Home Co.
Daily Needs REIT

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

ASX RELEASE

23 February 2022

APPENDIX 4D AND HY22 FINANCIAL REPORT

HomeCo Daily Needs REIT (ASX: HDN) provides the attached Appendix 4D and HY22 Financial Report.

-ENDS-

For further information, please contact:

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Authorised for release by the Board of the Responsible Entity

About HomeCo Daily Needs REIT

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

The merger with Aventus Group (AVN) will create Australia's leading daily needs REIT with a combined portfolio size of approximately \$4.4bn spanning approximately 2.5 million square metres of land in Australia's leading metropolitan growth corridors of Sydney, Melbourne, Brisbane, Perth and Adelaide.

HomeCo Daily Needs REIT
Appendix 4D
Half-year report

1. Company details

Name of entity:	HomeCo Daily Needs REIT
ARSN:	645 086 620
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

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

				$m
Revenues from ordinary activities	up	736.8%	to	56.9
Profit from ordinary activities	up	643.2%	to	120.6
Profit for the half-year	up	643.2%	to	120.6

Comments
The profit for the group amounted to $120.6 million (31 December 2020: loss of $22.2 million).

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

3. Distributions

	Amount per unit Cents
Interim distribution for the year ending 30 June 2022 declared on 24 September 2021. The distribution was paid on 19 November 2021 to unitholders registered on 30 September 2021.	2.000
Interim distribution for the year ending 30 June 2022 declared on 17 December 2021. The distribution will be paid on 25 February 2022 to unitholders registered on 31 December 2021.	2.080

4. Net tangible assets

	31 Dec 2021 $	30 Jun 2021 $
Net tangible assets per unit	1.49	1.36

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

Home Co.
Daily Needs
REIT

5. Distribution reinvestment plans

The following distribution plans are in operation:

The Trust had a Distribution Reinvestment Plan ('DRP') available to unitholders for the September 2021 distribution pursuant to which any unitholder could elect that their distributions be reinvested, in whole or in part, in units of the Trust at a price as determined by applying a 1.5% discount to the arithmetic average of the daily volume-weighted average prices for units traded from 1 November 2021 to 5 November 2021 (inclusive). Refer to note 15 for details of equity raised under the DRP.

The DRP was not available for the December 2021 distribution.

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6. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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7. Attachments

Details of attachments (if any):

The Interim Report of HomeCo Daily Needs REIT for the half-year ended 31 December 2021 is attached.

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8. Signed

As authorised by the Board of Directors

S A Shakesheff

Signed Date: 22 February 2022

Simon Shakesheff
Chair

HomeCo
Daily Needs REIT

ARSN 645 086 620

Interim Report

For the period ended 31 December 2021

DIRECTOR'S REPORT

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

The Trust was registered by the Australian Securities and Investments Commission ('ASIC') as a managed investment scheme on 15 October 2020. On 23 November 2020, the REIT was listed on the ASX. The current reporting period is for the half-year ended 31 December 2021. The comparative reporting period is from 15 October 2020 to 31 December 2020, which is the notional first half-year reporting period in accordance with ASIC Instrument 20-1174 applicable to HMC Funds Management Limited in its capacity as Responsible Entity of HomeCo Daily Needs REIT.

Directors

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

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

Principal activities

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

Review of operational and financial performance

The REIT's financial performance for the financial half-year was materially influenced by active undertaking of investment activities, growing the portfolio from 20 properties as at 30 June 2021 to 33 properties as at 31 December 2021.

A summary of the REIT's financial performance for the period ended 31 December 2021 ('1H FY22') and comparable period ended 31 December 2020 ('1H FY21') is detailed below.

	Consolidated 1H FY22 $'m	Consolidated 1H FY21 $'m
Total revenue	56.9	6.8
Net profit/ (loss) for the period	120.6	(22.2)
Funds from operations ('FFO')	30.6	3.1
Weighted average units on issue (million)	766.2	482.9
FFO per unit (cents)	4.00	0.65
Distribution per unit (cents)	4.08	-

The REIT recorded total revenue of $56.9 million (1H FY21: $6.8 million), a net profit of $120.6 million (1H FY21: loss of $22.2 million) and FFO of $30.6 million (1H FY21: $3.1 million). FFO is a financial measure which is not prescribed by Australian Accounting Standards and represents the REIT's underlying and recurring earnings from its operations and is determined by adjusting the statutory net profit after tax for items that are non-cash, unrealised or capital in nature. The directors consider FFO to represent the core earnings measures of a REIT.

