales in Australia.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 24,536,064 ordinary shares
Interests in rights: 4,448 share rights over ordinary shares

Name: Greg Hayes
Title: Non-Executive Director
Qualifications: Master of Applied Finance, a Graduate Diploma in Accounting, a Bachelor of Arts, completed an Advanced Management Programme (Harvard Business School, Massachusetts) and Member of the Institute of Chartered Accountants Australia and New Zealand.

Experience and expertise: Greg is currently a director of Aurrum and the Precision Group. 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, Executive and also held non-executive director roles at Incitec Pivot Limited and The Star Entertainment Group Ltd.

Other current directorships: None
Former directorships (last 3 years): Incitec Pivot Ltd (ASX: IPL) - retired December 2017 and Star Entertainment Group Ltd (ASX: SGR) - retired October 2017
Special responsibilities: Member of the Audit and Risk Committee
Interests in shares: 9,098,835 ordinary shares
Interests in rights: 4,893 share rights over ordinary shares

Name: Jane McAloon
Title: Independent Non-Executive Director
Qualifications: Bachelor of Economics (Hons) and Bachelor of Laws from Monash University, a Grad Dip Corporate Governance and awarded a Monash University Fellowship in 2018.
Experience and expertise: Jane is a non-executive director of Viva Energy Group Limited, EnergyAustralia, United Malt Group and Allianz Australia Limited. She is also Chairman of Monash University Foundation, a Director of Bravery Trust and is on the Advisory Board at Allens Linklaters. Jane has worked in the natural resources, energy, infrastructure and utility industries for over 25 years. She was President Governance and Group Company Secretary at BHP Billiton for nine years during which she worked on key strategic issues, corporate transactions, as well as market, regulatory and reputational matters. Prior to this she was a senior executive at AGL Energy Limited. Jane worked in executive leadership roles with the NSW Government Cabinet Office and the Energy, Rail and Natural Resources Departments. She previously worked in private legal practice. Her previous appointments include GrainCorp, Port of Melbourne, Civil Aviation Safety Authority, Cogstate Limited, Healthscope Limited, Defence Reserves Services Council, Referendum Council on Constitutional Recognition for Aboriginal and Torres Strait Islander People and the Australian War Memorial.
Other current directorships: Non-executive director of Viva Energy Group Limited (ASX: VEA) - appointed 2018; Energy Australia – appointed December 2012; United Malt Group – appointed February 2020; Allianz Australia Ltd – appointed July 2020
Former directorships (last 3 years): GrainCorp Limited (ASX: GNC) - retired March 2020 with the demerger of United Malt Group; Cogstate Limited (ASX: CGS) - retired October 2019, Port of Melbourne – retired February 2020, Healthscope Limited (ASX: HSO) – retired June 2019, Civil Aviation Safety Authority – retired December 2019, Defence Reserves Support Council – retired November 2019.
Special responsibilities: Chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee
Interests in shares: 165,175 ordinary shares
Interests in rights: 3,559 share rights over ordinary shares

Name: Brendon Gale
Title: Independent Non-Executive Director
Qualifications: Master's Degree in Arts and Bachelor of Laws from Monash University, completed the Advanced Management Program at Harvard Business School, Graduate of the Australian Institute of Company Directors
Experience and expertise: Brendon is a leading Australian sporting administrator and is the current Chief Executive Officer and Executive Director of the Richmond Football Club, one of the largest and most diversified sports businesses in Australia. He is also an experienced company director, having previously served on the board of the Victorian Equal Opportunity and Human Rights Commission and is a current director of the Richmond Football Club Ltd and Aligned Leisure Pty Ltd. Brendon has experience in high performing and profitable consumer businesses, operating in multi stakeholder environments, involving significant public investment. He has a proven track record in shaping positive corporate culture and setting the tone from the top through the alignment of purpose, values and strategy.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Remuneration and Nomination Committee
Interests in shares: 231,871 ordinary shares
Interests in rights: 2,669 share rights over ordinary shares

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

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

Company secretary

Andrew Selim joined the group in 2017 and is General Counsel and Company Secretary. He is responsible for all legal, compliance and governance activities of the group. Andrew has over 17 years of local and international experience in real estate and corporate law. Before joining the group, Andrew was Senior Legal Counsel and Company Secretary at The GPT Group. Prior to that, he was a Senior Associate at Allens Linklaters. Andrew holds a Master of Laws, Bachelor of Laws (Honours) and Bachelor of Science (Advanced), all from the University of Sydney. He is a Member of the Governance Institute of Australia, a Member of the Association of Corporate Counsel Australia and is a Member of the Australian Institute of Company Directors. He previously sat on the Law Society of NSW In-House Corporate Lawyers Committee. Andrew has also been recognised in The Legal 500 GC Powerlist and Doyles as a leading in-house lawyer.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
David Di Pilla	13	13	-	-	-	-
Chris Saxon	13	13	2	2	5	5
Zac Fried	13	13	-	-	-	-
Greg Hayes	13	13	-	-	5	5
Jane McAloon	13	13	2	2	5	5
Brendon Gale	12	13	2	2	-	-

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

Review of operations and financial performance

A summary of the financial performance of the group for the financial year ended 30 June 2020 is outlined below.

Currency: \$m (unless specified)	Freehold properties 30 June 2020	Leasehold properties 30 June 2020	Consolidated 30 June 2020	Consolidated 30 June 2019	Consolidated Variance	Consolidated Variance
Total revenue	62.3	11.0	73.3	49.2	+24.1	+49%
Net profit/(loss) after tax	6.0	(8.8)	(2.8)	(22.6)	+19.8	+88%
Funds from operation ('FFO')	10.1	(15.7)	(5.6)	(41.0)	+35.4	+86%
FFO per stapled security (cents)	5.0	(7.9)	(2.9)	(43.9)	+41.0	+93%

Home Consortium's financial performance for the financial year was influenced by the completion of the \$325 million ASX listing and refinancing of existing debt facilities in October 2019 resulting in a significant reduction in its cost of debt.

The completion of these activities provided the group with increased funding to continue its strategy of owning, developing and managing a freehold portfolio of hyper-convenience centres. During the financial year, Home Consortium completed the acquisition of three centres (Hawthorn East VIC, Upper Coomera QLD and Coffs Harbour NSW) and the completion of the development of two hyper-convenience centres (Hawthorn East VIC and Keysborough VIC). During the financial year, agreements were also entered into to acquire the Ballarat and Parafield leasehold properties.

At the time of the ASX listing a \$60 million Lease Mitigation Account ('LMA') was established to provide funding for the lease mitigation strategy to surrender, repurpose or acquire the leasehold properties. Since ASX listing the LMA was used to execute this strategy and as at 30 June 2020 the remaining leasehold properties was reduced to nine and the net leasehold liability to \$58.3 million (2019: \$110.8 million)

Home Consortium reported a consolidated statutory loss after tax of \$2.8 million representing a \$19.8 million improvement versus the prior comparable period which was driven by:

- \$24.1 million increase in revenue resulting from completion of acquisitions, developments and lease up of vacancies at operating sites;
- \$10.7 million decrease in net finance costs; and
- \$5.1 million increase in net fair value gains on investment properties (both freehold and leasehold).

The Coronavirus (COVID-19) pandemic has also materially impacted the financial performance of the group during the financial year with government imposed trading restrictions and isolation measures impacting tenants across the group. Home Consortium has taken a partnership approach in working with its tenants to support and assist them through the impact of COVID-19. The group has worked within the framework of the Code of Conduct ('Code') for small to medium sized enterprises and in the spirit of the Code for larger tenants. The group also agreed extensions to lease terms for a number of tenants who received its support providing additional contracted future rental revenue.

The group provided rental relief to its tenants through a combination of rent waivers, one-off lease incentives and rent deferrals. Home Consortium's estimate of the loss of revenue relating to COVID-19 rental relief is \$5.3 million for the financial year, of which \$2.8 million was expensed and \$2.5 million has been treated as an incentive and capitalised. An additional \$1.4 million in rent was deferred and is expected to be collected subsequent to 30 June 2020. The group also received government assistance from JobKeeper of \$0.2 million for the financial year.

Funds from operations

The table below provides a reconciliation between the net loss after tax for the period and funds from operations ('FFO'):

Currency: \$m (unless specified)	Freehold properties 30 June 2020	Leasehold properties 30 June 2020	Consolidated 30 June 2020	Consolidated 30 June 2019
Net profit/(loss) after tax	6.0	(8.8)	(2.8)	(22.6)
Income tax (expense)/benefit	5.9	(6.4)	(0.5)	(7.3)
Straight lining and amortisation	0.7	(0.1)	0.6	(0.6)
Amortisation of borrowing costs	7.4	-	7.4	4.8
Acquisition, transaction and legal settlement costs	5.8	3.5	9.3	-
Fair value movements	(14.6)	4.9	(9.7)	(5.2)
Interest and finance charges on lease liabilities	1.7	11.8	13.5	18.7
Less: Leasehold rent	(2.8)	(20.6)	(23.4)	(28.8)
FFO	<u>10.1</u>	<u>(15.7)</u>	<u>(5.6)</u>	<u>(41.0)</u>

Summary of financial position

A summary of the group's financial position as at 30 June 2020 is outlined below.

Currency: \$m (unless specified)	Consolidated 30 June 2020	Consolidated 30 June 2019
Investment properties - freehold	1,013.8	771.0
Total assets	1,277.8	1,108.0
Net tangible assets*	729.5	423.9
Number of shares on issue (m)**	197.9	93.3
Net tangible assets (\$ per stapled security)	3.69	4.54
Adjusted net tangible assets (\$ per stapled security)***	3.20	4.19

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

** The number of securities on issues as at 30 June 2019 assumes share consolidation of 13.797 share into 1 share had occurred.

*** Adjusted net tangible assets exclude the following - LMA, investment property - leasehold, lease liabilities, provisions and deferred tax assets.

Investment properties - freehold

The freehold portfolio comprised 30 (2019: 27) freehold assets as at 30 June 2020 valued at \$1,013.8 million (30 June 2019: \$771.0 million). The increase in freehold properties was driven by acquisition and capital expenditure of \$213.6 million with the acquisition of Hawthorn East VIC, Upper Coomera QLD, and Coffs Harbour NSW and the completion of two developments Hawthorn East VIC and Keysborough VIC. A fair value gain of \$17.6 million was recognised as at 30 June 2020 (2019: \$3.2 million). The weighted average capitalisation rate of the portfolio was 6.6% at 30 June 2020, compared to 6.9% at 30 June 2019. The group also commenced the development of three new properties located at Coffs Harbour NSW, Richlands QLD and Cairns QLD during the financial year.

Adjusted net tangible assets

Adjusted net tangible assets ('NTA') is calculated as the NTA of freehold properties only and excludes all NTA associated with the leasehold properties including the LMA ('Adjusted NTA'). The group reported Adjusted NTA of \$3.20 per stapled security as at 30 June 2020 (\$4.19 per stapled security as at 30 June 2019). The decrease on the prior comparable period was driven by the impact of the \$350 million equity raising of which \$60 million was allocated to the LMA for the leasehold properties which is excluded from the calculation.

Capital management:

The group entered into a new senior secured syndicated debt facility totalling \$500 million which refinanced all existing debt facilities in October 2019. As at 30 June 2020 the group had \$366.0 million of drawn debt, a gearing ratio of 35.6% and cash and undrawn debt of \$136.9 million as detailed in the table below. The group also entered into interest rate swaps and hedged debt as a percentage of drawn debt was 47.8% as at 30 June 2020 (30 June 2019: nil). The group's cost of debt was 2.42% p.a. as at 30 June 2020 (30 June 2019: 6.1%).

Currency: \$m (unless specified)

30 June 2020 30 June 2019

Debt facility limit	500.0	428.4
Drawn debt	366.0	415.7
Cash and undrawn debt*	136.9	41.9
Gearing ratio (%)**	35.60%	48.70%
Hedged debt (%)	47.80%	-
Cost of debt (% p.a.)***	2.42%	6.10%

* Excludes LMA cash balance

** Gearing ratio (%): Borrowings (excluding unamortised establishment costs) less cash and cash equivalents divided by total assets less cash and cash equivalents, loans to related parties, investment properties – leasehold and deferred tax assets.

*** Interest cost includes cost of undrawn commitment fees and interest rate swaps

Leasehold mitigation:

The \$60 million Lease Mitigation Account was established in October 2019 to fund the ongoing cost of leasehold properties, with the foundation securityholders to be liable for leasehold liabilities in excess of \$60 million. The LMA was subsequently used to finance the surrender of two leasehold properties and termination payments in relation to all of the four properties with surrender top-up arrangements. In addition, the group continued repurposing other leasehold properties including Chullora as well as additional tenancies across other individual leasehold properties.

As a result of the lease mitigation activities for the financial year the leasehold net present value ('NPV') reduced to \$58.3 million as at 30 June 2020 with nine leasehold properties remaining (30 June 2019: \$110.8 million). During the financial year agreements were also entered into to acquire the Ballarat and Parafield leasehold properties.

Under the Lease Mitigation Deed, the foundation securityholders have certain obligations to make additional payments to the LMA on each Minimum Balance Review Date at 30 June and 31 December each year, to ensure that the pro-forma cash balance available in the LMA as at 31 March and 30 September of each year is an amount not less than the lesser of:

- \$30 million (such amount to increase by CPI at 30 June each year); and
- an amount equal to 110% of the NPV of the Leasehold Liabilities (as set out in the audited or reviewed consolidated financial statements of Home Consortium for the period ending 30 June or 31 December of that year, as applicable) unless the NPV is equal to or less than \$5 million, where the percentage shall be 100%.

