



## ASX RELEASE

22 October 2021

## HOME CONSORTIUM ANNUAL REPORT 2021

Home Consortium (ASX: HMC) provides the attached Annual Report 2021. It is being despatched today to those securityholders who have elected to receive it.

-ENDS-

For further information, please contact:

### INVESTORS

**Misha Mohl**  
**Group Head of Strategy & IR**  
+61 422 371 575  
[misha.mohl@home-co.com.au](mailto:misha.mohl@home-co.com.au)

**Will McMicking**  
**Group Chief Financial Officer**  
+61 451 634 991  
[william.mcmicking@home-co.com.au](mailto:william.mcmicking@home-co.com.au)

### MEDIA

**John Frey**  
**Corporate Communications Counsel**  
+61 411 361 361  
[john@brightoncomms.com.au](mailto:john@brightoncomms.com.au)

Authorised for release by the Home Consortium Board

### **About HomeCo**

*HomeCo is an ASX-listed fund manager which invests in high conviction and scalable real asset strategies on behalf of individuals, large institutions and super funds. HomeCo is well capitalised and resourced to internally fund its strategy to grow FUM to \$5bn+ in the medium term by leveraging its 'Own, Develop and Manage' model.*

*HomeCo is the manager of HomeCo Daily Needs REIT (HDN) which listed in Nov-20 and owns approximately \$1.6bn of assets. HomeCo's second ASX-listed externally managed vehicle, HealthCo Healthcare and Wellness REIT (HCW) listed in September 2021.*

# Home Consortium

**Home Consortium Limited**

ACN 138 990 593

**Home Consortium Developments Limited**

ACN 635 859 700

## Annual Report

For the year ended 30 June 2021



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## ABOUT HOMECO

HomeCo is an ASX-listed fund manager which invests in high conviction and scalable real asset strategies on behalf of individuals, large institutions and super funds. HomeCo is well capitalised and resourced to grow its funds management strategy and increase externally managed AUM to \$10 billion+ by 2024.

HomeCo is the manager of HomeCo Daily Needs REIT (HDN) which listed in November 2020 and HealthCo Healthcare and Wellness REIT (HCW) which listed in September 2021.





As an owner, developer and manager of long duration assets we are committed to sustainable practices that drive *long-term value* creation and achieve a positive impact on the communities in which we operate



HIGHLIGHTS

# Transition to capital light funds management model *successfully* executed

**+163% TSR**

SINCE IPO IN OCTOBER 2019<sup>1</sup>  
**+158%** outperformance vs ASX200  
A-REIT Index

**~\$1 billion**

PRO FORMA LIQUIDITY<sup>2,3</sup>  
Significant funding capacity to scale  
platform to \$10 billion+ of AUM

**NET CASH**

PRO FORMA<sup>2</sup>  
vs 35.6% gearing at 30 June 2020

**\$208 million**

DIRECT PROPERTY INVESTMENTS<sup>4</sup>  
Future pipeline for HDN /  
sale to 3rd party and HealthCo

**13.1cents**

FY21 FFO / SECURITY  
+51% increase on FY20 of 8.7cps  
Final FY21 dividend of 6.0 cents (50% franked)

**\$432 million**

CO-INVESTMENTS<sup>5</sup>  
HDN (27%) and HCW (20%)



**\$2.5 billion**

TOTAL AUM<sup>6</sup>

+144% growth vs June 2020

**~\$130 million**

HDN DEVELOPMENT PIPELINE

7.0%+ ROIC<sup>6</sup>

**HealthCo REIT**

2nd EXTERNALLY MANAGED REIT

\$650 million IPO fully underwritten

Successfully listed in September 2021

**\$500 million+**

HEALTHCO DEVELOPMENT PIPELINE<sup>7</sup>

7.0%+ IRR

**+85%**

GROWTH IN HDN REIT AUM DURING 2021

On-track to grow AUM to \$10 billion+  
over the medium-term

**Partnership**

STRATEGIC ALLIANCE WITH PDG

Large scale healthcare & wellness  
precinct opportunities

**Source:**

JRESS market data as at 20 August 2021. All metrics represent the portfolio for the 12 months ended 30 June 2021 unless otherwise specified.

**Notes:**

1. Since HomeCo IPO to 1 October 2021.
2. June 2021 balance sheet proforma for the sale of 7 properties to HDN on 1 July 2021 and the HCW establishment in September 2021.
3. Refer to slide 7.
4. Includes HealthCo properties acquired post 30 June 2021.
5. HDN co-investment mark-to-market value of \$302 million as at 20 August 2021 and 20% interest in HCW of \$130 million at IPO issue price.
6. Return on Invested Capital (ROIC) represents cash yield on cost once development is fully stabilised. Estimated ROIC is based on assumptions relating to future income, valuation, capex and calculated on a fully stabilised basis.
7. Includes estimated expenditure to complete Proxima and Camden (3 stages).

## FUNDS MANAGEMENT STRATEGY

# HomeCo has a proven track record as an active and *value-add* manager

Home Consortium   ASX: HMC			
Home Co. Daily Needs REIT	ASX: HDN	Health Co. REIT	ASX: HCW
<ul style="list-style-type: none"> <li>✓ Established in November 2020 through in-specie distribution and IPO</li> <li>✓ Focused on convenience based assets targeting consistent and growing distributions</li> <li>✓ 82% growth in portfolio value since IPO<sup>1</sup></li> <li>✓ Near term potential for S&amp;P/ASX 300 and FTSE EPRA NAREIT index inclusion</li> </ul>		<ul style="list-style-type: none"> <li>✓ Successfully listed on the ASX on 6 September 2021</li> <li>✓ Only ASX-listed diversified healthcare REIT</li> <li>✓ IPO strongly oversubscribed and upsized</li> <li>✓ Net cash position provides &gt;\$300 million of immediate investment capacity for accretive acquisitions and developments</li> <li>✓ Significant addressable market opportunity of \$218 billion across target sectors in Australia</li> </ul>	
AUM <sup>1,2</sup>		AUM <sup>3</sup>	
~\$1.6 billion		~\$0.6 billion	
Market Capitalisation <sup>1,2</sup>		Market Capitalisation <sup>3</sup>	
~\$1.1 billion		~\$0.7 billion	
Target gearing range		Target gearing range	
30-40%		30-40%	

## Notes:

1. Includes acquisition of LFR Portfolio (announced April 2021, settled in July 2021) and Victoria Point (announced July 2021, expected to settle in August 2021).

2. As at 20 August 2021.

3. At IPO (September 2021) issue price.





## EXPOSED TO POWERFUL MEGATRENDS

# HomeCo is *focused* on high conviction themes where we can invest at scale



## LAST MILE LOGISTICS

- The secular shift to omni-channel retailing is a megatrend which has been significantly accelerated by Covid-19
- Retailers are increasingly leveraging their existing store networks as the optimal solution for both in-store and online fulfilment
- Stores in densely populated locations are best positioned to operate as last mile fulfilment centres due to customer proximity
- HDN owns strategically located and underutilised sites which can support logistical infrastructure at competitive rents
  - 88% metro located portfolio
  - >7 million people within 10km radius of HDN asset
  - 73% tenants have Click & Collect & 86% offer delivery
- Online grocery penetration in Australia is well below other advanced markets

*“The pandemic has rapidly accelerated the digital transformation of retail but as lockdowns come to an end and the economy recovers, many firms are wondering what the future will hold. Customers are unlikely to go back to their old ways of shopping”*

**Harvard Business Review<sup>1</sup>**

Source: 1. Michael Ketzenberg and M Serkan Akturk (May 2021).



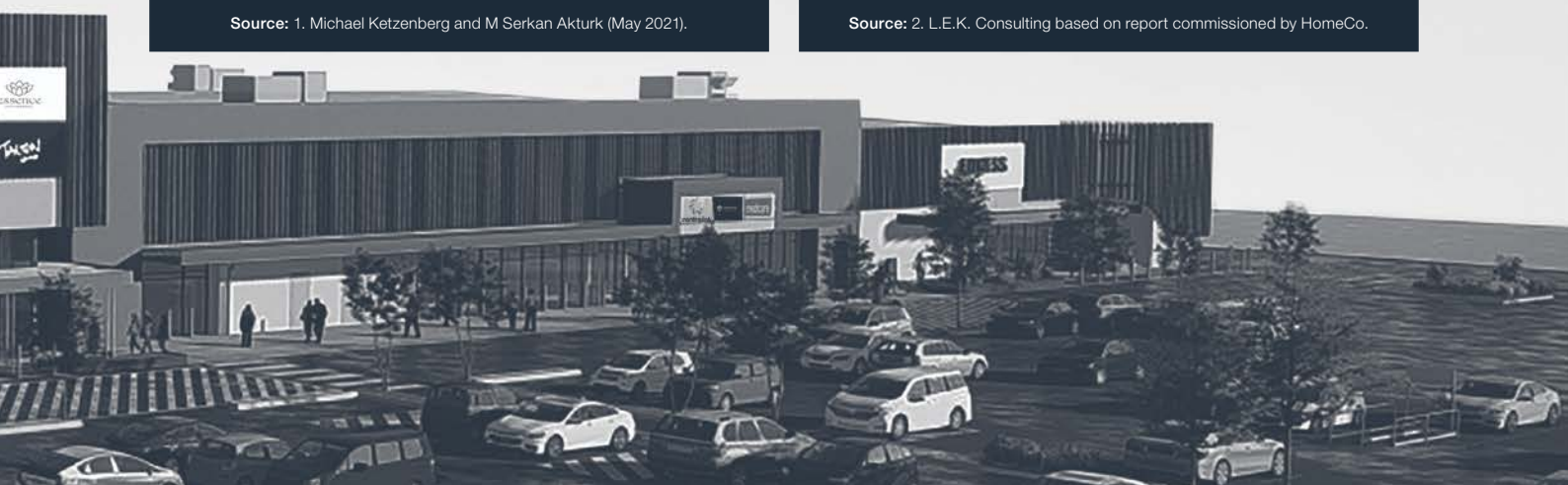
## HEALTH & WELLNESS

- Long-term demand for healthcare is underpinned by demographic tailwinds, technological advancements and increased consumer focus and expenditure on quality of care and outcomes
  - Australians 65+ are set to grow by 1.3 million to 5.6 million by 2030<sup>2</sup>
  - The 85+ aged group is expected to grow by 45% by 2030<sup>2</sup>
  - In the last 20 years household consumption on health & wellness has increased by 50% as a proportion of total<sup>2</sup>
- Recurring expenditure across HealthCo's target sectors reached \$194 billion in FY19 and is growing at twice the rate of GDP growth<sup>2</sup>
- The installed asset base across the target sectors is ~\$220 billion<sup>2</sup>
  - Another ~\$87 billion+ assets are required over the next 20 yrs<sup>2</sup>