A summary of the REIT's reconciliation between the net profit and funds from operations ('FFO') for the 1H FY22 period is detailed below.

	Consolidated 1H FY22 $'m	Consolidated 1H FY21 $'m
Net profit/ (loss) for the period	120.6	(22.2)
Straight lining and amortisation	1.0	(0.2)
Acquisition and transaction costs	1.6	5.6
Rent guarantee income	1.7	0.1
Amortisation of borrowing costs	1.2	0.2
Fair value movements	(95.7)	19.6
Leasehold rent adjustment	0.2	-
FFO	**30.6**	**3.1**

Summary of financial position

A summary of the REIT's financial position as at 31 December 2021 is detailed below.

	Consolidated 31 Dec 2021 $'m	Consolidated 30 Jun 2021 $'m
Assets		
Investment properties	1,904.9	1,111.8
Total assets	1,937.2	1,390.4
Net assets	1,182.8	933.1
Net tangible assets	1,182.8	933.1
Number of units on issue (million)	794.6	687.5
Net tangible assets ($ per unit)	1.49	1.36
Capital management		
Debt facility limit	800.0	500.0
Drawn debt	711.0	420.7
Cash and undrawn debt	94.9	328.8
Gearing ratio (%)*	36.7%	15.1%
Hedged debt (%)	59.8%	-
Cost of debt (% per annum)	2.6%	2.4%

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

Property portfolio:
At 31 December 2021, the REIT owned 33 daily needs assets across Australia with a combined value of $1.9 billion (30 June 2021: $1.1 billion).

Increase in investment properties during the period is driven by the acquisition of 13 properties for $626.6 million (excluding transaction costs), development expenditure of $25.0 million and a fair value uplift on investment properties of $93.6 million. As at 31 December 2021, 9 investment properties were independently valued with the remaining investment properties being internally valued. The weighted average capitalisation rate of the portfolio was 5.34% (30 June 2021: 5.63%).

Net tangible assets:
Net tangible assets ('NTA') is calculated as the total equity divided by units on issue. The REIT reported NTA of $1.49 per unit as at 31 December 2021 (30 June 2021: $1.36 per unit).

Capital raising:
During the period, the REIT raised $163.9 million (before transaction costs) of new equity to undertake property acquisitions by issuing approximately 107.1 million new units as detailed below.

Particulars	Date of issue	Number of units
Opening balance on 1 July 2021		687,533,717
Units issued - institutional placement	9-Jul-21	48,275,862
Units issued - institutional placement	17-Sept-21	54,854,195
Units issued – distribution reinvestment plan ('DRP')	19-Nov-21	3,927,429
Closing balance on 31 December 2021		**794,591,203**

Financing:
On 29 July 2021, the REIT completed an upsize and extension of its existing $500.0 million three-year senior secured syndicated debt facility to a $800.0 million senior secured syndicated debt facility. The facility comprises a $550.0 million five-year term facility and a $250.0 million revolver facility. The group had $94.9 million in cash and undrawn debt as at 31 December 2021 and gearing of 36.7%. During the period, the group also entered into a $275.0 million two-year interest rate swap and $150 million five-year interest rate swap which hedged 59.8% of drawn debt as at 31 December 2021. The cost of debt was 2.6% per annum as at 31 December 2021 (2.4% per annum as at 30 June 2021).

Distributions

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

Period from 1 July 2021 to 31 December 2021	Distribution per unit (cents)	Total distribution $m	Ex-distribution date	Record date	Payment date
September 2021	2.00	15.8	29-Sept-21	30-Sept-21	19-Nov-21
December 2021	2.08	16.5	30-Dec-21	31-Dec-21	25-Feb-22
Total	**4.08**	**32.3**			

The Trust operated a DRP for the September 2021 distribution, under which unitholders could elect to have their distribution entitlements satisfied by the issue of new units rather than being paid cash. The allocation price of units issued under the DRP were determined by applying a 1.5% discount to the arithmetic average of the daily volume weighted average prices for units traded from 1 November 2021 to 5 November 2021 (inclusive).

The equity raised through DRP on 19 November 2021 was $5.6 million by the issue of 3.9 million units at a price of $1.4171 per unit. The DRP was not available for the December 2021 distribution.