A summary of the calculation as at the Minimum Balance Review Date of 30 June 2020 is outlined below. In accordance with the Lease Mitigation Deed, an additional deposit will be required to maintain the required minimum balance as at 30 September 2020.

Currency: \$m (unless specified)	30 June 2020
NPV of Leasehold Liabilities	58.3
Minimum Balance: the lesser of (a) or (b)	29.9
Initial Minimum Balance	30.0
x CPI (June 2020)/CPI (June 2019)	99.65%
(a) New Minimum Balance	29.9
(b) NPV of Leasehold Liabilities x 110%	64.2
LMA – credit balance as at 30 June 2020	26.7
Additional minimum deposit required (prior to 30 September 2020)	3.2

Dividends

Dividends paid during the financial year were as follows:

	Consolidated 30 June 2020	30 June 2019
	\$m	\$m
Interim dividend for the year ended 30 June 2020 of 4.50 cents per ordinary share (2019: nil)	<u>8.9</u>	<u>-</u>

On 25 August 2020 the directors declared a fully franked dividend of 7.5 cents per ordinary share to be paid on 18 September 2020 to eligible shareholders on the register as at 4 September 2020.

Significant changes in the state of affairs

Other than the matters described in the 'Review of operations and financial performance' detailed above, 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

Strategic acquisitions and equity raising

On 1 July 2020, Home Consortium announced a number of strategic property acquisitions comprising:

- Acquisition of three Woolworths anchored convenience-based neighbourhood centres from Woolworths Group for \$127.8 million; and
- Acquisition of Aurrum Erina residential aged care property ('Aurrum Erina') for \$32.6 million on a sale and lease back, subject to securityholder approval.

The acquisitions were funded by \$140.0 million fully underwritten institutional placement on 7 July 2020 at \$2.88 per security and a non-underwritten share purchase plan which raised \$10.6 million on 28 July 2020. New equity raised will also support the funding of the Parafield acquisition announced during the financial year.

As part of the Aurrum Erina acquisition Home Consortium is proposing to issue to the vendor \$20 million of securities at \$2.88 per security together with \$12.6 million cash as consideration. The issue of securities and acquisition of Aurrum Erina will be conditional on receiving security holder approval which is scheduled for 1 September 2020.

Proposed security restructure

On 11 August 2020, Home Consortium announced that it had entered into an agreement with Woolworths Group Limited ('Woolworths') and Home Investment Consortium Company Pty Limited as trustee of the Home Investment Consortium Trust ('HICT') to propose a restructure of the existing security that Woolworths holds for its guarantee of the leasehold properties. The initial security arrangements were entered into with Woolworths in 2017 as part of the acquisition of the former Masters property portfolio, including a second ranking security over Home Consortium's assets.

As a result of the proposed transaction Home Consortium's company structure will be simplified with no leasehold properties or legacy guarantees remaining within the group. The entity holding the guaranteed leases and LMA would be transferred to HICT resulting in no change in economic exposure as HICT already provides an indemnity to Home Consortium.

Home Consortium will seek security holder approval for this proposal at its 2020 annual general meeting to be held on 18 November 2020.

COVID-19

The impact of the COVID-19 pandemic is ongoing following the recent Stage 4 restrictions for the Melbourne metropolitan area and Stage 3 restrictions for regional Victoria announced by the Victorian Government. Home Consortium's Victorian freehold portfolio comprises eight operating centres including the recent acquisition of a Woolworths supermarket in Rosenthal VIC and one development property. Whilst seven of the eight operating centres in Victoria have either a supermarket, pharmacy or medical centre as an anchor tenant the outlook remains uncertain.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2020 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

The group's objective is to provide security holders with above average risk-adjusted returns through a combination of regular dividend income and capital growth by investing in hyper-convenience based retail and services assets.

The group intends to achieve this objective by continuing to pursue the following activities in delivering its strategy:

- own, develop and manage a portfolio of properties that are anchored by tenants with long-term leases and an increasing exposure to non-discretionary and healthcare tenants;
- capitalise on other value-accretive investment opportunities, including brownfield and greenfield developments (given a low 32% site coverage ratio) and acquisitions; and
- pursue future capital partnering and funds management initiatives to generate annuity style management fee income.

Environmental regulation

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

Shares under option

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

Shares under share rights

Unissued ordinary shares of Home Consortium under share rights at the date of this report are as follows:

Grant date	Estimated vesting date	Exercise price	Number under rights
14/10/2019	27/08/2022	Nil	374,627
14/10/2019	14/10/2022	Nil	304,478
25/08/2020	30/09/2022	Nil	225,356
			904,461

Refer to the 'Remuneration report' below that forms part of the director's report for details of rights issued.

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

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

To the extent permitted by law, Home Consortium has agreed to indemnify its auditors, PricewaterhouseCoopers, as part of its audit engagement agreement against claims by third parties arising from the audit arising from Home Consortium's breach of their agreement. The indemnity stipulates that Home Consortium will meet the full amount of any such liabilities including a reasonable amount of legal costs. No payment has been made to indemnify PricewaterhouseCoopers during the financial year and up to the date of this report.

Proceedings on behalf of Home Consortium

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

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 28 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Home Consortium who are former partners of PricewaterhouseCoopers

There are no officers of Home Consortium who are former partners of PricewaterhouseCoopers.

Rounding of amounts

Home Consortium 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.

Related party confirmation

The directors confirm that since listing Home Consortium has complied with, and continues to comply with, its Related Party Transaction Policy which is publicly available. In addition, the independent directors confirm that all related party transactions have been considered by the Audit and Risk Committee.

Auditor's independence declaration

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

Auditor

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

Letter from the Chair of the Remuneration and Nomination Committee

Dear Securityholders,

On behalf of the Board of Directors ('the Board') and as Chair of the Remuneration and Nomination Committee, I am pleased to present Home Consortium's remuneration report for the year ended 30 June 2020.

Remuneration philosophy and framework

The group's executive remuneration philosophy is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework is built on rewarding exceptional effort where value is created for securityholders and includes benchmarked total remuneration comprising base salary, short term incentives and long term incentives.

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

Performance for the year ended 30 June 2020

The Board considers that the group has performed well in a challenging market. Each member of the management team demonstrated considerable effort, both individually and collectively, to respond to the uncertain financial implications of the COVID-19 pandemic. Our platform of hyper-convenience with each centre anchored by predominantly national retailers spanning daily needs and services enterprises, combined with the drive and initiative of the management team proactively engaging with our tenants has positioned the group well during an uncertain and unprecedented time. The group delivered on its value accretive objectives with total shareholder returns outperforming the benchmark S&P/ASX 300 A-REIT index. Two key highlights achieved in spite of COVID-19 challenges were:

- freehold pro-forma year ended 30 June 2020 ('FY20') FFO of \$17.2 million – an out performance of 13.2% versus the Prospectus forecast of \$15.2 million; and
- 12.35% outperformance versus the S&P/ASX 300 A-REIT index.

COVID-19 related remuneration adjustments for the year ended 30 June 2020


In response to the impacts on the group from COVID-19, the directors and executives also agreed an abatement of their cash remuneration for FY20 including:

- Executive Chairman and Chief Executive Officer fixed remuneration being reduced by 100% for the period of 3 months to 30 June 2020;
- Director's cash fees being reduced by 50% for the period of 3 months to 30 June 2020; and
- Key management personnel forgoing the cash component of their short-term incentive plan for the full year FY20 period.

As compensation for the above reduction in cash remuneration the group announced on 5 June 2020 that it intended to provide a one-off grant of share rights, the details of which are outlined in this report.

Overall, the Board aims to ensure that the group's remuneration platform is both market competitive and fair to all stakeholders and we will continue to review and assess the effectiveness of our remuneration framework in order to motivate and retain our senior executives.

This is the first remuneration report of the group. We are looking to further enhance the report for the coming year and we welcome any feedback that investors may have.



Chris Saxon
Chair of the Remuneration and Nomination Committee

25 August 2020

Remuneration report (audited)

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

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

The KMP of the group consisted of the following directors of Home Consortium:

- David Di Pilla - Executive Chairman and Chief Executive Officer (appointed on 11 October 2017)
- Chris Saxon - Deputy Chairman and Lead Independent Non-Executive Director (appointed on 23 September 2019)
- Zac Fried - Non-Executive Director (appointed on 23 September 2019)
- Greg Hayes - Non-Executive Director (appointed on 23 September 2019)
- Jane McAloon - Independent Non-Executive Director (appointed on 23 September 2019)
- Brendon Gale - Independent Non-Executive Director (appointed on 23 September 2019)

The KMP of the group also includes the following executives:

- Sid Sharma - Chief Operating Officer
- Will McMicking - Finance and Strategy Director
- Andrew Selim - General Counsel and Company Secretary
- Andrew Boustred - Development Director

This remuneration report is set out under the following main headings:

- Governance framework
- Employment agreements
- Details of remuneration for the financial year
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Governance framework

The Remuneration and Nomination Committee consists of the following three Independent Non-Executive Directors:

- Christopher Saxon (Committee Chair)
- Jane McAloon
- Brendon Gale

The Committee's role and objectives are to support and advise the Board in fulfilling its responsibilities to security holders and employees of the group by endeavouring to ensure that:

- directors and senior executives of the group are remunerated fairly, appropriately and transparently;
- the remuneration policies and outcomes of the group strike an appropriate balance between the interests of the group's security holders and rewarding and motivating executives and employees in order to secure the long term benefits from their energy and loyalty; and
- short and long term incentives are linked to the creation of sustainable security holder returns.

Principles used to determine the nature and amount of remuneration

The Board, with the assistance of Remuneration and Nomination Committee has structured an executive remuneration framework that seeks to be market competitive and to align performance measures to the achievement of the group's strategic objectives.

The reward framework is also designed to align executive reward to stapled security holders' interests. The Board has considered that it should seek to enhance stapled security holders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in stapled security holder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework seeks to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in stapled security holder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

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

Subject to ASX listing rules, Home Consortium may from time to time determine the maximum aggregate remuneration to be provided to the directors in a general meeting. Until a different amount is determined, under Home Consortium's constitution, the amount of the maximum aggregate remuneration is \$1,000,000 per annum.

The annual non-executive directors' base fee agreed to be paid by the group to each of the non-executive directors is \$100,000 per annum. Non-executive directors will also be paid committee fees of \$20,000 per year for each Board Committee of which they are a chair or \$10,000 for each Board Committee of which they are a member. All non-executive directors' fees are inclusive of statutory superannuation contributions. 50% of the base annual cash fee can be salary sacrificed to be received as rights in any 12 month period.

COVID-19 grant of share rights in lieu of FY20 directors' fees

The group has provided a one-off grant of share rights as compensation for the reduction in cash remuneration for non-executive directors' fees. The number of rights to be granted has been calculated by dividing the cash remuneration forgone by the volume weighted average price ('VWAP') of Home Consortium's securities over the 20 trading days following Home Consortium's ASX trading update on 7 May 2020. These dates were selected on the basis that this was the period during which the compensation reductions (and other cash flow preservation measures) were in place and the group's business was impacted by the COVID-19 pandemic. The VWAP has been calculated to be \$2.81. The rights granted under the offer will vest automatically if the relevant non-executive director continues to hold office at the vesting date in 2 years and is not subject to any performance hurdles.

Executive remuneration

The group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the relevant executive's total remuneration.

Fixed remuneration, consisting of base salary and superannuation, is reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the group and comparable market remuneration.

Short-term incentive plan ('STIP')

The STIP is designed to provide executives with an opportunity to be rewarded based on performance over the financial year. It provides them with an ability to earn a maximum percentage of current annual fixed remuneration subject to meeting applicable performance and service conditions over the performance period.

STIP payments are granted to executives based on specific annual targets and key performance indicators ('KPIs') being achieved as well as an overview of their contribution to the organisation. KPIs vary according to the areas of responsibility for each STIP participant. Following the end of the performance period awards are determined based on the extent to which the performance and service conditions are satisfied.

In addition, it is important to note that the group deemed it appropriate to establish a threshold test for STIP payments linked to achievement of the Freehold FFO per share detailed below.

The FY20 STIP is subject to the following performance conditions tested over the performance period:

- the group's Prospectus FY20 Freehold FFO per security (as a mandatory condition); and
- individual KPIs agreed with each member of the KMP.

The STIP is an annual plan with maximum FY20 payments of between 30% to 40% of base salary. David Di Pilla, the Executive Chairman and Chief Executive Officer has elected not to participate in the FY20 STIP. However, his performance, while not relevant to FY20 STIP, has been reviewed by the Board in accordance with the terms of his employment agreement.

The FY20 STIP was originally intended to be paid in cash but in response to the impacts from COVID-19 the executives agreed to forgo any cash payable under the FY20 STIP. The Board has resolved that this cash entitlement be replaced with a one-off grant of share rights equal to the forgone cash remuneration (the details of which are outlined below).