*“These underlying trends will continue to drive growth as the population ages and demands more healthcare and wellness services from the ecosystem”*

**L.E.K. Consulting<sup>2</sup>**

Source: 2. L.E.K. Consulting based on report commissioned by HomeCo.





# Chair and Chief Executive Officer's Letter

FY21 was a transformational year for HomeCo on our journey to become Australia's alternative asset manager of the future. The management team made significant progress executing against our ambitious strategy which has delivered strong total returns for investors as demonstrated by HomeCo's sector leading total securityholder return (TSR) of 113% over FY21.

HomeCo has successfully transitioned from a pure asset owner with \$0.9 billion of AUM at IPO to a capital light fund manager with the ability to grow externally managed AUM to \$10 billion+ with existing capital sources. Post the establishment of HealthCo Healthcare & Wellness REIT (ASX: HCW) in September 2021, HomeCo now manages two ASX-listed vehicles in sectors which are opportunity rich and exposed to attractive global megatrends – last mile logistics and health & wellness.

HomeCo is committed to the long-term success of its vehicles through strong alignment and governance and well established investment mandates based on bottom-up model portfolio construction and a focus on capital protection for our investors. This approach is fundamental to our strategy and will support our ambition to become a leading alternative asset manager.

Post the establishment of HCW, HomeCo has \$1 billion of available liquidity providing significant capacity to rapidly scale our funds management platform and expand into new alternative asset classes (including private equity, infrastructure, and credit) which leverage our ability to execute large complex transactions and access both retail and institutional capital. Our goal is to grow externally managed AUM to \$5 billion by the end of 2022 and \$10 billion by the end of 2024.

The key financial and operational highlights of the result were:

## Financial highlights

- FY21 FFO of 13.1 cps, up 51% versus FY20 pro forma FFO of 8.7 cps, or 15.2 cps on an adjusted basis for the HDN in-specie distribution, up 75% versus FY20 pro forma FFO

- Pro forma June 2021 net cash position versus 35.6% gearing at June 2020<sup>1</sup>
- ~\$1 billion liquidity<sup>2</sup>, provides capacity to scale funds management platform to \$10 billion+ of AUM by CY24
- 163% TSR<sup>3</sup> since IPO in October 2019, outperforming the S&P/ASX 200 A-REIT Index by 157%<sup>4</sup>

## Operational highlights

- Total AUM of \$2.5 billion up +144% since FY20<sup>5</sup>
- Successfully listed HomeCo Daily Needs REIT (ASX: HDN) in November 2020 and grown AUM by 82%<sup>5</sup>
- HealthCo REIT (ASX: HCW) successfully listed in September 2021 following \$650 million equity raising

## Funds management update

In FY21, HomeCo successfully executed the transition to a capital light fund manager. Following the establishment of HCW, HomeCo directly owns \$207.7 million of direct property investments comprising \$188.1 million LFR assets and \$19.6 million healthcare assets.

This is consistent with HomeCo's strategy since IPO to actively recycle capital from its direct property investments into co-investments in HomeCo managed vehicles which generate additional capital light income streams. HomeCo's capital light model has the potential to deliver enhanced equity returns and significant value creation as capital recycling proceeds are re-invested at higher returns and above HomeCo's cost of capital.

HomeCo now manages \$2.2 billion of external AUM<sup>6</sup> across two ASX-listed vehicles versus nil in the prior corresponding period. Post the establishment of HCW REIT, HomeCo owns \$432 million<sup>7</sup> of co-investments across its 27% and 20% co-investments in HDN and HCW respectively. HomeCo's strategy is to hold 10-15% long term co-investments in its ASX-listed REITs.

### HomeCo Daily Needs REIT (ASX: HDN) update

- HomeCo Daily Needs REIT established via in-specie distribution and listed on the ASX in November 2020
- Since listing HDN's portfolio has grown by +82% to approximately \$1.6 billion in real property assets
- FY21 FFO of \$21.4 million outperformance of 14% versus PDS FY21 FFO guidance of \$18.8 million
- Reaffirmed FY22 FFO per unit guidance of 8.3 cps versus annualised FY21 PDS guidance of 6.7 cps
- Development pipeline increased to >\$130 million<sup>8</sup> and expected to deliver attractive ROIC and FFO growth
- Well positioned to benefit from the secular shift to omni-channel retailing with a strategic network of last mile infrastructure and rents at the bottom of the retail landlord cost curve

### HealthCo Healthcare & Wellness REIT (ASX: HCW) update

- IPO successfully completed in early September 2021
- Strong level of investor demand drove upsize of IPO to \$650 million versus initial plans to raise \$500 million
- Only ASX-listed diversified healthcare REIT targeting balanced exposure across Hospitals; Aged Care; Childcare; Government, Life Sciences & Research; and Primary Care & Wellness properties
- HomeCo holds a 20% initial co-investment in HCW
- Strategic alliance with PDG Corporation announced in Aug-21 to support large scale Healthcare & Wellness precinct development opportunities
- Well positioned to benefit from megatrends underpinning long-term healthcare demand growth including ageing population, technological advancements, and evolving consumer preferences

### Outlook

The strong momentum has continued in FY22 with the successful ASX-listing of HCW in September 2021 following a \$650 million equity raising which was strongly oversubscribed and subsequently upsized. Looking ahead, our management team remains highly motivated and excited to take HomeCo into its next growth phase. HomeCo will continue to evolve in a disciplined and measured way towards its ambition to become Australia's alternative asset manager of the future.

HomeCo has started FY22 with strong momentum and is pleased to provide the following guidance<sup>9</sup>:

- Pre-tax FFO of at least 18.5 cents per security up +35% on FY21<sup>10</sup>
- FY22 DPS guidance of 12.0 cents (65% pre-tax FFO payout ratio<sup>11</sup>)

As a fund manager, HomeCo now has greater re-investment opportunities with the potential to generate returns above its cost of capital. HomeCo will maintain a flexible approach with regard to future distributions as it continually assesses its capital needs.

On behalf of the Board of Directors we would like to thank our securityholders for your ongoing support of HomeCo.



**Chris Saxon**  
Chair



**David Di Pilla**  
Managing Director and  
Chief Executive Officer

1. Pro forma for the completion of the sale of the LFR Portfolio (7 assets) to HDN on 1 July 2021 and the establishment of HCW REIT.

2. Refer to slide 7 of the FY21 results presentation.

3. Total securityholder return. Period from HomeCo IPO (October 2019) to 1 October 2021. Source: IRESS as at 1 October 2021.

4. Including HDN in-specie distribution. Assumes dividends reinvested on ex-dividend date and in-specie distribution received on IPO date (23 November 2020).

5. Includes acquisitions announced post 30-June 2021 for HDN and HCW. Includes investment properties and cash.

6. Post establishment of HCW REIT in September 2021

7. HDN co-investment mark-to-market value of \$302 million as at 20 August 2021 and 20% interest in HCW of \$130 million at IPO issue price.

8. Includes brownfield development pipeline and remaining cost to complete for Ellenbrook (WA).

9. Outlook statements have been made barring any unforeseen circumstances and on the basis that COVID-19 lockdowns and government-mandated restrictions do not escalate beyond the present circumstances.

10. Growth relative to FY21 pre-tax FFO per security.

11. Maximum pre-tax payout ratio based on 18.5 cps pre-tax FFO guidance.



# Directors' Report

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' or 'Home Consortium') consisting of HCL and the entities it controlled at the end of, or during, the year ended 30 June 2021, and the consolidated financial statements of HCDL and the entities it controlled at the end of, or during, the year ended 30 June 2021 ('FY21').

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 presented in the financial statements is for the period 1 July 2020 to 30 June 2021. The comparative period was from the date of incorporation 29 August 2019 to 30 June 2020.

## Directors

The following persons were directors of the Home Consortium during the whole of the financial period and up to the date of this report, unless otherwise stated:

- Chris Saxon – Independent Non-Executive Chair (appointed as Chair from 1 January 2021)
- David Di Pilla – Managing Director and Chief Executive Officer (Chair until 31 December 2020)
- Zac Fried – Non-Executive Director
- Greg Hayes – Non-Executive Director
- Brendon Gale – Independent Non-Executive Director
- Jane McAloon – Independent Non-Executive Director
- Kelly O'Dwyer – Independent Non-Executive Director (appointed on 18 November 2020)

## Principal activity

The principal activities of the group during the year were the ownership, development and management of a property portfolio and the investment in and management of property funds.