Significant changes in the state of affairs

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

Aventus Group is currently an internally managed owner of a large format retail portfolio comprising 19 properties independently valued at $2.5 billion as at 31 December 2021 which will transfer to the REIT as part of the Merger.

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

Other than the matters described in the 'Review of operational and financial performance' detailed above, there were no other significant changes in the state of affairs of the group during the financial half-year.

Matters subsequent to the end of the financial half-year

The Merger was approved by the Supreme Court of New South Wales on 22 February 2022 with a planned implementation date of 4 March 2022. This followed securityholder approval of all required resolutions at each of the AVN scheme meeting held on 25 January 2022 and the HDN general meeting held on 24 January 2022.

The acquisition accounting for AVN will be completed in the next reporting period.

As part of the Merger HDN upsized its existing $800.0 million debt facility to a $1,620.0 million senior secured debt facility and entered into $300.0 million of additional interest rate hedging. The senior secured debt facility now comprises two term facilities of $810.0 million and $300.0 million expiring in July 2026 and January 2024 respectively and a $510.0 million revolver facility expiring in July 2024.

The impact of the COVID-19 pandemic is ongoing including the impacts from the recent omicron variant outbreaks across multiple Australian states and territories. Whilst the REIT’s properties currently have no lockdown restrictions imposed, the outlook remains uncertain

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the REIT's operations, the results of those operations, or the REIT's state of affairs in future financial years.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

S A Shakeshaff

Simon Shakesheff
Chair

David Di Pilla
Director

22 February 2022

Auditor's Independence Declaration

As lead auditor for the review of HomeCo Daily Needs REIT for the half-year ended 31 December 2021, 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

S J Hadfield
Partner
PricewaterhouseCoopers

Sydney
22 February 2022

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HomeCo Daily Needs REIT
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31 December 2021

HomeCo Daily Needs REIT
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $m	Period from 15 Oct 2020 to 31 Dec 2020 $m
Property income	4	56.9	6.6
Interest income		-	0.2
Change in assets/liabilities at fair value through profit or loss	5	95.7	(19.6)
Expenses			
Property expenses		(15.2)	(1.9)
Corporate expenses		(1.1)	(0.2)
Management fees		(5.4)	(0.6)
Acquisition and transaction costs	6	(1.6)	(5.6)
Finance costs	6	(8.6)	(1.1)
Profit/(loss) for the half-year		120.6	(22.2)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		120.6	(22.2)
		Cents	**Cents**
Basic earnings per unit	21	15.74	(4.93)
Diluted earnings per unit	21	15.74	(4.93)

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

HomeCo Daily Needs REIT
Consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Assets			
Current assets			
Cash and cash equivalents	7	5.9	249.5
Trade and other receivables	8	4.1	1.7
Other assets	9	2.2	3.5
		12.2	254.7
Assets held for sale	10	14.1	14.1
Total current assets		26.3	268.8
Non-current assets			
Investment property	11	1,904.9	1,111.8
Derivative financial instruments		2.1	-
Other assets	9	3.9	9.8
Total non-current assets		1,910.9	1,121.6
Total assets		1,937.2	1,390.4
Liabilities			
Current liabilities			
Trade and other payables	12	24.9	19.0
Distributions payable	16	16.5	12.5
Total current liabilities		41.4	31.5
Non-current liabilities			
Borrowings	13	702.0	414.8
Lease liabilities	14	11.0	11.0
Total non-current liabilities		713.0	425.8
Total liabilities		754.4	457.3
Net assets		1,182.8	933.1
Equity			
Contributed equity	15	1,087.4	926.0
Retained profits		95.4	7.1
Total equity		1,182.8	933.1

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

HomeCo Daily Needs REIT
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	**Contributed equity $m**	**Accumulated losses $m**	**Total equity $m**
Balance at 15 October 2020	-	-	-
Loss for the half-year	-	(22.2)	(22.2)
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	(22.2)	(22.2)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs	667.0	-	667.0
Balance at 31 December 2020	667.0	(22.2)	644.8

Consolidated	**Contributed equity $m**	**Retained profits $m**	**Total equity $m**
Balance at 1 July 2021	926.0	7.1	933.1
Profit for the half-year	-	120.6	120.6
Other comprehensive income for the half-year	-	-	-
Total comprehensive income for the half-year	-	127.7	1,053.7
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 15)	161.4	-	161.4
Distributions paid (note 16)	-	(32.3)	(32.3)
Balance at 31 December 2021	1,087.4	95.4	1,182.8