COVID-19 grant of share rights in lieu of reduced FY20 cash remuneration for executives

The group has provided a one-off grant of share rights as compensation for the reduction in cash remuneration for executives including the Executive Chairman. The number of rights to be granted has been calculated by dividing the cash remuneration forgone by the 'VWAP' of Home Consortium's securities over the twenty trading days following Home Consortium's ASX trading update on 7 May 2020. These dates were selected on the basis that this was the period during which the compensation reductions (and other cash flow preservation measures) were in place and the group's business was impacted by the COVID-19 pandemic. The VWAP has been calculated to be \$2.81. The rights granted under the offer will only vest upon satisfaction of the applicable conditions, being (i) continuing employment at the vesting date; and (ii) Home Consortium's security price reaching \$3.35 over 20 trading days following the group's FY22 full-year results announcement. In the case of executives other than Chief Executive Officer, who has not participated in FY20 STIP, the quantum of rights granted has been determined by reference to the extent to which their respective STIP performance conditions were satisfied at the end of FY20.

Long-term incentive plan ('LTIP')

The LTIP awards share-based payments to executives over a period of three years based on long-term incentive measures. These include increase in stapled security holders value relative to the increase compared to the group's direct competitors and achievement of target FFO of the group. The Remuneration and Nomination Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2020.

KMP are eligible to participate in LTIP of up to 40% of their base salary. During the financial year ended 30 June 2020, the group granted 374,627 share rights ('FY20 LTIP Awards') to KMP vesting over a three-year period. The share rights are subject to the KMP meeting the service condition and the following performance conditions:

- Total Shareholder Return ('TSR') condition: 50% will vest based on group's total securityholder return measured against a comparator group consisting of Australia Real Estate Investment Trusts in the S&P/ASX300. Vesting occurs at 50% when the group is at the 50th percentile of the comparator group and at 100% at or above the 75th percentile. Between the 50th and 75th percentile, the share rights will vest on a straight-line basis; and
- Freehold FFO per security condition: 50% will vest based on the group's aggregate Freehold FFO per security. Vesting occurs on a sliding scale of 50% vesting at the threshold (being 97.5% of Freehold FFO target) to 100% vesting at maximum performance (being at or above 100% of Freehold FFO target).

LTIP is settled in cash or issue of shares at the discretion of the Board. The FY20 LTIP Awards will be tested over the performance period of approximately three years from the date of grant, will vest immediately following the announcement of the FY22 financial results and expire two years following the vesting date.

Use of remuneration consultants

During the financial year ended 30 June 2020, the group engaged Ernst & Young to provide remuneration benchmarking insights on the group's employee equity plan. None of these services contained any remuneration recommendations in relation to KMPs.

Employment agreements

Remuneration and other terms of employment for KMP are formalised in employment agreements. The agreements are continuous (i.e. not of a fixed duration) unless otherwise stated. These agreements provide for a total compensation including a base salary, superannuation contribution, incentive arrangements and notice and termination provisions.

Details of these employment agreements are as follows:

Name: David Di Pilla
Title: Executive Chairman and Chief Executive Officer
Agreement commenced: With effect from 1 October 2019
Term of agreement: Ongoing - no fixed minimum term
Details: Base salary of \$500,000 per annum (inclusive of superannuation). The group may also provide additional benefits to David in its absolute discretion. David has elected not to participate in any STIP. David is eligible to participate in the LTIP on the terms determined by the group from time to time.

Either party can terminate employment by giving the other party 6 months' notice (or by the group making payment in lieu of notice of part or all of the notice period). The group may summarily terminate the employment contract in certain circumstances, including acts of serious misconduct, gross negligence, a serious breach of employment agreement or bankruptcy. All payments on termination will be subject to the termination benefits cap under the Corporations Act 2001. The employment contract contains post-employment restraints including non-compete clauses and restrictions against soliciting and enticing customers. The restrictions operate for up to 12 months post-employment and the enforceability of these restraints is subject to all usual legal restriction.

Name: Sid Sharma
Title: Chief Operating Officer
Agreement commenced: With effect from 14 October 2019
Term of agreement: Ongoing - no fixed minimum term
Details: Base salary of \$475,000 per annum (inclusive of superannuation). Sid is eligible to participate in the STIP of up to 40% of his base salary. In addition, Sid is eligible to participate in the LTIP of up to 40% of his base salary.

Name: Will McMicking
Title: Finance and Strategy Director
Agreement commenced: With effect from 14 October 2019
Term of agreement: Ongoing - no fixed minimum term
Details: Base salary of \$350,000 per annum (inclusive of superannuation). Will is eligible to participate in the STIP of up to 30% of his base salary. In addition, Will is eligible to participate in LTIP of up to 30% of his base salary*

Name: Andrew Selim
Title: General Counsel and Company Secretary
Agreement commenced: With effect from 14 October 2019
Term of agreement: Ongoing - no fixed minimum term
Details: Base salary of \$400,000 per annum (inclusive of superannuation). Andrew is eligible to participate in the STIP of up to 30% of his base salary. In addition, Andrew is eligible to participate in LTIP of up to 30% of his base salary.

Name: Andrew Boustred
 Title: Development Director
 Agreement commenced: With effect from 14 October 2019
 Term of agreement: Ongoing - no fixed minimum term
 Details: Base salary of \$300,000 per annum (inclusive of superannuation). Andrew is eligible to participate in the STIP of up to 30% of his base salary. In addition, Andrew is eligible to participate in LTIP of up to 30% of his base salary.

* For FY21 this base salary will be increased to \$400,000 per annum (inclusive of superannuation) to ensure that it reflects remuneration that is market competitive and fair commensurate to an equivalent or similar role in the industry in which the group operates.

Terms of termination

In general, each employment agreement is terminated by providing 6 months' notice. The KMP have no entitlement to termination payments in the event of removal for misconduct.

Details of remuneration for the financial year

Prior to the ASX listing on 11 October 2019, Home Consortium was not required to prepare a remuneration report in accordance with the Corporations Act 2001. As such, remuneration report information is presented only for 2020.

Amounts of remuneration

Details of the remuneration expense of KMP of the group for the financial year are set out in the following tables.

30 June 2020	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary and fees \$	Cash bonus \$	Super-annuation \$	Long service leave \$	Equity-settled shares \$	Equity-settled rights \$	
Non-Executive Directors:							
Chris Saxon*	43,617	-	6,717	-	113,334	3,077	166,745
Zac Fried*	54,385	-	5,167	-	-	3,847	63,399
Greg Hayes*	59,823	-	5,683	-	-	4,231	69,737
Jane McAloon*	43,617	-	6,717	-	113,334	3,077	166,745
Brendon Gale*	32,740	-	5,683	-	113,334	2,309	154,066
	<u>234,182</u>	<u>-</u>	<u>29,967</u>	<u>-</u>	<u>340,002</u>	<u>16,541</u>	<u>620,692</u>

* Represents remuneration from 23 September 2019 to 30 June 2020

Equity-settled shares to independent non-executive directors, represents salary sacrificed fees and a one-off grant in lieu of cash fees for additional time and effort contributed by Independent Non-executive Directors in the company achieving its initial public offering ('IPO') ('NED Grant'). The quantum of the one-off grant was \$80,000 and equal to two times the consulting fees payable to the Independent Non-Executive Director in the lead up to the IPO.

Equity-settled rights to non-executive directors, represents the one-off grant as compensation for the reduction in cash remuneration due to the COVID-19 impact on the business. These deferred shares are expensed over the performance period, which includes the year to which the grant relates and the subsequent vesting period of the rights.

30 June 2020	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Annual leave	Super-annuation	Long service leave	Equity-settled shares	Equity-settled rights	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Executive Director:</i>								
David Di Pilla	239,499	-	5,534	15,752	-	-	122,989	383,774
<i>Other KMP:</i>								
Sid Sharma	454,132	-	15,400	22,936	-	-	138,944	631,412
Will McMicking	299,931	-	6,560	21,826	-	-	28,011	356,328
Andrew Selim	431,919	-	2,331	21,628	-	-	51,846	507,724
Andrew Boustred	258,548	-	1,413	16,346	-	-	43,843	320,150
	1,684,029	-	31,238	98,488	-	-	385,633	2,199,388

Equity-settled rights to other KMP, represents the LTIP awards, the one-off grant as compensation for the reduction in cash remuneration due to COVID-19 and a one-off grant to KMPs (other than David Di Pilla and Will McMicking) to promote their retention post-IPO ('IPO Employee Grant'). These deferred shares are expensed over the performance period, which includes the year to which the payment relates and the subsequent vesting period of the rights.

Non-executive directors' salaries are 100% fixed. The fixed proportion and the proportion of remuneration linked to performance of executive directors and KMP are as follows:

Name	Fixed remuneration 30 June 2020	At risk - STI 30 June 2020	At risk - LTI* 30 June 2020
<i>Executive Directors:</i>			
David Di Pilla	68%	-	32%
<i>Other KMP:</i>			
Sid Sharma	78%	-	22%
Will McMicking	92%	-	8%
Andrew Selim	90%	-	10%
Andrew Boustred	86%	-	14%

* At risk - LTI includes FY20 one-off grant of deferred share rights in lieu of reduction in cash remuneration.

Performance based remuneration granted and forfeited during the year

The table below outlines those KMP eligible for STIP for the financial year and the proportion awarded and forfeited. The amount of STIP awarded is determined by the Remuneration and Nomination Committee having regard to the satisfaction of performance measures as described in the 'Short-term incentive plan' section above.

Name	Maximum FY20 STIP \$	Awarded \$	Awarded %	Forfeited \$	Forfeited %
Sid Sharma	190,000	171,000	90.00%	19,000	10.00%
Will McMicking	105,000	94,500	90.00%	10,500	10.00%
Andrew Selim	120,000	108,000	90.00%	12,000	10.00%
Andrew Boustred	90,000	81,000	90.00%	9,000	10.00%

The STIP amounts awarded above have been awarded as deferred share rights ('COVID-19 Grant') as described previously.

The STIP amounts awarded reflect the substantial achievement of KPIs that vary according to the responsibility of each STIP participant. While the individual performance of each KMP resulted in 90% award of maximum FY20 STIP, certain measures of their performance were not achieved due to COVID-19's impact on the group and on that basis 10% was forfeited.

Share-based compensation

Issue of shares

Other than rights that converted to shares, there were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2020.

Options

There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2020.

There were no options over ordinary shares granted to or vested by directors and other KMP as part of compensation during the year ended 30 June 2020.

Share rights

The terms and conditions of each grant of share rights over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Grant details	Grant date	Estimated vesting date	Particulars	Number of rights	Fair value at grant date
NED Grant	14/10/2019	27/02/2020	In accordance with NED Equity Plan	101,493	\$3.35
FY20 LTIP	14/10/2019	27/08/2022	Service and performance conditions	374,627	\$1.52
IPO Employee Grant	14/10/2019	14/10/2022	Service condition only	192,538	\$2.81
FY20 COVID-19 Grant	25/08/2020	30/09/2022	Service and performance conditions for executives. In accordance with NED Equity Plan for non-executive directors	225,356	\$1.54

Rights granted have a \$nil exercise price and carry no dividend or voting rights.

Share rights holding

The number of share rights (including rights granted and vested as part of the compensation during the financial year) over ordinary shares in Home Consortium held during the financial year by each director and other members of KMP of the group, including their personally related parties, is set out below:

Share rights over ordinary shares

	Balance at the start of the year	Rights granted	Rights vested and exercised	Expired/forfeited/other	Balance at the end of the year*
Non-Executive Directors:					
Chris Saxon	-	33,831	(33,831)	-	-
Jane McAloon	-	33,831	(33,831)	-	-
Brendon Gale	-	33,831	(33,831)	-	-
	-	101,493	(101,493)	-	-
Other KMP:					
David Di Pilla	-	223,881	-	-	223,881
Sid Sharma	-	189,552	-	-	189,552
Will McMicking	-	31,343	-	-	31,343
Andrew Selim	-	65,672	-	-	65,672
Andrew Boustred	-	56,717	-	-	56,717
	-	567,165	-	-	567,165

* Balance at the end of the year represents unvested share rights and does not include FY20 COVID-19 Rights granted on 25 August 2020.

Additional information

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

	30 June 2020	IPO listing price
Share price at reporting date (\$)	3.00	3.35
TSR of Home Consortium (%)*	(9.41)	-
TSR of S&P/ASX 300 A-REIT Index (%)*	(21.76)	-

*TSR from 11 October 2019 (ASX listing date) to 30 June 2020

Additional disclosures relating to KMP

Shareholding

The number of shares in Home Consortium held during the financial year by each director and other members of KMP of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Ordinary shares					
Chris Saxon	-	33,831	131,344	-	165,175
Zac Fried	10,000,000	-	10,432,049	-	20,432,049
Greg Hayes	8,682,539	-	403,644	-	9,086,183
Jane McAloon	-	33,831	131,344	-	165,175
Brendon Gale	-	33,831	187,439	-	221,270
David Di Pilla	30,857,979	-	2,269,999	-	33,127,978
Will McMicking	2,206,306	-	114,754	-	2,321,060
Andrew Boustred	500,000	-	37,911	-	537,911
	52,246,824	101,493	13,708,484	-	66,056,801

Other transactions

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

Finally, as part of the group's review of salaries to all employees, the Board has approved a uniform increase of 2%* which is reflective of the group's increase in FFO and asset base over the course of FY20.

* Other than in respect of the Finance and Strategy Director – refer to employment agreement section.

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

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

On behalf of the directors



David Di Pilla
Director

25 August 2020



Auditor's Independence Declaration

As lead auditor for the audit of Home Consortium Limited for the year ended 30 June 2020 and Home Consortium Developments Limited for the period ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Home Consortium Limited and the entities it controlled during the year and Home Consortium Developments Limited and the entities it controlled during the period.