## Review of operations and financial performance

FY21 was another transformative year for Home Consortium as it completed a number of major strategic transactions to progress funds management initiatives via its 'Own, Develop and Manage' strategy including:

### *HomeCo Daily Needs REIT*

- Establishment of the HomeCo Daily Needs REIT ('HDN') that owns a portfolio of convenience-based assets and listed on the ASX on 23 November 2020. HDN is externally managed by Home Consortium and was established via a distribution in specie of ordinary units in HDN to Home Consortium securityholders ('Capital Distribution'). In addition to the Capital Distribution, HDN completed an equity raising of \$300.0 million at the time of the ASX listing. Home Consortium retained a direct investment in HDN of approximately 26.6% as at the ASX listing date.
- Home Consortium has actively managed HDN during FY21 growing assets under management from \$0.9 billion at ASX listing in November 2020 to \$1.4 billion as at 30 June 2021 whilst delivering total shareholder returns of 8.7% (14.2% annualised) to 30 June 2021.

### *HealthCo Healthcare and Wellness REIT*

- Home Consortium completed and/or contracted approximately \$215.6 million of healthcare and wellness focused property acquisitions during FY21 as seed assets for a planned Healthcare and Wellness focused REIT to be managed by Home Consortium.

- Subsequent to 30 June 2021, Home Consortium lodged on 2 August 2021 a product disclosure statement ('PDS') with the Australian Securities and Investments Commission in relation to the proposed establishment of an ASX listed HealthCo Healthcare and Wellness REIT ('HCW') and entered into an underwriting agreement in relation to an offer of new ordinary units to raise \$650.0 million in September 2021. Home Consortium will have a direct investment in HCW of approximately 20.0% as at the ASX listing date.

### Capital recycling

- As part of its strategy to transition to a capital light fund manager Home Consortium completed approximately \$335.4 million of asset disposals during FY21. This included the contracted sale of seven large format retail assets to HDN for a total purchase price of \$266.4 million. HDN unitholder approval was obtained at an extraordinary general meeting on 16 June 2021 and settlement occurred on 1 July 2021.
- The establishment of HealthCo Healthcare and Wellness REIT will see the majority of healthcare and wellness properties transfer to HCW and which are classified as held for sale assets as at 30 June 2021. Home Consortium is expected to be in a net cash position following the establishment of HCW.

A summary of Home Consortium's financial performance for the period ended 30 June 2021 is detailed below.

A comparison is provided to the freehold portion of the portfolio in FY20.

	<b>FY20 Freehold \$'000</b>	<b>FY21 Consolidated \$'000</b>
Total revenue	63,012	78,832
Net loss for the period	5,968	(85,904)
Funds from operations ('FFO')	10,058	35,785
Weighted average securities on issue	167.3	273.2
FFO per security (cents)	6.0	13.1

Home Consortium recorded FY21 total revenue of \$78.8 million (FY20 Freehold: \$63.0 million), a statutory loss after tax of \$85.9 million (FY20 Freehold: \$6.0 million profit after tax) and funds from operations ('FFO') of \$35.8 million (FY20: \$10.1 million). FFO represents the REIT's underlying and recurring earnings from its operations and is determined by adjusting the statutory loss after tax for items which are non-cash, unrealised or capital in nature.

The FY21 statutory loss after tax was primarily attributable to property FFO of \$35.8 million, offset by fair value movements of \$22.0 million and income tax expense of \$89.4 million.

A summary of the Home Consortium's reconciliation between the consolidated statutory loss after tax and funds from operations ('FFO') is detailed below.

	<b>FY20 Freehold \$'000</b>	<b>FY21 Consolidated \$'000</b>
Statutory profit/(loss) after tax	5,968	(85,904)
Income tax (expense)/benefit	5,920	87,680
Straight lining and amortisation	704	3,503
Acquisition and transaction costs	5,750	7,508
Amortisation of borrowing costs	7,385	2,976
Fair value movements	(14,618)	21,953
Leasehold rent adjustment	(1,051)	—
Share of associate profit to FFO	—	(2,846)
Other adjustments	—	915
<b>FFO</b>	<b>10,058</b>	<b>35,785</b>



# Directors' Report continued

## Summary of financial position

A summary of the Home Consortium's financial position as at 30 June 2021 is detailed below.

	FY20 Freehold \$'000	FY21 Consolidated \$'000
<b>Assets</b>		
Investment properties	1,013,750	188,100
Total assets	1,277,658	982,413
Net assets	729,530	710,980
Net tangible assets	729,530	710,980
Adjusted net tangible assets	632,948	691,345
Number of securities on issue (million)	197.9	290.1
Net tangible assets (\$ per security)	3.69	2.45
Adjusted net tangible assets (\$ per security)	3.20	2.38
<b>Capital management</b>		
Debt facility limit	500,000	315,000
Drawn debt	366,000	254,750
Cash and undrawn debt	136,852	71,944
Gearing ratio (%)	35.6%	25.6%
Hedged debt (%)	47.8%	68.7%
Cost of debt (% per annum)	2.4%	2.5%

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

\*\* Adjusted net tangible assets exclude the following: Lease mitigation account, right-of-use assets, lease liabilities, provisions and deferred tax assets.

### Property portfolio and net tangible assets:

The property portfolio comprised freehold investment properties as at 30 June 2021 with a fair value of \$188.1 million (30 June 2020: \$1,013.8 million). Adjusted net tangible assets was \$2.38 per security (30 June 2020: \$3.20 per security).

The reduction in investment properties and net tangible assets was primarily driven by the transfer of properties to HomeCo Daily Needs REIT and subsequent Capital Distribution. Investment properties was also impacted by the transfer of assets to held for sale in anticipation of the establishment of the HealthCo Healthcare and Wellness REIT.

### Capital raising:

During July 2020 Home Consortium undertook a \$140.0 million fully underwritten placement at \$2.88 per security and a non-underwritten share purchase plan which raised \$10.6 million to support the acquisition of seed assets for funds management activities. As part of the July 2020 acquisitions Home Consortium issued to the vendor of the Aurrum Erina property \$20.0 million of securities at \$2.88 per security. The issue of securities and acquisition of Aurrum Erina was approved by securityholders on 1 September 2020.

Home Consortium completed a \$125.0 million fully underwritten placement in December 2020 at \$3.80 per security to support the acquisition of properties for the planned HealthCo Healthcare and Wellness REIT.

### Financing:

As at 30 June 2021, the group had \$254.8 million of drawn debt (30 June 2020: \$366.0 million), a gearing ratio of 25.6% (30 June 2020: 35.6%) and cash and undrawn debt of \$72.4 million (30 June 2020: \$136.9 million). As part of the Capital Distribution Home Consortium reduced its debt facility limit by \$185.0 million to \$315.0 million (30 June 2020: \$500.0 million).

Hedged debt as a percentage of drawn debt was 68.7% as at 30 June 2021 (30 June 2020: 47.8%). The group's cost of debt was 2.5% per annum as at 30 June 2021 (30 June 2020: 2.4% per annum).

Subsequent to 30 June 2021 Home Consortium completed an upsize and extension of its existing three-year senior secured syndicated debt facility to a \$375.0 million senior secured syndicated debt facility expiring in November 2023.

## Distributions

Dividends paid during the financial year were as follows:

	30 June 2020 \$'000	30 June 2021 \$'000
Interim dividend for the year ended 30 June 2021 of 6.0 cents per ordinary share (2020: 4.50 cents)	8,906	17,407
Final dividend for the year ended 30 June 2020 of 7.5 cents per ordinary security	19,292	—
<b>Total</b>	<b>28,198</b>	<b>17,407</b>

On 24 August 2021, the directors determined a dividend to be paid of 6.0 cents per ordinary security to be paid on 1 October 2021 to eligible securityholders registered on 3 September 2021.

## 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 period

### Asset disposals

In April 2021 Home Consortium entered into conditional agreements to sell a 100% interest in a portfolio of seven large format retail assets to HDN for a total purchase price of \$266.4 million less estimated costs of the bonus unit issue of \$8.9 million. HDN unitholder approval was obtained at an extraordinary general meeting on 16 June 2021 and settlement occurred on 1 July 2021.

### Financing

On 29 July 2021 Home Consortium completed an upsize and extension of its existing three-year senior secured syndicated debt facility to a \$375.0 million senior secured syndicated debt facility expiring in November 2023.

### HealthCo Healthcare and Wellness REIT

Home Consortium entered into a number of contracted property acquisitions post 30 June 2021 in relation to seed assets for the establishment of the HealthCo Healthcare and Wellness REIT ('HCW').

This included a property portfolio leased to GenesisCare, a health and knowledge precinct fund through development located in Southport, QLD and the establishment of a joint venture with hospital operator Acurio Health Group to acquire and develop a 5 hectare integrated private hospital anchored health precinct in Camden, NSW. Additionally, a childcare centre in Nunawading, VIC has been acquired in August 2021 and contracts exchanged on another childcare centre in Armadale, VIC which is currently under development and expected to settle in December 2021. The acquisitions of Morayfield Health Hub, QLD and a childcare centre in Concord, NSW settled in July 2021, both of which were contracted pre-30 June 2021.