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

HomeCo Daily Needs REIT
Consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $m	Period from 15 Oct 2020 to 31 Dec 2020 $m
Cash flows from operating activities			
Receipts from tenants (inclusive of GST)		63.1	5.7
Payments to suppliers (inclusive of GST)		(25.1)	(4.3)
Interest and other finance costs paid		(7.1)	(0.4)
Net cash from operating activities		30.9	1.0
Cash flows from investing activities			
Payment for acquisition of investment property on demerger from Home Consortium Limited		-	(205.0)
Payment for acquisition of investment property		(693.0)	(426.3)
Net cash used in investing activities		(693.0)	(631.3)
Cash flows from financing activities			
Proceeds from issue of units	15	158.3	300.0
Unit issue transaction costs		(2.5)	(7.9)
Proceeds from borrowings	13	290.3	352.0
Borrowing cost paid		(4.8)	(7.4)
Distributions paid	16	(22.8)	-
Net cash from financing activities		418.5	636.7
Net increase/(decrease) in cash and cash equivalents		(243.6)	6.4
Cash and cash equivalents at the beginning of the financial half-year		249.5	-
Cash and cash equivalents at the end of the financial half-year		5.9	6.4

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

Note 1. General information

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

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

19 Bay Street
Double Bay
NSW 2028

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

The current period presented in the financial statements is for the period 1 July 2021 to 31 December 2021. The comparative period is from 15 October 2020 to 31 December 2020, which is the notional first half-year reporting period in accordance with ASIC Instrument 20-1174.

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Trust during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial half-year ended 31 December 2021 and are not expected to have any significant impact for the full financial year ending 30 June 2022.

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

Note 2. Significant accounting policies (continued)

Net current asset deficiency
As at 31 December 2021, the REIT was in a net current liability position of $15.1 million. As detailed in note 13, the REIT has access to an unused bank debt facility of $89.0 million as at 31 December 2021. Accordingly, the financial statements continue to be prepared on a going concern basis.

Note 3. Operating segments

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

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

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

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

Major customers
During the half-year ended 31 December 2021, approximately 22% (31 December 2020: 27%) of the group's external revenue was derived from rental income from two main tenants being Woolworths Group Limited and Coles Group Limited.

Segment results

	Consolidated	
	31 Dec 2021 $m	Period from 15 Oct 2020 to 31 Dec 2020 $m
Funds from operations (‘FFO’)	30.6	3.1
Straight lining and amortisation	(1.0)	0.2
Acquisition and transaction costs	(1.6)	(5.6)
Rent guarantee income	(1.7)	(0.1)
Amortisation of borrowing costs	(1.2)	(0.2)
Fair value movements	95.7	(19.6)
Leasehold rent adjustment	(0.2)	-
Net profit/(loss) for the period	120.6	(22.2)

Note 4. Property income

	Consolidated 31 Dec 2021 $m	Period from 15 Oct 2020 to 31 Dec 2020 $m
Property rental income	48.6	5.9
Other property income	8.3	0.7
Property income	56.9	6.6

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

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

	Consolidated 31 Dec 2021 $m	Period from 15 Oct 2020 to 31 Dec 2020 $m
Net unrealised fair value gain/(loss) on investment properties	93.6	(19.6)
Net gain on remeasurement of derivatives	2.1	-
	95.7	(19.6)

Note 6. Expenses

	Consolidated 31 Dec 2021 $m	Period from 15 Oct 2020 to 31 Dec 2020 $m
Profit/(loss) includes the following specific expenses:		
Acquisition and transaction costs:		
IPO costs	-	5.6
Transaction costs	1.6	-
Total acquisition and transaction costs	1.6	5.6
Finance costs		
Interest and finance charges paid/payable on borrowings	7.2	0.9
Amortisation of capitalised borrowing costs and effective interest rate ('EIR') expenses	1.2	0.2
Interest and finance charges paid/payable on lease liabilities	0.2	-
Finance costs expensed	8.6	1.1

Note 7. Cash and cash equivalents

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Current assets		
Cash at bank	5.9	249.5

Note 8. Trade and other receivables

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Current assets		
Trade receivables	2.0	0.6
Less: Allowance for expected credit losses	(0.2)	-
	1.8	0.6
Other receivables	2.3	0.9
GST receivable	-	0.2
	4.1	1.7