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

Scott Hadfield
Partner
PricewaterhouseCoopers

Sydney
25 August 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

Home Consortium
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

Home Consortium

	Note	Consolidated 30 June 2020 \$m	Consolidated 30 June 2019 \$m
Revenue			
Property income	6	73.3	49.2
Other income			
Interest revenue		0.2	0.5
Change in assets/liabilities at fair value through profit or loss	7	9.7	5.2
Expenses			
Property expenses		(33.7)	(30.5)
Corporate expenses		(8.1)	(7.9)
Acquisition, transaction and legal settlement costs	8	(9.3)	-
Finance costs	8	(35.4)	(46.4)
Loss before income tax benefit		(3.3)	(29.9)
Income tax benefit	9	0.5	7.3
Loss after income tax benefit for the year		(2.8)	(22.6)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(2.8)</u>	<u>(22.6)</u>
Loss for the year and total comprehensive income for the year is attributable to:			
Securityholders of HCL		(2.8)	(22.6)
Securityholders of HCDL		-	-
		<u>(2.8)</u>	<u>(22.6)</u>
		Cents	Cents
Basic earnings per security	35	(1.67)	(24.21)
Diluted earnings per security	35	(1.67)	(24.21)

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

	Note	Consolidated 30 June 2020 \$m	30 June 2019 \$m
Assets			
Current assets			
Cash and cash equivalents	10	29.6	29.2
Trade receivables	11	3.4	0.9
Other receivables	12	5.1	29.8
		<u>38.1</u>	<u>59.9</u>
Assets classified as held for sale	13	-	11.6
Total current assets		<u>38.1</u>	<u>71.5</u>
Non-current assets			
Investment property - freehold	14	1,013.8	771.0
Investment property - leasehold	15	84.3	129.9
Right-of-use assets		0.5	-
Deferred tax assets	9	141.1	135.6
Total non-current assets		<u>1,239.7</u>	<u>1,036.5</u>
Total assets		<u>1,277.8</u>	<u>1,108.0</u>
Liabilities			
Current liabilities			
Trade and other payables	16	38.2	28.1
Borrowings	17	-	332.9
Employee benefit obligations	19	0.5	0.6
Lease and other financial liabilities	21	9.6	14.2
Total current liabilities		<u>48.3</u>	<u>375.8</u>
Non-current liabilities			
Borrowings	17	361.4	78.4
Derivative financial instruments	20	3.1	-
Provisions	18	2.0	3.4
Lease and other financial liabilities	21	133.5	226.5
Total non-current liabilities		<u>500.0</u>	<u>308.3</u>
Total liabilities		<u>548.3</u>	<u>684.1</u>
Net assets		<u>729.5</u>	<u>423.9</u>
Equity			
Contributed equity	22	3,608.0	3,291.2
Reserves	23	39.1	486.6
Accumulated losses		<u>(2,917.6)</u>	<u>(3,353.9)</u>
Total equity		<u>729.5</u>	<u>423.9</u>

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

Home Consortium
Consolidated statement of changes in equity
For the year ended 30 June 2020

Home Consortium

Consolidated	Contributed equity \$m	Profits reserve \$m	Share-based payments reserve \$m	Accumulated losses \$m	Non-controlling interest \$m	Total equity \$m
Balance at 1 July 2018	3,291.2	486.6	-	(3,331.3)	-	446.5
Loss after income tax benefit for the year	-	-	-	(22.6)	-	(22.6)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(22.6)	-	(22.6)
Balance at 30 June 2019	<u>3,291.2</u>	<u>486.6</u>	<u>-</u>	<u>(3,353.9)</u>	<u>-</u>	<u>423.9</u>
Consolidated	Contributed equity \$m	Profits reserve \$m	Share-based payments reserve \$m	Accumulated losses \$m	Non-controlling interest \$m	Total equity \$m
Balance at 1 July 2019	3,291.2	486.6	-	(3,353.9)	-	423.9
Loss after income tax benefit for the year	-	-	-	(2.8)	-	(2.8)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(2.8)	-	(2.8)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 22)	316.8	-	-	-	-	316.8
Share-based payments (note 36)	-	-	0.5	-	-	0.5
Transfer to accumulated losses	-	(439.1)	-	439.1	-	-
Dividends paid (note 24)	-	(8.9)	-	-	-	(8.9)
Balance at 30 June 2020	<u>3,608.0</u>	<u>38.6</u>	<u>0.5</u>	<u>(2,917.6)</u>	<u>-</u>	<u>729.5</u>

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

Home Consortium
Consolidated statement of cash flows
For the year ended 30 June 2020

Home Consortium

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
Cash flows from operating activities		
Receipts from vendors and tenants (inclusive of GST)	58.4	35.9
Payments to suppliers and employees (inclusive of GST)	(53.8)	(42.7)
Interest received	0.2	0.5
Finance costs paid	(28.0)	(44.1)
Net cash (outflow) from operating activities	37 (23.2)	(50.4)
Cash flows from investing activities		
Payments for acquisition of investment properties	(227.5)	(103.9)
Proceeds from disposal of investment property	-	41.8
Proceeds from release of deposits	5.3	0.7
Net cash (outflow) inflow from investing activities	(222.2)	(61.4)
Cash flows from financing activities		
Proceeds from issue of shares and convertible notes	22 350.0	-
Share issue transaction costs	(16.0)	-
Loans issued to related party	(1.6)	(9.4)
Proceeds from borrowings	366.0	138.9
Repayment of borrowings	(415.7)	-
Borrowing costs paid	(7.6)	-
Repayment of lease liabilities and surrenders	37 (20.4)	(10.1)
Dividends paid	24 (8.9)	-
Net cash inflow (outflow) from financing activities	245.8	119.4
Net increase/(decrease) in cash and cash equivalents	0.4	7.6
Cash and cash equivalents at the beginning of the financial year	29.2	21.6
Cash and cash equivalents at the end of the financial year	10 <u>29.6</u>	<u>29.2</u>

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

Note 1. General information

The financial statements cover Home Consortium as a group consisting of Home Consortium Limited (the 'Company', 'parent entity' or 'HCL') and the entities it controlled at the end of, or during, the year and Home Consortium Developments Limited ('HCDL') (collectively referred to as 'Home Consortium', 'group' or 'stapled group') (refer to note 2). The financial statements are presented in Australian dollars, which is Home Consortium's functional and presentation currency.

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

19 Bay Street
Double Bay
NSW 2028

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Stapling of Home Consortium Developments Limited and ASX listing of Home Consortium

During the year, the shares in HCDL, a newly formed entity, were stapled to the shares in HCL to form stapled securities such that shares in HCL and HCDL must be purchased or sold together. The stapled securities, known as "Home Consortium" were admitted to the official list of the Australian Securities Exchange ('ASX') on 11 October 2019 with the ASX code HMC. HCL and HCDL remain separate legal entities in accordance with the Corporations Act 2001.

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

Note 3. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group for the financial year ended 30 June 2020.

With the exception of AASB 16 'Leases' which was early adopted in the previous financial year with effect from 1 July 2018, any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

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

Historical cost convention

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

Note 3. Significant accounting policies (continued)

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Home Consortium Limited and Home Consortium Developments Limited as at 30 June 2020 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. 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 direct and indirect outgoings. The group recognises direct and indirect outgoings based on actual costs incurred in accordance with the terms of the related leases. 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.

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.

Note 3. Significant accounting policies (continued)

Government grants

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

Income tax

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

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

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

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

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

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

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

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

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

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.

Note 3. Significant accounting policies (continued)

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Derivative financial instruments

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

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

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

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

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

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

Investment properties

Investment properties comprise of freehold and leasehold investment properties held at fair value through profit or loss.

Freehold properties

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

Note 3. Significant accounting policies (continued)

Leasehold properties

Leasehold properties are investment properties that are located on leased premises. In turn these leases are often for long periods of time. The group is a lessee in respect of the lease and applies AASB 16 'Leases' to the lease. The group leases various properties under head lease agreements (ground leases) for the sub-letting to tenants. Leases range in term from 7 to 16 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The group recognises the right-of-use asset as investment property. 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.

Leasing costs and tenant incentives

Leasing costs

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

Tenant incentives

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

Right-of-use assets

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

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

Right-of-use assets that meet the definition of investment property are measured at fair value where the group has adopted a fair value measurement basis for investment property assets, as described above.

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

Trade and other payables

These amounts 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.

Note 3. Significant accounting policies (continued)

Lease liabilities

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

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

Finance costs

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

Note 3. Significant accounting policies (continued)

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

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

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

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

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

Fair value measurement

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

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

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

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

Contributed capital

Ordinary shares are classified as equity.

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

Dividends

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

Note 3. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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.

Comparative figures

Comparatives in the financial statements have been realigned to the current period presentation. There has been no net effect to the loss or the net assets of the group.

Rounding of amounts

The Company 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 2020. 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.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the group's financial statements.

Note 4. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the products and services offered, tenants, supply chain, staffing and geographic regions in which the group operates.

The pandemic has materially impacted the financial performance of the group during the financial year with government imposed trading restrictions and isolation measures impacting tenants across the group. These impacts are outlined below and the fair value of assets are noted in note 26.

Rent relief provided to tenants that relate to periods after the execution of an agreement with the tenant constitutes a lease modification under AASB 16 'Leases'. \$2.5 million (Freehold \$2.3 million and Leasehold \$0.2 million) has been capitalised and amortised over the remaining lease term. Rent relief relating to periods prior to the execution of an agreement have been treated as a write-off of receivables under AASB 9 'Financial Instruments' which amounted to \$2.8 million (Freehold \$2.4 million and Leasehold \$0.4 million). An additional \$1.4 million in rent was deferred and included in receivables and is expected to be collected after the reporting date.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and type of tenants and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Fair value measurement hierarchy

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

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

The fair value assessment of investment property as at 30 June 2020 has been conducted using the information available at the time of the preparation of the financial statements and best estimates of future performance, however the future impacts of the COVID-19 pandemic are unknown and may impact property valuations. Refer to note 26 for details of valuation techniques used.

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets

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

The group assesses the recoverability of deferred tax assets at each reporting date. In making this assessment, the group considers in particular the future business plans, reasons for past losses, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the period in which the taxable losses can be utilised. The recognised deferred tax asset of \$141.1 million (2019: \$135.6 million) comprises \$62.1 million (2019: \$45.5 million) of carry forward tax losses and \$79.0 million (2019: \$90.1 million) of deductible temporary differences, net of applicable offsetting deferred tax liabilities. Uncertainty continues to exist in relation to the utilisation of this asset, which is subject to there being continued future taxable profits over the period of time in which the losses can be utilised. The group has made a judgement that they will be able to generate sufficient taxable profits over the foreseeable future, based upon its future business plans. The uncertainty around the recognition of the deferred tax asset will be resolved in future years if taxable profits are generated.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Operating segments

Identification of reportable operating segments

The group is organised into two operating segments: Freehold properties and Leasehold properties. These operating segments are based on the internal reports that are reviewed by the Chief Operating Decision Makers ('CODM'), which is the Board of Directors, in assessing performance and in determining the allocation of resources.

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

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

Major customers

During the year ended 30 June 2020 approximately 12% of the group's external revenue was derived from sales to one major customer.

Note 5. Operating segments (continued)

Operating segment information

	Freehold properties \$m	Leasehold properties \$m	Total \$m
Consolidated - 30 June 2020			
Revenue			
Property rental income	52.9	9.9	62.8
Other property income	9.4	1.1	10.5
Total revenue	62.3	11.0	73.3
FFO			
Leasehold rent	10.1	(15.7)	(5.6)
Interest and finance charges on lease liabilities	2.8	20.6	23.4
Fair value movements	(1.7)	(11.8)	(13.5)
Acquisition, transaction and legal settlement costs	14.6	(4.9)	9.7
Amortisation of borrowing costs	(5.8)	(3.5)	(9.3)
Straight lining and amortisation	(7.4)	-	(7.4)
Profit/(loss) before income tax benefit	(0.7)	0.1	(0.6)
Income tax benefit			0.5
Loss after income tax benefit			(2.8)
Assets			
Segment assets	1,099.5	178.3	1,277.8
Total assets			1,277.8
Liabilities			
Segment liabilities	389.9	158.4	548.3
Total liabilities			548.3
Consolidated - 30 June 2019			
Revenue			
Property rental income	38.3	8.6	46.9
Other property income	1.8	0.5	2.3
Total revenue	40.1	9.1	49.2
FFO			
Leasehold rent	(1.1)	(39.9)	(41.0)
Interest and finance charges on lease liabilities	-	28.8	28.8
Fair value movements	-	(18.7)	(18.7)
Amortisation of borrowing costs	3.4	1.8	5.2
Straight lining and amortisation	(4.8)	-	(4.8)
Loss before income tax benefit	0.4	0.2	0.6
Income tax benefit	(2.1)	(27.8)	(29.9)
Loss after income tax benefit			(22.6)
Assets			
Segment assets	919.7	188.3	1,108.0
Total assets			1,108.0
Liabilities			
Segment liabilities	431.4	252.7	684.1
Total liabilities			684.1

Note 6. Property income

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
Property rental income	62.8	46.9
Other property income	10.5	2.3
	<u>73.3</u>	<u>49.2</u>

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

Disaggregation of revenue

The revenue from leases with tenants is all in Australia and recognised on straight-line basis over the lease term. Revenue from operating segments are set out in note 5.