On 2 August 2021 Home Consortium lodged a product disclosure statement ('PDS') with the Australian Securities and Investments Commission in relation to the proposed establishment of an ASX listed managed investment scheme known as HealthCo Healthcare and Wellness REIT (ASX:HCW) and entered into an underwriting agreement in relation to an offer of new ordinary units to raise \$650.0 million in September 2021. Home Consortium will have a direct investment in HCW of approximately 20.0% of units on issue as at the ASX listing date, which is subject to a 12-month voluntary escrow arrangement.



## Directors' Report continued

### *Ballarat property settlement*

On 15 July 2021 a subsidiary of HCDL completed the acquisition of the leasehold property located at 101 Learmonth Road, Wendouree (Ballarat) from a third party vendor. Given that the property was leased by a subsidiary of Home Investment Consortium Company Pty Ltd (HICC) at the time and in accordance with commercial terms agreed and approved as between HCDL and HICC, a payment of \$10.8 million was paid by HCDL to HICC in connection with this transaction, representing the difference between the independent valuation at settlement less a 7.5% discount and the contract price with the third party vendor plus working capital adjustments.

### *Convertible Notes*

Post year end, Home Consortium have invested in convertible notes worth \$1.2 million with Aurrum Childcare Pty Ltd, a related party, pursuant to the terms of a Subscription and Shareholders Deed.

### *COVID-19*

The impact of the COVID-19 pandemic is ongoing following the recent delta variant outbreaks and lockdown restrictions imposed across multiple Australian States and Territories. Whilst the majority of the HomeCo properties or managed funds have either a supermarket, pharmacy or health services as 'essential services' tenants the outlook remains uncertain.

Apart from the dividend determined as discussed above, no other matter or circumstance has arisen since 30 June 2021 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**

### **Home Consortium objectives**

The group's objective is to provide securityholders with above average risk-adjusted returns via its funds management strategy.

The group intends to achieve this objective by investing in high conviction and scalable real asset strategies on behalf of securityholders and Home Consortium managed funds (third party capital).

The group will undertake these activities whilst maintaining an appropriate capital structure and approach to sustainability.

### **Risk considerations**

#### *COVID-19*

Despite the government's current efforts to bolster its continued roll-out of COVID-19 vaccinations in Australia, the volatility and uncertainty caused by the ongoing COVID-19 pandemic has caused significant disruption for all our stakeholders. The group's targeted focus on managing convenience and healthcare assets means that Home Consortium is well-positioned to minimise the future impacts of COVID-19.

#### *Financial risks*

Home Consortium's performance is linked to the performance of its property assets (owned and managed) which derive their income through leasing arrangements with tenants. Home Consortium has sought to protect this property income by having a diversified group of national tenants that operate sustainable business models, maintaining high occupancy rates and setting sustainable rents with its tenants.

The key economic risk for the group's property assets (owned and managed) relate to interest rate movements and the impact of this on property capitalisation rates and the cost of debt funding. Home Consortium seeks to mitigate this risk by investing in quality properties, maintaining an appropriate capital structure with a target gearing ratio of 30% – 40% within managed funds and having adequate interest rate hedging in place.

#### *Sustainability and climate-related and environmental risks*

Sustainability is a key element of the Home Consortium's business approach, driven by the belief that sustainable investments are aligned to long-term value creation and should not be dilutive to returns. HMC has established a sustainability subcommittee of the HMC Board that governs HMC's sustainability strategy and initiatives across its managed funds, including the REIT. HMC became a signatory to the UNPRI and a GRESB participating member in

February 2021. These two organisations will provide an investment and reporting framework to help shape the REIT's future strategies and risk framework.

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

## 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.

## Information on directors

<b>Name:</b>	<b>Chris Saxon</b>
<b>Title:</b>	<i>Chair</i>
<b>Experience and expertise:</b>	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 Chair of Baker McKenzie Australia for five years (2012-2017) and has held numerous leadership roles within the firm.
<b>Other current directorships:</b>	None
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Chair of the Remuneration and Nomination Committee (until present) and member of the Audit and Risk Committee (until 31 December 2021).
<b>Interests in shares:</b>	175,776 ordinary shares
<b>Interests in rights:</b>	36,409 share rights over ordinary shares
<b>Name:</b>	<b>David Di Pilla</b>
<b>Title:</b>	<i>Managing Director and Chief Executive Officer</i>
<b>Experience and expertise:</b>	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.
<b>Other current directorships:</b>	Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) – appointed on 18 September 2020.
<b>Former directorships (last 3 years):</b>	None
<b>Interests in shares:</b>	37,310,910 ordinary shares
<b>Interests in rights:</b>	912,641 share rights over ordinary shares

## Directors' Report continued

<b>Name:</b>	<b>Zac Fried</b>
<b>Title:</b>	<i>Non-Executive Director</i>
<b>Experience and expertise:</b>	<p>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 Chair 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 260 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.</p>
<b>Other current directorships:</b>	None
<b>Former directorships (last 3 years):</b>	None
<b>Interests in shares:</b>	24,536,064 ordinary shares
<b>Interests in rights:</b>	23,618 share rights over ordinary shares
<b>Name:</b>	<b>Greg Hayes</b>
<b>Title:</b>	<i>Non-Executive Director</i>
<b>Experience and expertise:</b>	<p>Greg is currently a Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN); Non-Executive Director of Ingenia Communities (ASX:INA) and non-executive director of Aurrum Holdings Pty Ltd. Having worked across a range of industries including property, infrastructure, energy and logistics, Greg's skills and experience include strategy, finance, mergers and acquisitions and strategic risk management, in particular in listed companies with global operations. Greg was previously Chief Financial Officer and executive director of Brambles Limited, Chief Executive Officer and Group Managing Director of Tenix Pty Ltd, Chief Financial Officer and later interim Chief Executive Officer of the Australian Gaslight Company, Chief Financial Officer Australia and New Zealand of Westfield Holdings, Executive General Manager, Finance of Southcorp Limited. Greg has also held non-executive director roles at Incitec Pivot Limited and The Star Entertainment Group Ltd.</p> <p>Greg has a Master of Applied Finance, a Graduate Diploma in Accounting, a Bachelor of Arts, completed an Advanced Management Programme (Harvard Business School, Massachusetts) and is a Member of the Institute of Chartered Accountants Australia and New Zealand.</p>
<b>Other current directorships:</b>	<p>Non-Executive Director of Ingenia Communities (ASX:INA)</p> <p>Non-Executive Director of HomeCo Daily Needs REIT (ASX: HDN) – appointed on 16 October 2020.</p>
<b>Former directorships (last 3 years):</b>	Prezzee Pty Ltd – retired 13 August 2021, The Precision Group – retired 13 August 2021.
<b>Special responsibilities:</b>	Member of the Audit and Risk Committee
<b>Interests in shares:</b>	10,190,683 ordinary shares
<b>Interests in rights:</b>	24,137 share rights over ordinary shares



<b>Name:</b>	<b>Jane McAloon</b>
<b>Title:</b>	<i>Non-Executive Director</i>
<b>Experience and expertise:</b>	<p>Jane is a non-executive director of Energy Australia, United Malt Group, Newcrest Mining, Allianz Australia and is a member of the Advisory Board of Allens Linklaters. She is also Chairman of Monash University Foundation.</p> <p>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 Viva Energy, Port of Melbourne, Civil Aviation Safety Authority, Cogstate Limited, Healthscope Limited, Bravery Trust, Defence Reserves Services Council, Referendum Council on Constitutional Recognition for Aboriginal and Torres Strait Islander Peoples and the Australian War Memorial.</p> <p>Jane has a Bachelor of Economics (Hons) and Bachelor of Laws from Monash University, a Grad Dip Corporate Governance and was awarded a Monash University Fellowship in 2018.</p>
<b>Other current directorships:</b>	Non-executive director of Energy Australia – appointed 19 December 2012, United Malt Group – appointed 13 February 2020, Allens Linklaters – appointed 25 September 2019, Allianz Australia Ltd – appointed 1 July 2020, Newcrest Mining Limited – appointed 1 July 2021.
<b>Former directorships (last 3 years):</b>	Viva Energy Group Limited (ASX: VEA) – retired August 2021, GrainCorp Limited (ASX: GNC) – 23 March 2020; Cogstate Limited (ASX: CGS) – 21 October 2019), Port of Melbourne – 14 February 2020, Healthscope Limited – June 2019, Civil Aviation Safety Authority – December 2019, Defence Reserves Support Council – November 2019, Bravery Trust – June 2021.
<b>Special responsibilities:</b>	Chair of the Audit and Risk Committee, member of the Remuneration and Nomination Committee and member of the Sustainability Committee
<b>Interests in shares:</b>	165,175 ordinary shares
<b>Interests in rights:</b>	22,583 share rights over ordinary shares