Note 9. Other assets

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Current assets		
Prepayments	0.5	0.3
Security deposits	0.2	0.2
Other current assets	1.5	3.0
	2.2	3.5
Non-current assets		
Property deposits	2.9	8.8
Other non-current assets	1.0	1.0
	3.9	9.8

Note 10. Assets held for sale

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Investment properties	14.1	14.1

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

Note 11. Investment property

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Non-current assets		
Investment property - at fair value	1,904.9	1,111.8

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

	Consolidated 31 Dec 2021 $m
Opening fair value	1,111.8
Acquisitions	671.8
Capitalised expenditure	25.0
Straight-lining and amortisation of incentives	2.7
Net unrealised gain from fair value adjustments* (refer note 5)	93.6
Closing fair value*	1,904.9

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* Included in the closing fair value of investment property at 31 December 2021 is $38.4 million relating to leasehold improvements and right-of-use assets of a leasehold property.

Refer to note 17 for further information on fair value measurement.

Note 12. Trade and other payables

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Current liabilities		
Trade payables	4.3	7.4
Rent received in advance	4.0	2.0
Accrued expenses	14.3	7.4
Interest payable	0.4	0.1
GST payable	0.5	-
Other payables	1.4	2.1
	24.9	19.0

Note 13. Borrowings

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Non-current liabilities		
Bank loans	711.0	420.7
Capitalised borrowing costs	(9.0)	(5.9)
	702.0	414.8

On 29 July 2021, the group completed an upsize and extension of its existing $500.0 million three-year senior secured syndicated debt facility to a $800.0 million senior secured syndicated debt facility. The facility comprises a $550.0 million five-year term facility and a $250.0 million revolver facility expiring in July 2026 and July 2024 respectively. The interest comprises a base rate plus a variable margin, determined by the prevailing loan to valuation ratio. The bank loans are secured by first mortgages over the group's investment properties, including any classified as held for sale. The group has complied with the financial covenants during the period.

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

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Total facilities		
Bank loans	800.0	500.0
Used at the reporting date		
Bank loans	711.0	420.7
Unused at the reporting date		
Bank loans	89.0	79.3

Note 14. Lease liabilities

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Non-current liabilities		
Lease liability	11.0	11.0

Note 15. Contributed equity

	Consolidated			
	31 Dec 2021 Units	30 Jun 2021 Units	31 Dec 2021 $m	30 Jun 2021 $m
Ordinary class units - fully paid	794,591,203	687,533,717	1,087.4	926.0

Movements in ordinary units

Details	Date	Units		$m
Balance	1 July 2021	687,533,717		926.0
Units issued as part of institutional placement	9 July 2021	48,275,862	$1.45	70.0
Units issued as part of institutional placement	17 September 2021	54,854,195	$1.61	88.3
Units issued as part of distribution reinvestment plan	19 November 2021	3,927,429	$1.42	5.6
Transaction costs		-	$0.00	(2.5)
Balance	31 December 2021	794,591,203		1,087.4

Note 16. Distributions

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

	Consolidated	
	31 Dec 2021 $m	Period from 15 Oct 2020 to 31 Dec 2020 $m
Interim distribution for the year ending 30 June 2022 of 2.00 cents per unit declared on 24 September 2021. The distribution was paid on 19 November 2021 to unitholders registered on 30 September 2021.	15.8	-
Interim distribution for the year ending 30 June 2022 of 2.08 cents per unit declared on 17 December 2021. The distribution will be paid on 25 February 2022 to unitholders registered on 31 December 2021.	16.5	-
	32.3	-

Note 17. Fair value measurement

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

Consolidated - 31 Dec 2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Investment property	-	-	1,904.9	1,904.9
Investment property - held for sale	-	-	14.1	14.1
Other assets	-	-	1.8	1.8
Derivatives - interest rate swaps	-	2.1	-	2.1
Total assets	-	2.1	1,920.8	1,922.9

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

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

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

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

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 quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Level 3 assets and liabilities

Description	Unobservable inputs	Range (weighted average) 31 Dec 2021	Range (weighted average) 30 Jun 2021
Investment property - including held for sale	(i) Capitalisation rate	4.3% to 6.8% (5.3%)	4.5% to 7.0% (5.6%)
	(ii) Discount rate	5.8% to 7.8% (6.4%)	6.0% to 7.5% (6.5%)
	(iii) Terminal yield	4.5% to 7.0% (5.8%)	2.1% to 7.5% (5.3%)

Note 17. Fair value measurement (continued)

A higher capitalisation rate, discount rate or terminal yield will lead to a lower fair value. A higher rental growth rate will lead to a higher fair value. The capitalisation rate is the most significant input into the valuation of investment property and therefore most sensitive to changes in valuation. A 25 basis point change in capitalisation rate would increase/decrease fair value by $84.6 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. Some 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 18. Contingent liabilities

The group had no contingent liabilities as at 31 December 2021 and 30 June 2021.