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

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
Net unrealised fair value gain on investment properties - freehold (note 14)	17.6	3.2
Net unrealised fair value (loss)/gain on investment properties - leasehold (note 15)	(7.5)	1.8
Realised fair value gain on sale of investment properties	-	0.2
Loss on remeasurement of other financial liabilities	(0.4)	-
	<u>9.7</u>	<u>5.2</u>

Note 8. Expenses

	Consolidated 30 June 2020 \$m	30 June 2019 \$m
Loss before income tax includes the following specific expenses:		
Property expenses include COVID-19 rent relief	2.8	-
<i>Finance costs</i>		
Interest and finance charges on borrowings	14.5	22.9
Interest and finance charges on lease liabilities	13.5	18.7
Amortisation of borrowing costs*	7.4	4.8
Finance costs expensed	35.4	46.4
<i>Superannuation expense</i>		
Defined contribution superannuation expense	0.4	0.3
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation**	4.8	2.2
<i>Acquisition, transaction and legal settlement costs</i>		
IPO costs	5.8	-
Lease surrender costs	0.7	-
Legal settlements and litigation fees	2.8	-
Total acquisition, transaction and legal settlement costs	9.3	-

* Amortisation of borrowing costs includes \$6 million expensed upon refinancing of the previous bank debt of the group.

** Net of Government grant for JobKeeper support of \$0.2 million.

Note 9. Income tax

	Consolidated 30 June 2020 \$m	30 June 2019 \$m
<i>Income tax benefit</i>		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	(0.5)	(7.3)
Aggregate income tax benefit	<u>(0.5)</u>	<u>(7.3)</u>
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets	(0.5)	(7.3)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(3.3)	(29.9)
Tax at the statutory tax rate of 30%	(1.0)	(9.0)
Permanent differences and others	0.5	1.7
Income tax benefit	<u>(0.5)</u>	<u>(7.3)</u>

Note 9. Income tax (continued)

	Consolidated 30 June 2020 \$m	30 June 2019 \$m
<i>Amounts credited directly to equity</i>		
Deferred tax assets	(5.0)	-
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	2,208.0	2,216.8
Potential tax benefit at statutory tax rates	662.4	665.0

The group has not brought to account \$2,208 million (2019: \$2,216.8 million) of tax losses, which includes the benefit arising from tax losses incurred in previous years. The benefits of unused tax losses will only be brought to account (with the recognition of a deferred tax asset) when there is convincing evidence that it is probable that they will be realised.

This benefit of tax losses will only be obtained if:

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

	Consolidated 30 June 2020 \$m	30 June 2019 \$m
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	62.1	45.5
Investment property - freehold	35.4	51.5
Lease liabilities	42.9	72.3
Right-of-use assets	(16.1)	(39.0)
Others	11.8	5.3
	136.1	135.6
Amounts recognised in equity:		
Transaction costs on share issue	5.0	-
Deferred tax asset	141.1	135.6
Movements:		
Opening balance	135.6	128.3
Credited to profit or loss	0.5	7.3
Credited to equity	5.0	-
Closing balance	141.1	135.6

Note 10. Cash and cash equivalents

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
<i>Current assets</i>		
Cash at bank - Lease Mitigation Account	26.7	-
Cash at bank - other	2.9	29.2
	<u>29.6</u>	<u>29.2</u>

The Lease Mitigation Account ('LMA') was established in October 2019 with an initial amount of \$60 million to fund the ongoing operating and development cost of leasehold properties. Under the Lease Mitigation Deed, the foundation security holders have certain obligations to make additional payments to the LMA on 31 March and 30 September of each year. On these dates the balance in the LMA must be an amount not less than the lesser of:

- \$30 million (such amount to increase by CPI at 30 June each year); and
- 110% of the net present value ('NPV') of the Leasehold Liabilities calculated at 30 June and 31 December of that year, unless the NPV is equal to or less than \$5 million, where the percentage shall be 100% (the 'Minimum Balance').

As at 30 June 2020, an additional deposit would be required to maintain the required Minimum Balance, prior to 30 September 2020.

Note 11. Trade receivables

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
<i>Current assets</i>		
Trade receivables	4.1	1.6
Allowance for expected credit losses	(0.7)	(0.7)
	<u>3.4</u>	<u>0.9</u>

Allowance for expected credit losses

The group has recognised a loss of \$nil (2019: \$0.7 million) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

The group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Carrying amount		Allowance for expected credit losses	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$m	\$m	\$m	\$m
Not overdue	1.3	0.6	0.1	-
0 to 1 month overdue	0.9	0.2	0.1	0.1
Over 2 months overdue	1.9	0.8	0.5	0.6
	<u>4.1</u>	<u>1.6</u>	<u>0.7</u>	<u>0.7</u>

Note 12. Other receivables

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
<i>Current assets</i>		
Prepayments	2.5	0.5
Related party receivable*	-	20.1
Other deposits	1.8	7.1
Other receivables	0.8	2.1
	5.1	29.8
	5.1	29.8

* The related party receivable as at 30 June 2019 was extinguished through a share capital reduction during the current financial year (refer to note 22).

Note 13. Assets classified as held for sale

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
Asset classified as held for sale	-	11.6
	-	11.6

The group had signed a conditional agreement prior to 30 June 2019 to sell part of a block of land at Roxburgh Park VIC to a third party subject to the satisfaction of certain conditions precedent. This contract has been cancelled and therefore the asset is now reclassified as investment property (refer to note 14).

Note 14. Investment property - freehold

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
<i>Non-current assets</i>		
Investment property - freehold - at fair value	1,013.8	771.0
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	771.0	704.7
Additions and acquisitions	213.6	96.9
Classified as held for sale (note 13)	11.6	(11.6)
Disposals	-	(22.2)
Net unrealised gain from fair value adjustments (note 7)	17.6	3.2
Closing balance	1,013.8	771.0

Refer to note 26 for further information on fair value measurement.

Note 14. Investment property - freehold (continued)

Lessor commitments

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	54.5	38.9
One to two years	58.1	42.9
Two to three years	58.5	43.8
Three to four years	56.5	43.5
Four to five years	51.7	41.3
More than five years	212.0	181.9
	<u>491.3</u>	<u>392.3</u>
	<u>491.3</u>	<u>392.3</u>

Note 15. Investment property - leasehold

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
<i>Non-current assets</i>		
Investment property - leasehold - at fair value	<u>84.3</u>	<u>129.9</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	129.9	-
Recognised on adoption of AASB 16	-	94.9
Additions	12.5	33.2
Unrealised fair value (loss)/gain (note 7)	(7.5)	1.8
Disposals and surrenders	(50.6)	-
Closing balance	<u>84.3</u>	<u>129.9</u>

Refer to note 26 for further information on fair value measurement.

Note 16. Trade and other payables

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
<i>Current liabilities</i>		
Trade payables	21.7	22.3
Rent received in advance	2.4	0.4
Accrued expenses	8.8	5.3
Other payables	5.3	0.1
	<u>38.2</u>	<u>28.1</u>

Refer to note 25 for further information on financial instruments.

Note 17. Borrowings

	Consolidated 30 June 2020 \$m	30 June 2019 \$m
<i>Current liabilities</i>		
Senior secured bank debt	-	337.3
Capitalised borrowing costs	-	(4.4)
	<u>-</u>	<u>332.9</u>
<i>Non-current liabilities</i>		
Senior secured bank debt	366.0	-
Capitalised borrowing costs	(4.6)	-
Mezzanine facility	-	78.4
	<u>361.4</u>	<u>78.4</u>
	<u><u>361.4</u></u>	<u><u>411.3</u></u>

Refer to note 25 for further information on financial instruments.

During the financial year, the group has completed a new \$500 million senior debt facility to replace the previous facilities. The first tranche consists of a three year \$325.0 million term loan facility and the second tranche consists of a \$175.0 million revolving facility both expiring on 15 October 2022. The interest comprises a base rate plus a variable margin, determined by the prevailing loan to valuation ratio.

The bank loans are secured by first mortgages over the group's freehold properties, including any classified as held for sale. The group has complied with the financial covenants during the financial year.

Financing arrangements

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

	Consolidated 30 June 2020 \$m	30 June 2019 \$m
<i>Total facilities</i>		
Senior secured bank debt	500.0	350.0
Mezzanine facility	-	78.4
	<u>500.0</u>	<u>428.4</u>
<i>Used at the reporting date</i>		
Senior secured bank debt	366.0	337.3
Mezzanine facility	-	78.4
	<u>366.0</u>	<u>415.7</u>
<i>Unused at the reporting date</i>		
Senior secured bank debt	134.0	12.7
Mezzanine facility	-	-
	<u>134.0</u>	<u>12.7</u>

Note 18. Provisions

Consolidated
30 June 2020 30 June 2019
\$m \$m

Non-current liabilities
Make good provision

2.0 3.4

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the group at the end of the respective lease terms.

Movements in provisions

Consolidated - 30 June 2020

Carrying amount at the start of the year
Additional provisions recognised
Unused amounts reversed
Carrying amount at the end of the year

Make good
provision
\$m

3.4
-
(1.4)

2.0

Note 19. Employee benefit obligations

Consolidated
30 June 2020 30 June 2019
\$m \$m

Current liabilities
Annual leave
Employee benefits

0.2 0.1
0.3 0.5

0.5 0.6

Note 20. Derivative financial instruments

Consolidated
30 June 2020 30 June 2019
\$m \$m

Non-current liabilities
Derivative liability

3.1 -

Refer to note 25 for further information on financial instruments.

Refer to note 26 for further information on fair value measurement.

Note 21. Lease and other financial liabilities

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
<i>Current liabilities</i>		
Lease liability	9.6	14.0
Other financial liability	-	0.2
	9.6	14.2
<i>Non-current liabilities</i>		
Lease liability	133.5	218.1
Other financial liability	-	8.4
	133.5	226.5
	143.1	240.7

Refer to note 25 for further information on financial instruments.

Other financial liability represents contractual obligations to pay rental top-ups on four properties where the group no longer had a leasehold interest in place. These were all extinguished through surrender payments during the financial year.

Note 22. Contributed equity

	Consolidated			
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Shares	Shares	\$m	\$m
Ordinary shares - fully paid	197,912,426	1,287,740,632	3,608.0	3,291.2

Movements in ordinary share capital

Details	Date	Shares	\$m
Balance	1 July 2018	1,287,740,632	3,291.2
Balance	30 June 2019	1,287,740,632	3,291.2
Share-consolidation of 13.797 shares held into one share	29 August 2019	(1,194,407,297)	-
Capital reduction	6 September 2019	-	(21.7)
Conversion of convertible notes into shares	16 October 2019	7,462,687	25.0
Issue of shares at initial public offering (at \$3.35 per ordinary share)	16 October 2019	97,014,911	325.0
Issue of shares on vesting of share rights	27 February 2020	101,493	0.3
Share issue transaction costs, net of tax		-	(11.8)
Balance	30 June 2020	197,912,426	3,608.0

The issued shares of the group are made up of stapled securities comprising one share of HCL and one share of HC DL.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of Home Consortium in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and Home Consortium does not have a limited amount of authorised capital.

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

Share buy-back

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

Capital risk management

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

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

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

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

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

Note 23. Reserves

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$m	\$m
Profits reserve	38.6	486.6
Share-based payments reserve	0.5	-
	<u>39.1</u>	<u>486.6</u>

Profits reserve

The profits reserve is an amount arising from previous years profits and retained as a separate reserve that will be used for distribution as dividends in future years.

Share-based payments reserve

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

Movements in reserves

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

Consolidated	Profits reserve \$m	Share-based payments reserve \$m	Total \$m
Balance at 1 July 2018	486.6	-	486.6
Balance at 30 June 2019	486.6	-	486.6
Share-based payments	-	0.5	0.5
Dividends paid (note 24)	(8.9)	-	(8.9)
Transfer to accumulated losses	(439.1)	-	(439.1)
Balance at 30 June 2020	<u>38.6</u>	<u>0.5</u>	<u>39.1</u>

Note 24. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$m	\$m
Interim dividend for the year ended 30 June 2020 of 4.50 cents per ordinary share (2019: nil)	<u>8.9</u>	<u>-</u>

On 25 August 2020 the directors declared a fully franked dividend of 7.5 cents per ordinary share to be paid on 18 September 2020 to eligible shareholders on the register as at 4 September 2020.

Franking credits

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$m	\$m
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>37.1</u>	<u>40.9</u>

Note 24. Dividends (continued)

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

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

Note 25. 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 derivative financial instruments such as interest rate swap contracts to hedge certain risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

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

Market risk

Foreign currency risk

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

Price risk

The group 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. Borrowings obtained at fixed rates expose the group to fair value risk. The policy is to maintain approximately 50% of borrowings at fixed rates using interest rate swaps to achieve this when necessary.

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

	30 June 2020		30 June 2019	
	Weighted average interest rate %	Balance \$m	Weighted average interest rate %	Balance \$m
Consolidated				
Bank loans	2.04%	366.0	5.33%	337.3
Mezzanine facility	-	-	9.25%	78.4
Interest rate swaps (notional principal amount)	0.83%	(175.0)	-	-
Net exposure to cash flow interest rate risk		<u>191.0</u>		<u>415.7</u>

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

An official increase/decrease in interest rates of 50 (2019: 50) basis points would have an adverse/favourable effect on profit before tax of \$1.0 million (2019: \$2.1 million) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Derivatives interest rate swap

The group has entered into interest rate swap contracts with notional/principal value as at 30 June 2020 of \$175.0 million (2019: \$nil). The interest rate swap contract hedges the group's risk against an increase in variable interest rate. However, hedge accounting is not applied. The contracts mature in the 2023 financial year. Weighted average fixed rate is 1.0% (2019: Not applicable).