## Directors' Report continued

<b>Name:</b>	<b>Brendon Gale</b>
<b>Title:</b>	<i>Non-Executive Director</i>
<b>Experience and expertise:</b>	<p>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 is experienced in leading 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.</p> <p>Brendon holds a Master's Degree in Arts and Bachelor of Laws from Monash University, has completed the Advanced Management Program at Harvard Business School and is a Graduate of the Australian Institute of Company Directors.</p>
<b>Other current directorships:</b>	Richmond Football Club Ltd, Aligned Leisure Pty Ltd
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Chair of the Sustainability Committee and member of the Remuneration and Nomination Committee
<b>Interests in shares:</b>	231,871 ordinary shares
<b>Interests in rights:</b>	21,546 share rights over ordinary shares
<b>Name:</b>	<b>Kelly O'Dwyer</b>
<b>Title:</b>	<i>Non-Executive Director</i>
<b>Experience and expertise:</b>	<p>Kelly served in the Australian Parliament as a Senior Cabinet Minister holding a number of key economic portfolios including Minister for Jobs and Industrial Relations; Minister for Revenue and Financial Services; Minister for Small Business; and Assistant Treasurer. She also served on the Cabinet's Budget Committee (the Expenditure Review Committee) and held the portfolios of Minister for Women; as well as Minister Assisting the Prime Minister with the Public Service.</p> <p>Prior to entering Parliament, Kelly worked in law, government and finance and brings insights across a range of sectors including funds management, superannuation, workplace relations, foreign investment, law and banking.</p> <p>Kelly is a member of the School Council at Caulfield Grammar School and a member of the Hospice Rebuild Capital Fundraising Committee for Very Special Kids.</p> <p>Kelly holds a Bachelor of Laws (Hons) and Bachelor of Arts from The University of Melbourne.</p>
<b>Other current directorships:</b>	Non-Executive Director of EQT Holdings Limited (ASX:EQT) and Non-Executive Director of Barrenjoey Capital Partners Group Holdings Pty Ltd (entity not listed).
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Member of the Audit and Risk Committee and member of the Sustainability Committee
<b>Interests in shares:</b>	Nil.
<b>Interests in rights:</b>	39,066 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 Group General Counsel and Company Secretary. He is responsible for all legal, compliance and governance activities of the group. Andrew has over 20 years of local and international experience in real estate and corporate law. 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 served on the Law Society of NSW In-House Corporate Lawyers Committee. Andrew has also been recognised in The Legal 500 GC Powerlist and Doyles 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 2021, and the number of meetings attended by each director were:

	Full board		Remuneration and Nomination Committee		Audit and Risk Committee		Sustainability Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
C Saxon	17	17	3	3	1	1	–	–
D Di Pilla	17	17	3 <sup>^</sup>	3 <sup>^</sup>	4 <sup>^</sup>	4 <sup>^</sup>	1 <sup>^</sup>	1 <sup>^</sup>
Z Fried	17	17	–	–	–	–	–	–
G Hayes	17	17	–	–	4	4	–	–
J McAloon	17	17	3	3	4	4	1	1
B Gale	17	17	3	3	–	–	1	1
K O'Dwyer*	8	8	–	–	3	3	1	1

\* From 18 November 2020.

<sup>^</sup> David Di Pilla attended meetings by invitation.

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

## 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.



## Directors' Report continued

### Shares under share rights

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

Plan	Grant date	Estimated vesting date	Exercise price	Number under rights
IPO	16/10/2019	16/10/2022	Nil	295,522
FY20 LTI	16/10/2019	30/08/2022	Nil	374,627
COVID	27/08/2020	27/08/2022	Nil	225,356
FY21 CEO LTI	25/11/2020	30/08/2023	Nil	322,785
FY21 NED	25/11/2020	27/08/2021	Nil	124,512
FY21 KMP LTI	18/01/2021	30/08/2023	Nil	305,290
IPO Top Up	13/01/2021	16/10/2022	Nil	48,797
FY20 LTI Top Up	13/01/2021	30/08/2022	Nil	61,858
COVID Top Up	13/01/2021	27/08/2022	Nil	37,211
FY21 CEO LTI Top Up	13/01/2021	30/08/2023	Nil	53,298
FY21 NED Top Up	13/01/2021	27/08/2021	Nil	20,560
<b>Total</b>				<b>1,869,816</b>

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.

### Shares issued on the exercise of options

There were no ordinary shares of Home Consortium issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

### Shares issued on the exercise of performance rights

There were no ordinary shares of Home Consortium issued on the exercise of performance rights during the year ended 30 June 2021 and up to the date of this report.

### 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 30 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 30 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 and Protocol which is publicly available. In addition, the independent directors confirm that all related party transactions have been considered by the Audit and Risk Committee in accordance with the Related Party Transaction Policy and Protocol.

### 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*.

# Directors' Report continued

## 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 2021 ('FY21').

### 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 fixed remuneration ('FR') (base salary and superannuation), short-term incentive plan ('STIP') and long-term incentive plan ('LTIP').

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 securityholders, performance alignment of executive compensation, sustainable asset management as well as transparency and clarity.

### Overview of FY21 Performance

The Board considers that the Group has performed very strongly in FY21 to execute its funds management initiatives via its 'Own, Develop and Manage' strategy. Each member of the management team demonstrated considerable effort in contributing to this strategy.

The establishment of the ASX-listed HomeCo Daily Needs REIT ('HDN') in November 2020 was a significant milestone for the Group, representing the establishment of Home Consortium's maiden externally managed fund. Home Consortium has actively managed HDN since listing, growing assets under management from \$0.9 billion from listing to \$1.4 billion as at 30 June 2021 whilst delivering total shareholder returns of 8.7% (14.2% annualised) to 30 June 2021.

The Group also actively progressed its planning for the establishment of a listed Healthcare and Wellness REIT as well as an unlisted healthcare and wellness wholesale fund. Subsequent to 30 June 2021 the Group lodged a Product Disclosure Statement ('PDS') with the Australian Securities and Investments Commission on 2 August 2021 in relation to the proposed establishment of the listed HealthCo Healthcare and Wellness REIT and entered into an underwriting agreement in relation to an offer of new ordinary units to raise \$650 million.

In FY21 the Group also delivered on its value accretive objectives with respect to total shareholder returns and financial performance, whilst effectively managing the impacts of COVID-19 on the business. The key highlights include:

- 113.2% total shareholder return for the 12 months to 30 June 2021, representing 82.6% outperformance versus the S&P/ASX 300 A-REIT index;
- FY21 FFO of \$35.8 million or 13.1 cents per security, representing a 118% increase vs. FY20 FFO per security; and
- \$2.2 billion in assets under management following the establishment of HealthCo Healthcare and Wellness REIT in September 2021.

### FY21 Remuneration Outcomes

The following are the key remuneration decisions and outcomes from FY21. They demonstrate the strong alignment between Group performance and executive remuneration outcomes.

- Despite the very successful first year of listing in FY20, the FY21 salary changes to Executive KMP were broadly set at a modest 2%, with the exception of a 14% salary increase for the Chief Financial Officer to reflect the Group's increase in FFO and asset base over the course of FY21;
- As in FY20, the Managing Director and Chief Executive Officer did not participate in the STIP;
- STIP outcomes for the other Executive KMP were assessed relative to delivery of the Group's FFO per security and individual KPIs which were determined to have been successfully met;
- No LTIP awards vested during FY21 as the first LTIP awards were made in FY20 and have a three-year performance period; and
- The only change to Non-Executive Director fees was setting an Independent Chair's fee of \$250,000 when this position was established on 1 January 2021.



## Board and Executive KMP Changes

In FY21 the following key changes were made that impact the Board and KMP composition:

- The Board agreed that Mr Chris Saxon would take over as the Independent Chair of the Board from 1 January 2021, from the Managing Director and Chief Executive Officer Mr David Di Pilla;
- Ms Kelly O'Dwyer joined the Board as a Non-Executive Director from 18 November 2020;
- Shareholders approved a 20% increase of the Non-Executive Director fee pool at the 2020 Annual General Meeting to \$1,200,000; and
- The Group undertook an internal restructure on 18 June 2021 that consolidated the number of senior executives who should be considered KMP. This meant that from 18 June 2021, the General Counsel and Company Secretary and Development Director roles will no longer be considered KMP. Despite that, these executives remain valued and important senior executives of the Company.

These changes continue to demonstrate the Company's growth and development as a major listed company and its commitment to full compliance with ASX Corporate Governance Council guidelines and recommendations.

## Looking Forward to FY22

During FY21 the Board undertook a major review of the remuneration structure of the Executive KMP to ensure the remuneration structure moving forward reflected the rapid increase in the size of the Company and the complexity of the Group's business. Benchmarking also showed that a number of the Executive KMP were positioned well below median of the key comparator groups and their incentive opportunity was positioned below the median of comparable organisations. It was also determined changes were required to retain key executives and ensure they were appropriately incentivised to continue to grow the Company. Finally, the Board considered the increased workload of the Chair of the Board SubCommittees and determined to adjust Board fees to reflect this increased workload.

To reflect these findings and to better align with market, the Board has determined to make the following changes to both Executive KMP and NED remuneration for FY22:

- An increase in the Fixed Remuneration (FR) of the Managing Director and Chief Executive Officer by 37%. There is no change to his STIP opportunity as it has been Mr Di Pilla's practice to decline participation in the STIP. Mr Di Pilla's LTIP opportunity in FY22 will remain unchanged as a percentage of FR;
- The FR to the Chief Operating Officer will increase by 14%, and his maximum STIP and LTIP opportunity will increase from 40% to 50%;
- The FR of the Chief Financial Officer will increase by 13% and his maximum STIP and LTIP opportunity will increase from 30% to 50%; and
- An increase in the annual directors' fees payable to the Chair of each Sub-Committee of the Board from \$20,000 to \$30,000.

Overall, the Board aims to ensure that the Group's remuneration platform is market competitive, aligns performance measures with the achievement of the Group's strategic objectives, reflects the growing complexity of the Group's operations and is fair to all stakeholders.

We will continue to review and assess the effectiveness of our remuneration framework in order to motivate and retain our Executive KMP and other senior executives.



**Chris Saxon**

Chair of the Board

Chair of the Remuneration and Nomination Committee

25 August 2021

# Directors' Report continued

## Remuneration report (audited)

### 1. Key Management Personnel

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 Home Consortium Group, directly or indirectly, including all directors. The Board undertook a review of the KMP in June 2021 and determined that given the growth of the Group those executive roles which could be considered KMP for FY21 had consolidated to the Non-Executive Directors and senior executives listed below.