Note 19. Commitments

	Consolidated 31 Dec 2021 $m	Consolidated 30 Jun 2021 $m
Capital commitment		
Committed at the reporting date but not recognised as liabilities, payable:		
Capital expenditure	8.1	34.4
Property acquisitions	21.5	274.0
	29.6	308.4

Note 20. Related party transactions

Following is a summary of fees paid to the Responsible Entity:

Type of fee	Method of fee calculation	Consolidated 31 Dec 2021 $'000	Consolidated Period from 15 Oct 2020 to 31 Dec 2020 $'000
Base management fees	0.65% per annum of Gross Asset Value ('GAV') up to $1.5 billion 0.55% per annum of GAV in excess of $1.5 billion	5,449	621
Property management fees	3.0% of gross property income 15.0% of year 1 gross income on new leases	1,811	201
Leasing fees	7.5% of year 1 gross income on renewals	793	247
Development management fees	5.0% of project spend up to $2.5 million 3.0% of project spend up to $2.5 million	1,035	627
Acquisition fees	1.0% purchase price	6,266	1,040
Reimbursement of Responsible Entity expenses	Cost recovery	412	45

Note 20. Related party transactions (continued)

As at 31 December 2021 no other transactions occurred with related parties (30 June 2021: $29.0 million). 30 June 2021 balance primarily relates to payments to Home Consortium Limited for a reimbursement of property acquisition deposits, capital expenditure and IPO transaction costs incurred during the establishment of the group.

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

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Current receivables:		
Trade receivables from Home Investment Consortium Trust - a director related entity of David Di Pilla and Greg Hayes	345	200
Current payables:		
Trade and other payables to the Investment Manager and Property Manager	2,659	4,299
Trade and other payables to the Responsible Entity	-	26
Trade and other payables to Home Consortium Limited	1,927	1,927

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

Note 21. Earnings per unit

	Consolidated	
	31 Dec 2021 $m	Period from 15 Oct 2020 to 31 Dec 2020 $m
Profit/(loss)	120.6	(22.2)
	Number	Number
Weighted average number of units used in calculating basic earnings per unit	766,229,238	450,672,303
Weighted average number of units used in calculating diluted earnings per unit	766,229,238	450,672,303
	Cents	Cents
Basic earnings per unit	15.74	(4.93)
Diluted earnings per unit	15.74	(4.93)

Note 22. Events after the reporting period

The Merger was approved by the Supreme Court of New South Wales on 22 February 2022 with a planned implementation date of 4 March 2022. This followed securityholder approval of all required resolutions at each of the AVN scheme meeting held on 25 January 2022 and the HDN general meeting held on 24 January 2022.

The acquisition accounting for AVN will be completed in the next reporting period.

As part of the Merger HDN upsized its existing $800.0 million debt facility to a $1,620.0 million senior secured debt facility and entered into $300.0 million of additional interest rate hedging. The senior secured debt facility now comprises two term facilities of $810.0 million and $300.0 million expiring in July 2026 and January 2024 respectively and a $510.0 million revolver facility expiring in July 2024.

The impact of the COVID-19 pandemic is ongoing including the impacts from the recent omicron variant outbreaks across multiple Australian states and territories. Whilst the REIT's properties currently have no lockdown restrictions imposed, the outlook remains uncertain.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the REIT's operations, the results of those operations, or the REIT's state of affairs in future financial years.

HomeCo Daily Needs REIT
Directors' declaration
31 December 2021

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the REIT's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and

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

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

S A Shakesheff

Simon Shakesheff
Chair

David Di Pilla
Director

22 February 2022

Independent auditor's review report to the unitholders of HomeCo Daily Needs REIT

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of HomeCo Daily Needs REIT (the Trust) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of HomeCo Daily Needs REIT does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibilities of the directors for the half-year financial report

The directors are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S J Hadfield
Partner

Sydney
22 February 2022