Note 25. Financial instruments (continued)

Credit risk

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

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

The group has credit risk exposure with one major tenant, which as at 30 June 2020 owed the group \$1.4 million (34.0% of trade receivables) (2019: Not applicable). This balance was within its terms of trade and no impairment was made as at 30 June 2020. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this tenant to mitigate risk.

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

Liquidity risk

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

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

Refer to note 17 for details of unused borrowing facilities at the reporting date.

Remaining contractual maturities

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

Consolidated - 30 June 2020	1 year or less \$m	Between 1 and 2 years \$m	Between 2 and 5 years \$m	Over 5 years \$m	Remaining contractual maturities \$m
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	21.7	-	-	-	21.7
Other payables	5.3	-	-	-	5.3
<i>Interest-bearing - variable</i>					
Bank loans	7.5	7.5	368.2	-	383.2
<i>Interest-bearing - fixed rate</i>					
Lease liability	20.0	19.6	58.6	114.1	212.3
Total non-derivatives	<u>54.5</u>	<u>27.1</u>	<u>426.8</u>	<u>114.1</u>	<u>622.5</u>
Derivatives					
Interest rate swaps inflow	1.5	1.5	0.6	-	3.6
Total derivatives	<u>1.5</u>	<u>1.5</u>	<u>0.6</u>	<u>-</u>	<u>3.6</u>

Note 25. Financial instruments (continued)

	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
Consolidated - 30 June 2019					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	22.3	-	-	-	22.3
Other payables	0.1	-	-	-	0.1
Other financial liabilities	0.9	0.8	1.7	5.3	8.7
<i>Interest-bearing - variable</i>					
Bank loans	337.3	-	-	-	337.3
Other loans	-	78.4	-	-	78.4
<i>Interest-bearing - fixed rate</i>					
Lease liability	31.8	31.8	94.3	203.5	361.4
Total non-derivatives	392.4	111.0	96.0	208.8	808.2

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

Note 26. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Consolidated - 30 June 2020				
<i>Assets</i>				
Investment property - freehold	-	-	1,013.8	1,013.8
Investment property - leasehold	-	-	84.3	84.3
Total assets	-	-	1,098.1	1,098.1
<i>Liabilities</i>				
Derivatives	-	3.1	-	3.1
Total liabilities	-	3.1	-	3.1
Consolidated - 30 June 2019				
<i>Assets</i>				
Investment property - freehold	-	-	771.0	771.0
Investment property - leasehold	-	-	129.9	129.9
Assets classified as held for sale	-	-	11.6	11.6
Total assets	-	-	912.5	912.5

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.

Note 26. Fair value measurement (continued)

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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

The basis of 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 is also considered for fair value. For properties not independently valued during a reporting period, a directors' valuation is carried out to determine the appropriate carrying value of the property as at the date of the report. Where directors' valuations are performed, the valuation methods include using the discounted cash flow method and the capitalisation method.

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

Level 3 assets and liabilities

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

Description	Unobservable inputs	Range (weighted average) 2020	Range (weighted average) 2019
Investment property - freehold	(i) Capitalisation rate	5.50% to 8.00% (6.62%)	6.00% to 8.25% (6.94%)
	(ii) Discount rate	6.25% to 9.00% (7.33%)	6.50% to 9.00% (7.31%)
	(iii) Terminal yield	5.75% to 8.25% (6.89%)	6.25% to 8.50% (7.20%)
	(iv) Rental growth	1.15% to 3% (2.29%)	2.31% to 3.31% (2.64%)
Investment property - leasehold	(i) Discount rate	7.75% to 8.50% (8.13%)	7.25% to 8.50% (8.09%)
	(ii) Rental growth	2.50% to 3.07% (2.88%)	2.50% to 3.64% (2.84%)

A higher capitalisation rate, discount rate or terminal yield will lead to a lower fair value. A higher growth rate will lead to a higher fair value. The capitalisation rate is the most significant input into the valuation of investment property and therefore most sensitive to changes in valuation. A 25 basis point change in capitalisation rate would increase/decrease fair value by \$37.0 million.

The ongoing COVID-19 pandemic requires a higher degree of judgement when considering the significant inputs that are assessed to determine the fair value of investment property. This is due to the uncertain future impact of the pandemic on key market inputs as well as the future financial performance of the investment properties. External valuation firms have acknowledged a 'material valuation uncertainty', which does not invalidate the market valuation however serves to highlight that the fair value assessment has been conducted using the information available at the time of the report and best estimates of future performance, however the future impacts of the COVID-19 pandemic are unknown and may impact property valuations.

Note 27. Key management personnel disclosures

Compensation

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

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Short-term employee benefits	1,949	952
Post-employment benefits	129	63
Share-based payments	742	-
	2,820	1,015
	2,820	1,015

Note 28. Remuneration of auditors

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

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	369	250
<i>Other services - PricewaterhouseCoopers</i>		
Other assurance services	28	130
	397	380

Note 29. Contingent liabilities

As at 30 June 2020 the group holds 9 (30 June 2019: 12) operating leases of which Woolworths Limited ('Woolworths') (the previous parent entity) remains the guarantor. If more than 5 (30 June 2019: 5) of these Woolworths guarantees remain in place by the last business day of the month during which the 5th anniversary of change of control occurs (i.e. by 31 October 2022) a liability of \$5,000,000 will be due to Woolworths. Refer to note 38 for proposal to restructure these guarantees.

The group had no other contingent liabilities as at 30 June 2020 and 30 June 2019.

Note 30. Commitments

Significant capital expenditure contracted for in relation to investment properties at the end of the reporting year but not recognised as liabilities is as follows:

	Consolidated	
	30 June 2020	30 June 2019
	\$m	\$m
Capital expenditure	32.3	41.5
Property acquisitions	-	135.5
	32.3	177.0
	32.3	177.0

Note 31. Related party transactions

Parent entity

Home Consortium Limited is the deemed parent entity of the Group.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Sale of goods and services:		
Property rental and other property income from Spotlight Pty Ltd, a related entity of Zac Fried, Director	1,905	-
Property rental and other property income from Anaconda Group Pty Ltd, a related entity of Zac Fried, Director	2,453	-
Property rental and other property income from CW Leasing Services Pty Ltd an entity controlled by a Director of Home Investment Consortium Company Pty Ltd, which has a material shareholding interest in the group	1,163	-
Property rental and other property income from Aurrum Pty Ltd, a related entity of David Di Pilla, Executive Chairman and Chief Executive Officer and Greg Hayes, Director	8	-
Payment for goods and services:		
Payment for office space, associated costs and reimbursement of expenses from Aurrum Pty Ltd, a related entity of David Di Pilla, Executive Chairman and Chief Executive Officer and Greg Hayes, Director	265	240

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 June 2020	30 June 2019
	\$'000	\$'000
Current receivables:		
Trade receivables from Spotlight Pty Ltd	95	-
Trade receivables from Anaconda Group Pty Ltd	154	-
Trade receivables from CW Leasing Services Pty Ltd	46	-
Current payables:		
Trade payables to Aurrum Pty Ltd	68	131

Loans to/from related parties

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

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Current receivables:		
Loan to previous controlling entity prior to public listing	-	20,145

Note 31. Related party transactions (continued)

All related party receivables are considered to be recoverable.

Terms and conditions

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

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2020	30 June 2019
	\$m	\$m
Loss after income tax	(57.1)	(58.9)
Total comprehensive income	(57.1)	(58.9)

Statement of financial position

	Parent	
	30 June 2020	30 June 2019
	\$m	\$m
Total current assets	5.4	38.4
Total assets	1,107.0	899.8
Total current liabilities	2.3	0.2
Total liabilities	367.3	411.4
Equity		
Contributed equity	3,608.0	3,291.2
Profits reserve	38.6	486.6
Share-based payments reserve	0.5	-
Accumulated losses	(2,907.4)	(3,289.4)
Total equity	<u>739.7</u>	<u>488.4</u>

* The 30 June 2019 comparatives have been restated to reflect the following: a reversal of impairment in FY18 of loans receivable from subsidiaries of \$255.9 million reducing the opening accumulated losses in FY19; and an overall impairment of loans receivable from subsidiaries of \$56.8 million increasing the total comprehensive loss for the year FY19.

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

The parent entity and its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. Refer to note 34 for further details.

Contingent liabilities

Refer to note 29 for the Company's contingent liabilities. The parent entity had no other contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Note 32. Parent entity information (continued)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 3, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. 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 3:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2020 %	30 June 2019 %
Subsidiaries of Home Consortium Limited:			
Home Consortium Property Pty Ltd	Australia	100%	100%
Home Consortium Leasehold Pty Ltd	Australia	100%	100%
Home Consortium Property Trust	Australia	100%	100%
Subsidiaries of Home Consortium Developments Limited:			
HomeCo Childcare Pty Ltd	Australia	100%	-
Home Consortium Developments Property Trust	Australia	100%	-

Note 34. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Home Consortium Ltd (holding entity)
Home Consortium Property Pty Ltd*
Home Consortium Leasehold Pty Ltd*
Home Consortium Property Trust*

By entering into the deed, the entities (denoted above by an asterisk (*)) have opted to obtain relief from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Home Consortium, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the group and therefore have not been separately disclosed.

Note 35. Earnings per security

	Consolidated	
	30 June 2020 \$m	30 June 2019 \$m
Loss after income tax	(2.8)	(22.6)

Note 35. Earnings per security (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per security	167,301,599	93,333,335
Weighted average number of ordinary shares used in calculating diluted earnings per security	<u>167,301,599</u>	<u>93,333,335</u>
	Cents	Cents
Basic earnings per security	(1.67)	(24.21)
Diluted earnings per security	(1.67)	(24.21)

The weighted average number of ordinary securities for 30 June 2019 has been restated for the effect of the share consolidation (one share for every 13.797 shares held) completed in August 2019, in accordance with AASB 133 'Earnings per share'.

674,627 (2019: nil) share rights over ordinary shares have been excluded from the calculation of diluted earnings per security as they are anti-dilutive.

Note 36. Share-based payments

The share-based payment expense for the year was \$0.7 million (2019: \$nil).

Share rights

During the financial year, the group granted 783,583 share rights for \$nil cash consideration as part of non-executive director grant ('NED Grant'), employee long-term incentive plan ('FY20 LTIP') and IPO employee grant (2019: Nil share rights granted). The performance period is between one to three years. For FY20 LTIP, vesting of the share rights is subject to meeting predetermined service and market conditions including Total Shareholder Return ('TSR'), and Earnings Per Share ('EPS') growth targets over the performance period.

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

30 June 2020							
Plan details	Grant date	Estimated vesting date	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
NED Grant	14/10/2019	27/02/2020	-	101,493	(101,493)	-	-
FY20 LTIP	14/10/2019	27/08/2022	-	374,627	-	-	374,627
IPO employee grant	14/10/2019	14/10/2022	-	307,463	-	(7,463)	300,000
			<u>-</u>	<u>783,583</u>	<u>(101,493)</u>	<u>(7,463)</u>	<u>674,627</u>

There are no share rights that are vested and exercisable as at 30 June 2020. The weighted average remaining contractual life of share rights outstanding at the end of the financial year was 2.2 years (2019: Nil).

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

Plan details	Grant date	Vesting date	Share price at grant date \$	Expected volatility %	Dividend yield %	Risk-free interest rate %	Fair value at grant date \$
FY20 LTIP	14/10/2019	27/08/2022	3.35	17.00%	6.00%	0.90%	1.520
IPO employee grant	14/10/2019	14/10/2022	3.35	17.00%	6.00%	0.90%	2.810

Note 36. Share-based payments (continued)

The fair value of the 101,493 NED Grant share rights granted on 14 October 2019 was \$3.35 based on the share issue price at that date as there were no performance conditions.

On 25 August 2020, Home Consortium granted 225,356 share rights as compensation for the reduction in cash remuneration for Directors and other key management personnel during the financial year ended 30 June 2020 due to the COVID-19 pandemic. These deferred shares are expensed over the performance period, which includes the year to which the grant relates and the subsequent vesting period of the rights.

Note 37. Cash flow information

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

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$m	\$m
Loss after income tax benefit for the year	(2.8)	(22.6)
Adjustments for:		
Share-based payments	0.8	-
Provision for credit loss	-	0.8
Net fair value adjustment to investment property - freehold	(17.6)	(3.2)
Net fair value adjustment to investment property - leasehold	7.5	(1.8)
Net gain on sale of investment properties	-	(0.2)
Straight-lining of rent	(11.1)	(16.2)
Finance cost - non-cash	7.4	4.8
Change in operating assets and liabilities:		
Increase in trade receivables	(5.4)	(0.7)
Increase in deferred tax assets	(0.3)	(7.3)
Increase in other operating assets	(0.2)	-
Decrease in trade and other payables	(3.1)	(4.7)
Increase in derivative liabilities	3.1	-
Increase/(decrease) in other provisions	(1.5)	0.7
Net cash (outflow) from operating activities	<u>(23.2)</u>	<u>(50.4)</u>

Interest on lease liabilities has been reclassified to operating activities in the 30 June 2019 comparative period.