The Managing Director and Chief Executive Officer (MD&CEO) and other senior executives considered KMP are collectively referred to as the Executive KMP of Home Consortium. All KMP were KMP for the full year unless noted otherwise.

Non-Executive Directors	Role
Chris Saxon	Chair and Non-Executive Director (appointed as Chair from 1 January 2021)
Zac Fried	Non-Executive Director
Brendon Gale	Independent Non-Executive Director
Greg Hayes	Non-Executive Director
Jane McAloon	Independent Non-Executive Director
Kelly O'Dwyer	Independent Non-Executive Director (appointed on 18 November 2020)
Executive KMP	Role
David Di Pilla	Managing Director and Chief Executive Officer (Chair until 31 December 2020)
Sid Sharma	Chief Operating Officer
Will McMicking	Chief Financial Officer
Andrew Selim	General Counsel and Company Secretary*
Andrew Boustred	Development Director*

\* Ceased to be KMP from 18 June 2021.

### 2. Executive Remuneration Governance and Structure

The Remuneration and Nomination Committee consists of the following three Independent Non-Executive Directors, all of whom are independent of management:

- Chris 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 securityholders and employees of the Group by endeavouring to ensure that:

- Non-Executive Directors and Executive KMP of the Group are remunerated fairly, appropriately and transparently;
- Remuneration policies and outcomes of the Group strike an appropriate balance between the interests of the Group's securityholders 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 securityholder returns and the Company's sustainability objectives.

The Committee may seek advice from external advisors as required. In FY21 no remuneration recommendation, as defined in the Corporations Act, relating to Executive KMP remuneration was received from external advisors.

### *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 designed to align executive reward to stapled securityholders' interests. The Board has sought to enhance stapled securityholders' interests by:

- Focusing on sustained growth in stapled securityholder 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 including sustainability goals; 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 securityholder wealth; and
- Providing a clear structure for earning rewards.

The remuneration structures for executives and Non-Executive Directors are structured and disclosed separately, in alignment with ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

### **3. Executive Remuneration Structure**

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed (FR) and variable components (STIP and LTIP).

The executive remuneration and reward framework has three main components:

<b>Element</b>	<b>Delivery method</b>	<b>Link to performance</b>	<b>How performance measured</b>
<b>Fixed Remuneration</b>	Cash	Market aligned base salary commensurate with role size and complexity.	Performance against key attributes of position.
<b>Short-term incentive</b>	Cash	Key performance metric combination of critical business measures and individual achievement of key performance indicators ('KPIs')	Performance against critical key business metric FFO per security and individual KPIs.
<b>Long-term incentive</b>	Performance rights	Key performance conditions aligned with long-term business goals and securityholder value creation.	50% – Relative TSR vs ASX 300 REIT comparator group 50% – aggregate FFO <sup>^</sup> per security vs 3year target pool.

<sup>^</sup> FFO excludes leasehold FFO prior to the sale in FY21.

The combination of these respective components comprises the relevant Executive KMP's total remuneration.

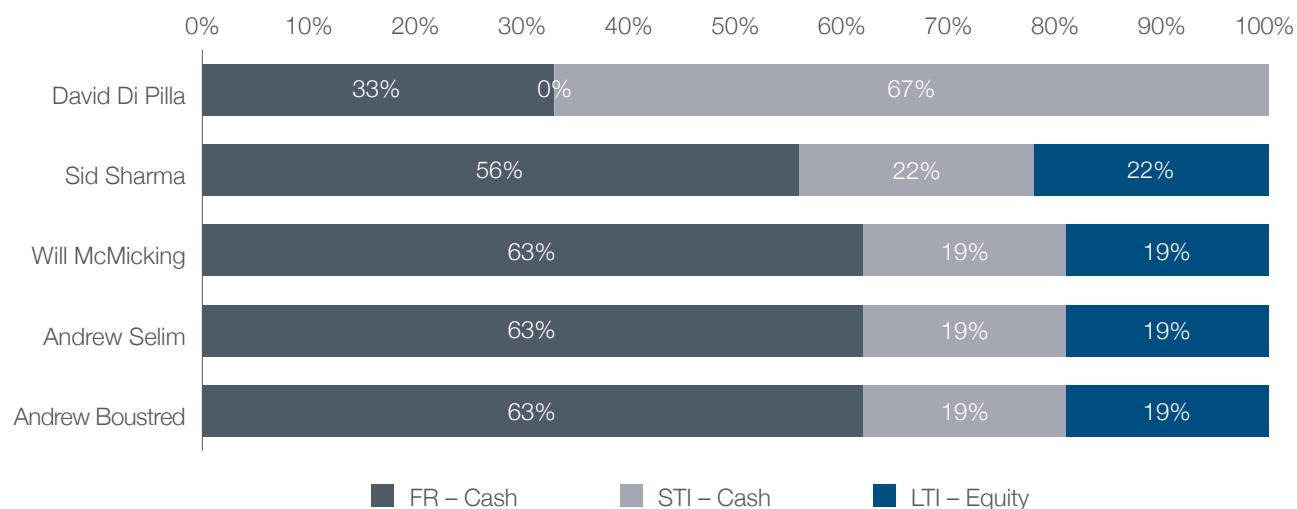


## Directors' Report continued

### Remuneration Mix – FY21

Executive KMP total target remuneration is broken down into the following three remuneration elements.

**Table 1: Executive KMP remuneration mix for FY21**



### 4. Executive Short-term Incentive Plan ('STIP')

Term	Details
<b>Rationale</b>	The Home Consortium STIP is designed to incentivise and retain the Executive KMP and key employees who participate by providing an opportunity to be rewarded based on performance over the financial year.
<b>Eligibility</b>	All Executive KMPs are eligible to participate in the STIP. The Board may also invite other selected employees to participate from time to time.
<b>Opportunity</b>	The MD&CEO has elected not to participate in the FY21 STIP (as in FY20). Other Executive KMP have a maximum opportunity of 40% (Chief Operating Officer) and 30% (all other Executive KMP) of their annual fixed remuneration (base salary + superannuation).
<b>Performance period</b>	The performance period for the Plan is the 12 months ending 30 June 2021.
<b>Gateway</b>	FFO per security performance must meet a defined 12.8 cents per security FFO per share target (guidance provided post the in-specie HDN transaction) before any STIP is payable.
<b>Performance conditions</b>	<p>The FY21 STIP is subject to the following performance conditions tested over the performance period:</p> <ul style="list-style-type: none"> <li>the Group's FFO per security guidance post the in specie HDN transaction; and</li> <li>individual KPIs agreed with each member of the KMP. KPIs vary according to the areas of responsibility for each STIP participant.</li> </ul>
<b>Payment Vehicle</b>	STIP awards are typically delivered in cash, unless the Board determines otherwise (as occurred in FY20 when FY20 STIP awards were delivered in deferred share rights instead of cash).
<b>Use of discretion</b>	The Committee did not exercise any overriding discretion in respect of the 2021 STIP awards.

### *FY21 STIP Performance*

The key individual KPIs for all Executive KMP are ensuring the Group performs in accordance with ASX FFO per security guidance and meeting individual KPI contributions which contribute to the Group's strategy. In addition to this metric, each Executive KMP has a variety of metrics which are specific to their role. For example, the Chief Operating Officer's metrics relate to the following areas: asset planning, leasing, development and design, asset management, and M&A.

The following table sets out the actual STIP outcomes for each Executive KMP as a percentage of their maximum STIP opportunity.

**Table 2: Executive KMP STIP outcomes**

<b>Executive KMP</b>	<b>FY21</b>	<b>FY20<sup>1</sup></b>
David Di Pilla	N/A <sup>1</sup>	N/A <sup>2</sup>
Sid Sharma	100%	90%
Will McMicking	100%	90%
Andrew Selim	100%	90%
Andrew Boustred	100%	90%

<sup>1</sup> The FY20 STIP amounts were awarded as deferred share rights (FY20 COVID-19 Grant) and no portion was delivered in cash.

<sup>2</sup> David Di Pilla has elected to not participate in the F20 and FY21 STIP.

The STIP outcomes for the Executive KMP (aside from the MD&CEO) reflect the excellent financial performance of the Company, the high-quality contribution made by each executive to the Group's strategic goals and their personal performance against their individual metrics. The Company performance driving these outcomes is illustrated by the following factors:

- Meeting the FY21 FFO gateway, representing a significant increase from the prior year's FFO performance.
- The establishment of the HomeCo Daily Needs REIT (ASX: HDN), being a significant milestone for the Group which has contributed to an excellent return for both HDN and Home Consortium securityholders. Home Consortium increased HDN's assets under management to \$1.4 billion as at 30 June 2021.
- Planning for the HealthCo Healthcare and Wellness REIT during FY21 which included a number of seed asset acquisitions. Subsequent to 30 June 2021, a PDS was lodged with ASIC for HCW in relation to a \$650 million underwritten IPO.
- Home Consortium continuing to reward its securityholders by outperforming its benchmark S&P/ASX 300 A-REIT index by 82.6%.