Non-cash investing and financing activities

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$m	\$m
Shares issued under employee share plan	0.3	-
Related party receivable extinguished via non-cash share capital reduction	(21.7)	-
	<u>(21.4)</u>	<u>-</u>

Note 37. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Senior secured bank debt \$m	Mezzanine facility \$m	Lease liability \$m	Total \$m
Balance at 1 July 2018	276.8	-	241.3	518.1
Net cash from/(used in) financing activities	60.5	78.4	(10.1)	128.8
Changes in fair value	-	-	0.9	0.9
Balance at 30 June 2019	337.3	78.4	232.1	647.8
Net cash from/(used in) financing activities	28.7	(78.4)	(20.4)	(70.1)
Non-cash surrender of leasehold property	-	-	(8.5)	(8.5)
Acquisition of leasehold property	-	-	(56.7)	(56.7)
Surrender fees transferred to other payables	-	-	(5.3)	(5.3)
Changes in fair value	-	-	1.9	1.9
Balance at 30 June 2020	<u>366.0</u>	<u>-</u>	<u>143.1</u>	<u>509.1</u>

Note 38. Events after the reporting period

Strategic acquisitions and equity raising

On 1 July 2020, Home Consortium announced a number of strategic property acquisitions comprising:

- Acquisition of three Woolworths anchored convenience-based neighbourhood centres from Woolworths Group for \$127.8 million; and
- Acquisition of Aurrum Erina residential aged care property ('Aurrum Erina') for \$32.6 million on a sale and lease back, subject to securityholder approval.

The acquisitions were funded by \$140.0 million fully underwritten institutional placement on 7 July 2020 at \$2.88 per security and a non-underwritten share purchase plan which raised \$10.6 million on 28 July 2020. New equity raised will also support the funding of the Parafield acquisition announced during the financial year.

As part of the Aurrum Erina acquisition Home Consortium is proposing to issue to the vendor \$20 million of securities at \$2.88 per security together with \$12.6 million cash as consideration. The issue of securities and acquisition of Aurrum Erina will be conditional on receiving security holder approval which is scheduled for 1 September 2020.

Proposed security restructure

On 11 August 2020, Home Consortium announced that it had entered into an agreement with Woolworths Group Limited ('Woolworths') and Home Investment Consortium Company Pty Limited as trustee of the Home Investment Consortium Trust ('HICT') to propose a restructure of the existing security that Woolworths holds for its guarantee of the leasehold properties. The initial security arrangements were entered into with Woolworths in 2017 as part of the acquisition of the former Masters property portfolio, including a second ranking security over Home Consortium's assets.

As a result of the proposed transaction Home Consortium's company structure will be simplified with no leasehold properties or legacy guarantees remaining within the group. The entity holding the guaranteed leases and LMA would be transferred to HICT resulting in no change in economic exposure as HICT already provides an indemnity to Home Consortium.

Home Consortium will seek security holder approval for this proposal at its 2020 annual general meeting to be held on 18 November 2020.

Note 38. Events after the reporting period (continued)

COVID-19

The impact of the COVID-19 pandemic is ongoing following the recent Stage 4 restrictions for the Melbourne metropolitan area and Stage 3 restrictions for regional Victoria announced by the Victorian Government. Home Consortium's Victorian freehold portfolio comprises eight operating centres including the recent acquisition of a Woolworths supermarket in Rosenthal VIC and one development property. Whilst seven of the eight operating centres in Victoria have either a supermarket, pharmacy or medical centre as an anchor tenant the outlook remains uncertain.

Apart from the dividend declared as disclosed in note 24, no other matter or circumstance has arisen since 30 June 2020 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.

This concludes the notes to the consolidated financial report of Home Consortium Limited.

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Home Consortium
Home Consortium Developments Limited statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

Home Consortium

	Consolidated Period from 29 August 2019 to 30 June 2020 \$
Profit before income tax expense	-
Income tax expense	-
Profit after income tax expense for the period attributable to the owners of Home Consortium Developments Limited	-
Other comprehensive income for the period, net of tax	-
Total comprehensive income for the period attributable to the owners of Home Consortium Developments Limited	-
	Cents
Basic earnings per security	-
Diluted earnings per security	-

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

Home Consortium
Home Consortium Developments Limited statement of financial position
For the year ended 30 June 2020

**Home
Consortium**

Consolidated
Note 30 June 2020
\$

Assets

Current assets

Other receivables

4 6

Total current assets

6

Total assets

6

Liabilities

Total liabilities

-

Net assets

6

Equity

Contributed equity

5 6

Total equity

6

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

Home Consortium
Home Consortium Developments Limited statement of changes in equity
For the year ended 30 June 2020

Home
Consortium

Consolidated	Contributed equity \$	Retained profits \$	Total equity \$
Balance at 29 August 2019	-	-	-
Profit after income tax expense for the period	-	-	-
Other comprehensive income for the period, net of tax	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	-
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs (note 5)	6	-	6
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	<u>6</u>	<u>-</u>	<u>6</u>

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

Home Consortium
Home Consortium Developments Limited statement of cash flows
For the year ended 30 June 2020

**Home
Consortium**

Consolidated
Period from
29 August
2019 to 30
June 2020
\$

Net cash from operating activities	-
Net cash from investing activities	-
Net cash from financing activities	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents at the beginning of the financial period	-
Cash and cash equivalents at the end of the financial period	-

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

Note 1. General information

The financial statements cover Home Consortium Developments Limited as a consolidated entity consisting of Home Consortium Developments Limited (the 'Company', 'parent entity' or 'HCDL') and the entities it controlled at the end of, or during, the period (collectively referred to as the 'group'). The financial statements are presented in Australian dollars, which is Home Consortium Developments Limited's functional and presentation currency.

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

19 Bay Street
Double Bay
NSW 2028

The current reporting period is from 29 August 2019 (incorporation date of HCDL) to 30 June 2020.

During the period the shares in HCDL were stapled to the shares in Home Consortium Limited ('HCL') to form stapled securities such that shares in HCL and HCDL must be purchased or sold together. The stapled securities, known as "Home Consortium" were admitted to the official list of the Australian Securities Exchange ('ASX') on 11 October 2019 with the ASX code HMC. HCL and HCDL remain separate legal entities in accordance with the Corporations Act 2001.

HCDL remained dormant throughout the reporting period. A description of the nature of Home Consortium's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

The Company 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. There was no impact on the adoption of these Standards and Interpretations.

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

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 9.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Home Consortium Developments Limited as at 30 June 2020 and the results of all subsidiaries for the period 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.

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

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

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

Other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contributed equity

Ordinary shares are classified as equity.

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

Dividends

Dividends are recognised when declared during the financial period and no longer at the discretion of the group.

Note 3. Operating segments

The Company was dormant during the period and therefore there were no reportable operating segments.

Note 4. Current assets - other receivables

	Consolidated 30 June 2020 \$
Other receivables	<u>6</u>

Note 5. Equity - contributed equity

	Consolidated 30 June 2020 Shares	Consolidated 30 June 2020 \$
Ordinary shares - fully paid	<u>197,912,426</u>	<u>6</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	29 August 2019	-	-
Initial allotment of shares	29 August 2019	93,333,335	3
Conversion of convertible note	16 October 2019	7,462,687	-
Issue of shares at initial public offering	16 October 2019	97,014,911	3
Issue of shares on vesting of share rights	27 February 2020	<u>101,493</u>	-
Balance	30 June 2020	<u>197,912,426</u>	<u>6</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of Home Consortium in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and Home Consortium does not have a limited amount of authorised capital.

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

Share buy-back

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

Note 6. Equity - dividends

Refer to note 24 to the consolidated financial statements of HCL for details of any dividends paid or proposed by the Home Consortium stapled group.

Note 7. Contingent liabilities and commitments

Refer to notes 29 and 30 to the consolidated financial statements of HCL for details of contingent liabilities and commitments of the Home Consortium stapled group.

Note 8. Related party transactions

Parent entity

Home Consortium Developments Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 10.

Transactions with related parties

There were no transactions with related parties during the financial period.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties

There were no loans to or from related parties at the reporting date.

Note 9. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent Period from 29 August 2019 to 30 June 2020 \$
Profit after income tax	-
Total comprehensive income	-

Statement of financial position

	Parent 30 June 2020 \$
Total current assets	6
Total assets	6
Total current liabilities	-
Total liabilities	-
Equity	
Contributed equity	6
Total equity	6

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 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020.

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.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 10. 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 June 2020 %
HomeCo Childcare Pty Ltd	Australia	100.00%
Home Consortium Developments Property Trust	Australia	100.00%

Note 11. Events after the reporting period

On 7 July 2020, the Company issued 48,611,111 stapled securities through an institutional placement.

On 28 July 2020, the Company issued 3,758,565 stapled securities through security purchase plan.

Apart from the dividend declared as disclosed in note 6, no other matter or circumstance has arisen since 30 June 2020 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.

This concludes the notes to the consolidated financial report of Home Consortium Developments Limited.

In the directors' opinion:

- the attached financial statements and notes of Home Consortium ('HMC') and Home Consortium Developments Limited ('HCDL') comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes of HMC and HCDL comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the HMC financial statements and note 2 to the HCDL financial statements;
- the attached financial statements and notes of HMC give a true and fair view of the group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- the attached financial statements and notes of HCDL give a true and fair view of the group's financial position as at 30 June 2020 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 34 to the HMC financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001, from the Chief Executive Officer and Chief Financial Officer for the year/period ended 30 June 2020.

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

On behalf of the directors



David Di Pilla
Director

25 August 2020



Independent auditor's report

To the Stapled Security Holders of Home Consortium Limited and the shareholders of Home Consortium Developments Limited.

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Home Consortium, being the consolidated stapled entity, which comprises Home Consortium Limited (HCL) and the entities it controlled during the full-year (together, the Group), and Home Consortium Developments Limited (HCDL) and the entities it controlled during the period, are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's and HCDL's financial position as at 30 June 2020 and of their financial performance for the year and period respectively, then ended;
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

The HCDL financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of changes in equity for the period from 29 August 2019 to 30 June 2020
- The consolidated statement of cash flows for the period from 29 August 2019 to 30 June 2020
- The consolidated statement of profit or loss and other comprehensive income for the period from 29 August 2019 to 30 June 2020
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Together, the Group and HCDL financial reports are referred to as "the financial reports".

PricewaterhouseCoopers, ABN 52 780 433 757

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Basis for opinion

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

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


Independence

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

Our audit approach

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

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



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<p>For the purpose of our audit we used overall Group materiality of \$3.65 million, which represents approximately 0.5% of the net assets of the Group.</p> <p>We applied this threshold, together with qualitative</p>	<p>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</p>	<p>Amongst other relevant topics, we communicated the following key audit matters, applicable to Group only, to the Audit and Risk Committee:</p> <ul style="list-style-type: none"> - Valuation of investment properties

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<p>considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</p> <p>We chose net assets because, in our view, it is a key benchmark against which the performance of the Group is measured.</p> <p>We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</p>		<p>(freehold and leasehold)</p> <ul style="list-style-type: none"> - Recoverability of deferred tax assets <p>These are further described in the <i>Key audit matters</i> section of our report.</p>
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Key audit matters

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

Group Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investment properties (freehold and leasehold)</i> (Refer to notes 14 and 15) <i>\$1,098.1m</i></p> <p>Investment properties are measured at the fair value of each property.</p> <p>The fair value of investment property is inherently subjective and impacted by, among other factors, prevailing market conditions, the individual nature and condition of each property, its location and the expected future income for each property. Amongst others, the capitalisation rate, discount rate, market rents and capital expenditure assumptions used in the valuation process are key in establishing fair value.</p> <p>This was a key audit matter because the:</p>	<p>Procedures performed in relation to the valuation of freehold and leasehold investment properties included:</p> <p>We read recent property market reports to develop our understanding of the prevailing market conditions in locations in which the Group invests. Met with management to discuss the specifics of the property portfolio including any new leases entered into during the year, lease expiries, vacancy rates and planned capital expenditure. We also enquired about the impact of COVID-19 on investment property valuations and how this has been considered in determining fair value at 30 June 2020.</p> <p>For a sample of leases, we compared the rental income used in the valuation to the relevant underlying lease agreements.</p> <p>For all properties, we agreed the fair values recorded in the accounting records to the external valuations or internal valuation models and assessed the competency, capability and objectivity of the relevant valuer.</p> <p>We have also assessed the adequacy of the related disclosures in notes 14 and 15 considering the requirements of Australian Accounting Standards. In particular, we considered the adequacy of the disclosures made that explain the significant estimation uncertainty in relation to the valuation of investment properties.</p> <p><i>Specific procedures performed in relation to the audit of the valuation of freehold investment properties included:</i></p>