# Directors' Report continued

## 5. Executive Long-term Incentive Plan ('LTIP')

Term	Details																
<b>Plan</b>	FY21 LTIP awards are made under the HomeCo Employee Equity Plan (EEP).																
<b>Rationale</b>	The EEP is designed to align executive rewards with securityholder experience and to incentivise and retain the Executive KMP and key employees by providing an opportunity to be rewarded based on performance.																
<b>Eligibility</b>	All Executive KMPs are eligible to participate in the EEP. The Board may also invite other selected employees to participate from time to time.																
<b>Instrument</b>	Performance rights are granted by the Company for nil consideration. Each performance right is a right to receive one fully paid stapled security in the Group, comprising one share in HCL and one ordinary share in HCDL stapled together.																
<b>Opportunity</b>	<p>The LTIP opportunity is set as a percentage of Fixed Remuneration (FR).</p> <p>The MD&amp;CEO received a grant of performance rights based on a maximum stretch value of 200% of his FR. Other Executive KMP grants are based on 40% (Chief Operating Officer) of FR, or 30% (all other Executive KMP).</p>																
<b>Allocation Methodology</b>	The number of performance rights awarded is determined by dividing the maximum opportunity by the five-day volume weighted average price of a Security over the 5 trading days following announcement of the Company's FY20 full-year results. For the FY21 awards a top-up adjustment was then applied to preserve the value of the performance rights following Home Consortium's capital reduction via a distribution in specie of ordinary units in HDN to Home Consortium securityholders. This formula was set out in the Company's Notice of Annual General Meeting dated 19 October 2020.																
<b>Performance Period</b>	The performance period for the FY21 awards is the three-year period commencing 1 July 2020 to 30 June 2023.																
<b>Performance Conditions</b>	<p>For the FY21 awards the performance measures are 50% relative TSR and 50% aggregate FFO per security.</p> <p><b>Relative TSR</b></p> <p>Relative TSR is measured against a comparator group of S&amp;P/ASX 300 A-REITs. The vesting schedule is as follows.</p> <table> <tr> <th>Performance scale</th><th>Percentage of rights to vest</th></tr> <tr> <td>Below 50th percentile</td><td>Nil</td></tr> <tr> <td>At the 50th percentile (threshold)</td><td>50%</td></tr> <tr> <td>At or above the 75th percentile (maximum)</td><td>100%</td></tr> </table> <p>Rights will vest on a straight-line basis if the Company's TSR performance is between the 50th conditions and 75th percentile of the comparator group.</p> <p><b>Company's FFO</b></p> <p>The FFO condition is measured by the aggregate of the annual FFO pool tested against aggregated annual FFO targets. The vesting schedule is as follows.</p> <table> <tr> <th>Performance scale</th><th>Percentage of rights to vest</th></tr> <tr> <td>Below 97.5% of target FFO</td><td>Nil</td></tr> <tr> <td>At the 97.5% of target FFO (threshold)</td><td>50%</td></tr> <tr> <td>At or above 100% of target FFO (maximum)</td><td>100%</td></tr> </table> <p>Rights will vest on a straight-line basis if the Company's FFO performance is between 97.5% and 100% of target.</p>	Performance scale	Percentage of rights to vest	Below 50th percentile	Nil	At the 50th percentile (threshold)	50%	At or above the 75th percentile (maximum)	100%	Performance scale	Percentage of rights to vest	Below 97.5% of target FFO	Nil	At the 97.5% of target FFO (threshold)	50%	At or above 100% of target FFO (maximum)	100%
Performance scale	Percentage of rights to vest																
Below 50th percentile	Nil																
At the 50th percentile (threshold)	50%																
At or above the 75th percentile (maximum)	100%																
Performance scale	Percentage of rights to vest																
Below 97.5% of target FFO	Nil																
At the 97.5% of target FFO (threshold)	50%																
At or above 100% of target FFO (maximum)	100%																

	<b>Disclosure of performance outcomes</b> Specific details of the FFO targets for the FY21 LTIP awards have not been disclosed due to commercial sensitivity. However, in the FY23 Remuneration Report the Board will set out how Home Consortium has performed against these targets.
<b>Vesting Date</b>	Based on performance relative to the performance conditions, the number of performance rights will vest. Each participant will have until one month after the full-year results are announced for FY25 to exercise their rights.
<b>Service condition</b>	Unless the Board determines a different treatment <ul style="list-style-type: none"> <li>i. If a participant ceases to be an employee due to resignation (or termination for cause) all unvested rights will automatically lapse.</li> <li>ii. If a participant ceases employment for any other reason, all unvested rights (which may be prorated by the Board for time elapsed since the start of the Performance Period) will remain "onfoot" and will be performance tested at the end of the relevant Performance Period. To the extent that the relevant performance conditions are satisfied, the Rights will vest at the original Vesting Date.</li> </ul>
<b>Dividends</b>	Rights do not carry a right to vote or to dividends.
<b>Change of control</b>	In the event of change of control, unless the Board determines otherwise, a pro-rata number of the participant's unvested awards will vest to the extent that the conditions have been satisfied.
<b>Clawback</b>	The EEP provides the Board with broad clawback powers if the Board considers the participant's conduct, capability or performance justifies the variation. No clawback power has been exercised to date.
<b>Securities Trading Policy</b>	The Home Consortium Group's Securities Trading Policy prevents participants from entering into transactions or arrangements, including by way of derivatives or similar financial products which operate to limit the economic risk relating to awards made under the EEP which either have not vested or have vested but remain subject to a holding lock or other restriction on dealing.

### *Legacy Equity awards*

There have been no prior year LTIP awards vesting in FY21 given the listing of the Company from 11 October 2019 and the first LTIP awards were made in FY20. The current unvested LTIP awards are set out below.

#### **FY20 LTIP**

The first Home Consortium LTIP award (the FY20 LTI) was offered to Executive KMP upon listing of the Company under the EEP. Due to the timing of grant and listing of Home Consortium, the performance period for these awards is from 14 October 2019 to 30 June 2022. Each participant will have until one month after the full-year results are announced for FY24 to exercise their rights.

The performance conditions and other key terms and conditions for the FY20 LTIP awards are the same as outlined above for the FY21 LTIP awards.

#### **FY20 COVID-19 Grant**

The Company provided a one-off grant of share rights as compensation for the reduction in FY20 cash remuneration for Executive KMP and director's fees for Non-Executive Directors. The number of rights granted was 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.

The FY20 COVID-19 Grant share rights have a two-year vesting period and vest on 30 September 2022. There is a service condition for rights for Non-Executive Directors requiring them to hold office on the Vesting Date. Rights held by Executive KMP have both a service and performance condition. Executive KMPs must continue to be employed on the vesting date and Home Consortium's security price reaching a VWAP of \$3.35 over a 20 trading day period following the Group's FY22 full-year results announcement.



## Directors' Report continued

### IPO Rights Allocation

The Company awarded a one-off grant of Rights under the EEP in October 2019 to all Home Consortium employees (including all Executive KMP other than David Di Pilla and Will McMicking) to promote their retention upon listing, provide equity participation and enhance engagement over the longer term. The Rights have a vesting period of three years following the date of issue and vest on 14 October 2022. The rights are not subject to any performance conditions other than the participants' continued employment over the vesting period. The Rights will vest and automatically convert to Securities (or the cash equivalent, at the discretion of the Board).

### Top-up awards in respect of the Capital Reduction

Top-up awards for all unvested rights was approved by the Board, and, where required, approved by securityholders at the Company's FY20 AGM. These awards were made to compensate Executive KMP and Non-Executive Directors for the capital reduction in the Company's share capital approved by securityholders at the FY20 AGM associated with the establishment of the HomeCo Daily Needs REIT. Whilst securityholders received a distribution in specie of REIT units, rights holders were not entitled to participate in the Capital Reduction. Accordingly, to preserve the value of any unvested rights, additional rights were issued on the same terms and conditions as the original rights held by the participants. Top-up awards were made in respect of FY20 LTIP awards, FY20 COVID-19 Grant awards, the IPO Rights Allocation and the FY21 LTIP award made to the Managing Director and Chief Executive Officer. The top-up awards were all made in January 2021.

The formulae used to determine the number of additional rights to be issued was as follows:

*The adjusted number of Rights following the grant of additional Rights will be calculated using the methodology approved by the Board by using the following formula:*

$$\frac{\text{HomeCo VWAP following the Implementation Date} + \text{Unit VWAP following the Implementation Date}}{\text{HomeCo VWAP following the Implementation Date}}$$

*Where:*

*"HomeCo VWAP" is the volume weighted average price of a Home Consortium security over 5 trading days.*

*"Unit VWAP" is the volume weighted average price of a HomeCo Daily Needs REIT unit over 5 trading days.*

### Proposed equity grant to KMP and employees in FY22

To reward employee performance in relation to the establishment of the HomeCo Daily Needs REIT and the HealthCo Healthcare and Wellness REIT the Group proposes to award a one-off grant of rights to all KMP, executives and other staff (other than the MD&CEO).

The rights will be issued during FY22 and will be capped at \$750,000 in total value with the allocation price based on the VWAP of Home Consortium securities for the five (5) trading days commencing 1 September 2021.

The rights will vest on 30 June 2022, although will not be capable of being exercised until release of the FY22 full-year results (in August 2022). Participants will have until 30 September 2023 to exercise their vested rights and acquire the relevant number of Home Consortium securities. If a participant ceases employment with Home Consortium prior to the vesting date (30 June 2022) as a result of voluntary resignation or termination for cause, the unvested rights will lapse.

There is no impact to FY21 remuneration from this proposed equity grant.

## 6. Non-Executive Director's Remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Director's 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 Director's 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. In the 2020 Annual General Meeting securityholders approved an increase in the maximum director fee pool to \$1,200,000 per annum. The FY21 Non-Executive Director fees are set out below.