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<ul style="list-style-type: none"> • investment property balances are financially significant in the consolidated statement of financial position • impact of changes in the fair value of investment properties can have a significant effect on the Group's comprehensive income • investment property valuations are inherently subjective due to the use of unobservable inputs in the valuation methodology. • valuations are sensitive to key input assumptions, specifically capitalisation and discount rates and net market rents • COVID-19 impact is uncertain and has affected the certainty of the rental income cash-flows, and as a consequence, the valuation of the investment properties. 	<p>We evaluated the design effectiveness and implementation of certain controls over the process for determining the fair value, including the control that the Board reviews and approves the valuations adopted.</p> <p>For all properties, we checked compliance with the Group's policy that properties had been externally valued at least once in the last two years and checked that the Group followed its policy on rotation of valuation firms.</p> <p>We selected a sample of leases from the tenancy schedules used in the valuations and tied the key terms to signed lease agreements.</p> <p>We performed a risk-based assessment over the freehold investment property portfolio to determine those properties at greater risk of being carried at an amount not equal to fair value. Our risk-based selection criteria included quantitative and qualitative measures and were informed by our knowledge of each property, site visits during the year and our understanding of current market conditions.</p> <p>For those properties which met our selection criteria, we performed procedures to assess the reasonableness of key assumptions used in the external valuations and internal valuation models. These procedures included, amongst others:</p> <ul style="list-style-type: none"> • We assessed the reasonableness of the capitalisation rate, discount rate, outgoings and market rents used in the valuations against industry benchmarks and market data, including comparable transactions where possible. • We assessed the reasonableness of other assumptions in the valuations such as growth rates, vacancies, rent free periods and incentives through discussions with management and valuers, and obtaining other audit evidence such as new lease agreements or modified leases due to COVID-19. <p>Specific procedures in relation to the audit of the valuation of leasehold properties, included:</p> <p>We performed a risk-based assessment over the leasehold investment property portfolio to determine those properties at greater risk of being carried at an amount not equal to fair value. Our risk-based selection criteria include quantitative and qualitative measures and are informed by our knowledge of each property, and our understanding of current market conditions.</p> <p>For those properties which met our selection criteria, we assessed the reasonableness of key assumptions included in the internal valuation models. These procedures included, amongst others:</p> <ul style="list-style-type: none"> • We assessed the reasonableness of the discount rate used in the discounted cash flows in the internal valuations against industry benchmarks and market data, including comparable transactions where possible. • On a sample basis, we compared the key input data relating to rental income and outgoings used in the discounted cash flows in the internal valuations to signed leases and accounting records. • We assessed the reasonableness of the rental income, outgoings and capital expenditure used in the forecast cash flows through discussions with management and obtaining other audit evidence
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	<p>such as existing and new leases, prior transactions and industry benchmarks</p> <p>Additional procedures performed as a result of COVID-19 impact, included:</p> <p>We obtained an understanding of specific assumptions included in information provided to the valuers, such as the rent relief packages given to individual tenants and considered how these rent relief packages have been treated in the valuation reports and the financial statements.</p> <p>We obtained and reconciled the rent relief packages provided to the tenants to the general ledger. For a sample of tenants, we obtained the rent relief contract accepted by the tenant and agreed it to the accounting records.</p> <p>We considered how any recent market transactions impacted the fair values adopted in the valuations.</p> <p>We met with valuers, on a sample basis with a specific focus on understanding the basis for any uncertainty caveats included in their valuation reports, as well as developing an understanding of their valuation approach, sources of information and key judgments made.</p>
<p>Recoverability of deferred tax assets - tax losses <i>(Refer to note 9) \$141.1m</i></p> <p>The Group continues to recognise a deferred tax asset comprising carry forward tax losses and deductible temporary differences. It also discloses a total of \$2,208m in tax losses which have not been recognised due to the uncertainty of its utilisation.</p> <p>The recoverability of the deferred tax asset depends upon the growth of the business, its future profitability, the period over which tax losses will be available for recovery, and the execution of any future tax planning opportunities.</p> <p>We considered this a key audit matter due to the high level of judgement required by the Group to assess the recoverability of the deferred tax asset and its financial significance.</p>	<p>The procedures performed to assess the Group’s ability to utilise the tax losses recognised as deferred tax assets included, amongst others:</p> <p>We obtained an understanding of the nature of the tax losses and management’s assessment as to their availability and recoverability.</p> <p>We read the external advice received from the Group’s advisor on the availability of the tax losses, and in particular, on the satisfaction of the continuity ownership test (“CoT”) and business continuity tests (“BCT”).</p> <p>Together with PwC tax specialists, we assessed management’s assessment on the availability and treatment of tax losses.</p> <p>We considered whether the accounting treatment adopted was in line with the requirements of Australian Accounting Standards.</p> <p>We recalculated deferred tax asset balances which comprise a combination of timing differences between tax and accounting bases, and tax losses.</p> <p>We obtained the calculations of forecast taxable income for the next twelve years and reconciled next year’s amounts to the latest forecast.</p> <p>We compared the Board approved budgets to historical performance to assess the consistency and accuracy of the Group’s approach to budgeting.</p> <p>We assessed the reasonableness of the relevant selected assumptions such as rental income, expenses, corporate tax rate and weighted average lease expiry (WALE) in the cash flow budget and forecasts.</p> <p>We evaluated whether the cash flows had been appropriately adjusted for the differences between accounting profits and taxable income.</p> <p>As a result of the impacts of COVID-19, we considered the reasonableness of the assumptions used in preparing the forecast of the Group’s taxable profits considering the available evidence.</p> <p>We have also assessed the adequacy of the related disclosures in note 9 considering the requirements of Australian Accounting Standards.</p>



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial reports

The directors of HCL and HCDL are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial reports

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

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

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



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 20 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Home Consortium Limited and Home Consortium Development Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

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

PricewaterhouseCoopers

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

Scott Hadfield
Partner

Sydney
25 August 2020

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Related party leases:

HomeCo leases a number of its premises to related parties. The existing lease arrangements with the respective tenants listed below 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 with Spotlight Pty Ltd ('Spotlight'), which is controlled by Zac Fried, Director, with aggregate annual rent (excluding GST) of \$2.0 million is provided below:

Location	Terms and renewal	Location	Terms and renewal
HomeCo Bathurst, 3 Pat O'Leary Drive, Kelso NSW 2795	Initial term of 10 years commencing in February 2016, with 3 options to renew for 10 years each.	HomeCo, Upper Coomera, Corner Days Road and Old Coach Road, Upper Coomera QLD 4209	Initial term of 10 years commencing in July 2018, with 3 options to renew for 10 years each.
HomeCo South Lismore, 28 Bruxner Hwy, South Lismore NSW 2480	Initial term of 10 years commencing in July 2018, with 3 options to renew for 10 years each.	HomeCo Northland (T2), 85 Chifley Drive, Preston VIC	Initial term of 10 years commencing in August 2018, with 3 options to renew for 10 years each.
HomeCo Mackay, Mackay-Bucasia Road and Holts Road, Mackay QLD	Initial term of 10 years commencing in July 2018, with 3 options to renew for 10 years each.	HomeCo Butler, 1 Butler Blvd, Butler WA 6036	Initial term of 10 years commencing in April 2019, with 3 options to renew for 10 years each.
HomeCo Northland (T6), 85 Chifley Drive, Preston VIC	Initial term of 7 years commencing in July 2020, with 3 options to renew for 7 years each.		

Details of leases with Anaconda Group Pty Ltd ('Anaconda'), which is controlled by Zac Fried, Director, with aggregate annual rent (excluding GST) of \$3.1 million is provided below:

Location	Terms and renewal	Location	Terms and renewal
HomeCo Coffs Harbour, 211 Pacific Highway, Coffs Harbour NSW 2450	Initial term of 10 years commencing in March 2020, with 3 options to renew for 10 years each.	HomeCo Tingalpa, Corner of Manly Road and New Cleveland Road, Tingalpa QLD	Initial term of 10 years commencing in October 2017, with 3 options to renew for 10 years each.
HomeCo Marsden Park, 17-43 Hollinsworth Road, Marsden Park NSW 2765	Initial term of 10 years commencing in October 2018, with 3 options to renew for 10 years each.	HomeCo Hawthorn East, 740-742 Toorak Road, Hawthorn East VIC 3123	Initial term of 10 years commencing in November 2018, with 3 options to renew for 10 years each.
HomeCo Rutherford, Corner Mustang Drive and Anambah Road, Rutherford NSW 2320	Initial term of 10 years commencing in September 2017, with 3 options to renew for 10 years each.	HomeCo Butler, 1 Butler Blvd, Butler WA 6036	Initial term of 10 years commencing in August 2019, with 3 options to renew for 10 years each.
HomeCo Wagga Wagga, 129-145 Hammond Avenue, Wagga Wagga NSW 2650	Initial term of 10 years commencing in December 2013, with 2 options to renew for 6 years each.	HomeCo Joondalup, 11 Injune Way, Joondalup WA 6027	Initial term of 10 years commencing in November 2018, with 3 options to renew for 10 years each.
HomeCo Mackay, Mackay-Bucasia Road and Holts Road, Mackay QLD	Initial term of 10 years commencing in July 2018, with 3 options to renew for 10 years each.		

Details of leases with CW Leasing Services Pty Ltd ('Chemist Warehouse'), which is controlled by a director of Home Investment Consortium Company Pty Ltd, which has, and will continue to have, a material interest in HomeCo, with aggregate annual rent (excluding GST) of \$2.5 million is provided below:

Location	Terms and renewal	Location	Terms and renewal
HomeCo North Lakes, 77-95 North Lakes Drive, North Lakes QLD 4509	Initial term of 5 years commencing in February 2018, with 3 options to renew for 5 years each.	HomeCo Mornington, 75 Mornington-Tyabb Road, Mornington VIC 3931	Initial term of 5 years (not commenced), with 3 options to renew for 5 years each.
HomeCo Box Hill, 249 Middleborough Road, Box Hill VIC 3128	Initial term of 5 years commencing in September 2018, with 3 options to renew for 5 years each.	HomeCo Northland, 85 Chifley Drive, Preston VIC	Initial term of 5 years commencing in August 2018, with 3 options to renew for 5 years each.
HomeCo Braybrook, 340 Ballarat Road, Braybrook, VIC	Initial term of 5 years commencing in September 2018, with 3 options to renew for 5 years each.	HomeCo Butler, 1 Butler Blvd, Butler WA 6036	Initial term of 5 years commencing in February 2020, with 3 options to renew for 5 years each.
HomeCo Keysborough, Corner Springvale Road and Cheltenham Road, Keysborough VIC 3173	Initial term of 5 years commencing in October 2019, with 3 options to renew for 5 years each.	HomeCo Joondalup, 11 Injune Way, Joondalup WA 6027	Initial term of 5 years commencing in September 2019, with 3 options to renew for 5 years each.
HomeCo Hawthorn East, 740-742 Toorak Road, Hawthorn East, VIC 3123	Initial term of 5 years commencing in November 2019, with 3 options to renew for 5 years each.		

The stapled security holder information set out below was applicable as at 31 July 2020.

Distribution of equitable securities

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

	Number of holders of stapled securities
1 to 1,000	242
1,001 to 5,000	980
5,001 to 10,000	941
10,001 to 100,000	1,124
100,001 and over	58
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	3,345
	<hr/> <hr/>
Holding less than a marketable parcel	47
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Equity security holders

Twenty largest quoted equity security holders - stapled securities

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

	Number held	Ordinary shares % of total securities issued
HSBC Custody Nominees (Australia) Limited	67,692,562	27.05
Home Investment Consortium Company Pty Ltd	62,232,824	24.87
HICC 2 Pty Ltd	31,121,713	12.43
UBS Nominees Pty Ltd	7,888,275	3.15
Goat Properties Pty Ltd	6,716,418	2.68
Citicorp Nominees Pty Limited	6,589,884	2.63
National Nominees Limited	4,559,017	1.82
Netwealth Investments Limited	4,216,010	1.68
HSBC Custody Nominees (Australia) Limited	2,804,074	1.12
Bridgebox Pty Ltd	2,759,639	1.10
JP Morgan Nominees Australia Pty Limited	2,537,699	1.01
CW Property Nominees Pty Ltd	2,238,806	0.89
BNP Paribas Nominees Pty Ltd	1,364,283	0.55
Longmorn Pty Ltd	1,350,000	0.54
Balmoral Financial Investments Pty Ltd	549,402	0.22
Tripel Pty Ltd	545,824	0.22
SG Foundation Investments Pty Ltd	482,612	0.19
Seymour Group Pty Ltd	460,000	0.18
BNP Paribas Noms Pty Ltd	430,648	0.17
BNP Paribas Nominees Pty Ltd	422,584	0.17
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	206,962,274	82.67
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Unquoted equity securities

	Number on issue	Number of holders
Share rights	674,627	21

Substantial holders - stapled securities

Substantial holders in the Company are set out below:

	Ordinary shares % of total shares issued
	Number held
Home Investment Consortium Company Pty Ltd	94,292,318
Spotlight Group Holdings Pty Ltd*	107,251,780
CW Properties Nominees Pty Ltd*	95,572,141
Perpetual Limited	15,667,954

* Includes 93,333,335 stapled securities held by Home Investment Consortium Company Pty Ltd due to a deemed relevant interest.

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Restricted - stapled securities

Class	Expiry date	Number of shares
Ordinary shares	16 October 2021	93,333,335
Ordinary shares	Upon retirement from the Board	<u>101,493</u>
		<u><u>93,434,828</u></u>

Directors	David Di Pilla Chris Saxon Zac Fried Greg Hayes Jane McAloon Brendon Gale
Company secretary	Andrew Selim
Registered office and Principal place of business	19 Bay Street Double Bay NSW 2028 Telephone: 1300 466 326
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: 1300 554 474
Auditor	PricewaterhouseCoopers Tower One, International Towers Sydney Level 17, 100 Barangaroo Avenue Barangaroo NSW 2000
Stock exchange listing	Home Consortium shares are listed on the Australian Securities Exchange (ASX code: HMC)
Website	https://www.homeconsortium.com.au/
Business objectives	In accordance with the Listing requirements ASX 4.10.19, the directors confirm that the group has used cash and cash equivalents that are held at the time of listing in a way consistent with its stated business objectives.
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Home Consortium in an ethical manner and in accordance with the highest standards of corporate governance. Home Consortium has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Home Consortium's other corporate governance policies and charters can be found on it's website at https://investors.home-co.com.au/investor-centre/?page=corporate-governance</p>