Table 3: Non-Executive Director fees.

	Board		Committee*	
	Chair	Member	Committee Chair	Member
FY21 Fee**	\$250,000	\$100,000	\$20,000	\$10,000

\* Comprising the Audit and Risk Committee, Remuneration and Nomination Committee and Sustainability Committee.

\*\* Non-Executive Director fees are paid inclusive of 9.5% superannuation (10% from 1 July 2021).

The Group also proposes an increase to the Committee Chair fee to \$30,000 from FY22 for each of the Audit and Risk Committee, Remuneration and Nomination Committee and Sustainability Committee. However, this increase does not apply where the relevant Committee Chair is also the Chair of Home Consortium. In addition, Home Consortium Non-Executive Directors serving on the Boards of Home Consortium-managed funds will be paid Board and Committee fees commensurate with other Board members (which are to be reimbursed by the respective Home Consortium-managed fund).

Home Consortium has established a Non-Executive Director Equity Plan (NEDEP) which was approved by securityholders at the 2020 Annual General Meeting. The key terms of the NEDEP are as follows:

Term	Details
<b>Plan</b>	Awards are made under the Non-Executive Director Equity Plan (NEDEP).
<b>Rationale</b>	<p>The purpose of the NEDEP is to provide the opportunity for Non-Executive Directors to acquire Rights to receive Securities through sacrificing a portion of their annual remuneration (Fee Sacrifice Rights) thereby:</p> <ul style="list-style-type: none"> <li>• allowing Non-Executive Directors to become Securityholders and share in the success of the Company;</li> <li>• aligning the interests of Non-Executive Directors with those of Securityholders; and</li> <li>• allowing Non-Executive Directors the opportunity to acquire Securities in a tax-effective manner.</li> </ul>
<b>Eligibility</b>	All Non-Executive Directors are eligible to participate in the NEDEP.
<b>Instrument</b>	Fee sacrifice rights are granted by the Company for nil consideration. Each right is a right to receive one fully paid stapled security in the Group, comprising one share in HCL and one ordinary share in HCDL stapled together (Security).
<b>Opportunity</b>	Under the NEDEP Non-Executive Directors can voluntarily elect to acquire rights, in lieu of up to 50% of their annual Board fees in any 12-month period.
<b>Allocation methodology</b>	<p>The following formulae is used to calculate the number of Fee Sacrifice Rights issued.</p> <p>No. of Rights = A/B</p> <p>Where:</p> <p>A = the amount of remuneration that a Non-Executive Director wishes to sacrifice for the relevant period.</p> <p>B = the volume weighted average price (VWAP) of a Security over the 5 trading days following the Company's half or full-year results announcement for the relevant period.</p>
<b>Vesting period</b>	Fee Sacrifice Rights will automatically vest and Restricted Securities are issued to the Non-Executive Director on or around the first trading day of the next available trading window after the Rights date of issue.
<b>Disposal restrictions</b>	The Restricted Securities issued to the Non-Executive Directors are subject to disposal restrictions until the Non-Executive Director retires from the Board.
<b>Dividends</b>	Fee Sacrifice Rights do not carry any dividend or voting rights prior to vesting into Restricted Securities.

## Directors' Report continued

### 7. Employment agreements

Remuneration and other terms of employment for Executive KMP are formalised in employment agreements which outline their duties and remuneration. All agreements are open ended (i.e., ongoing until notice is provided by either party).

Key terms of the agreements are set out below.

**Table 4: Executive KMP key employment terms**

<b>Executive KMP</b>	<b>Notice Period – Company</b>	<b>Notice Period – Executive KMP</b>
<b>Managing Director and Chief Executive Officer</b>	6 months	6 months
<b>Other Executive KMP</b>	6 months	6 months

The Managing Director and Chief Executive Officer employment agreement 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. The Group may summarily terminate the employment agreement in certain circumstances, including acts of serious misconduct, gross negligence, a serious breach of the employment agreement or bankruptcy.

Other than prescribed notice periods, there are no special termination benefits payable under the employment agreements. All payments on termination will be subject to the termination benefits cap under the *Corporations Act 2001*.

## 8. Details of remuneration for the financial year

### Amounts of remuneration

Details of the remuneration expense of KMP of the Group for the current and previous financial year are set out in the following tables.

### Remuneration for Executive KMP for FY21 and FY20

Table 5: Executive KMP total remuneration (statutory disclosures)

	Short-term benefits			Post-employment	Share-based payments	Share-based payments		Total
	Base Salary	Cash Bonus	Annual leave	Super-annuation	Long service leave	Share benefits	Rights benefits	
David Di Pilla, Managing Director and Chief Executive Officer								
<b>FY21</b>	<b>487,316</b>	<b>–</b>	<b>19,794</b>	<b>28,056</b>	<b>–</b>	<b>–</b>	<b>429,276</b>	<b>964,442</b>
FY20*	239,499	–	5,534	15,752	–	–	122,989	383,774
Sid Sharma, Chief Operating Officer								
<b>FY21</b>	<b>461,800</b>	<b>193,800</b>	<b>19,735</b>	<b>23,845</b>	<b>–</b>	<b>–</b>	<b>260,110</b>	<b>959,290</b>
FY20#	454,132	–	15,400	22,936	–	–	138,944	631,412
Will McMicking, Chief Financial Officer								
<b>FY21</b>	<b>373,925</b>	<b>120,000</b>	<b>11,261</b>	<b>22,793</b>	<b>–</b>	<b>–</b>	<b>64,823</b>	<b>592,802</b>
FY20#	299,931	–	6,560	21,826	–	–	28,011	356,328
Andrew Selim, General Counsel and Company Secretary								
<b>FY21^</b>	<b>371,698</b>	<b>118,041</b>	<b>11,556</b>	<b>21,786</b>	<b>–</b>	<b>–</b>	<b>100,727</b>	<b>623,808</b>
FY20#	431,919	–	2,331	21,628	–	–	51,846	507,724
Andrew Boustred, Development Director								
<b>FY21^</b>	<b>273,491</b>	<b>88,530</b>	<b>4,207</b>	<b>21,061</b>	<b>–</b>	<b>–</b>	<b>83,514</b>	<b>470,803</b>
FY20#	258,548	–	1,413	16,346	–	–	43,843	320,150
<b>Total Remuneration</b>								
<b>FY21</b>	<b>1,968,230</b>	<b>520,371</b>	<b>66,553</b>	<b>117,541</b>			<b>938,450</b>	<b>3,611,145</b>
FY20	1,684,029	–	31,238	98,488	–	–	385,633	2,199,388

Explanatory notes to the Remuneration for Executive KMP for FY21 and FY20 table are below.

\* The MD&CEO's base salary was reduced by 20% for 3 months of FY20. Salary forgone was paid out as COVID-19 share rights as noted in section 5 of this Report.

# No cash STIP was paid in FY20. Cash STIP forgone was paid out as COVID-19 share rights as noted in section 5 of this Report.

^ The FY21 remuneration shown represents remuneration until the date the executives ceased to be a KMP, 18 June 2021.



# Directors' Report continued

## Remuneration for Non-Executive Directors for FY21 and FY20

Table 6: Non-Executive Director total remuneration (statutory disclosures)

	Short-term benefits			Post-employment	Long-term benefits	Share-based payments		Total
	Cash Fees <sup>^</sup>	Cash Bonus	Annual leave	Super-annuation	Long service leave	Share benefits <sup>**</sup>	Rights benefits	
Chris Saxon, Chair <sup>*#</sup>								
<b>FY21</b>	<b>86,016</b>	–	–	<b>16,579</b>	–	–	<b>105,040</b>	<b>207,635</b>
FY20	43,617	–	–	6,717	–	113,334	3,077	166,745
Zac Fried <sup>*#</sup>								
<b>FY21</b>	<b>41,324</b>	–	–	<b>8,714</b>	–	–	<b>62,432</b>	<b>112,470</b>
FY20	54,385	–	–	5,167	–	–	3,847	63,399
Brendon Gale <sup>*#</sup>								
<b>FY21</b>	<b>50,457</b>	–	–	<b>9,585</b>	–	–	<b>60,658</b>	<b>120,700</b>
FY20	32,740	–	–	5,683	–	113,334	2,309	154,066
Greg Hayes <sup>*#</sup>								
<b>FY21</b>	<b>50,457</b>	–	–	<b>9,585</b>	–	–	<b>62,876</b>	<b>122,918</b>
FY20	59,823	–	–	5,683	–	–	4,231	69,737
Jane McAloon <sup>*#</sup>								
<b>FY21</b>	<b>78,170</b>	–	–	<b>1,880</b>	–	–	<b>61,546</b>	<b>141,596</b>
FY20	43,617	–	–	6,717	–	113,334	3,077	166,745
Kelly O'Dwyer <sup>^^</sup>								
<b>FY21</b>	<b>31,180</b>	–	–	<b>5,939</b>	–	–	<b>122,839</b>	<b>159,958</b>
FY20	–	–	–	–	–	–	–	–
<b>Total Remuneration</b>								
<b>FY21</b>	<b>337,604</b>	–	–	<b>52,282</b>	–	–	<b>475,391</b>	<b>865,277</b>
FY20	234,182	–	–	29,967	–	340,002	16,541	620,692

Explanatory notes to the Remuneration for Executive KMP for FY21 and FY20 table are below.

<sup>^</sup> All Non-Executive Directors participate in the Non-Executive Director Equity Plan and receive a portion of their fees in Fee Sacrifice Rights, which are expensed and shown under the Rights Benefits column. No Fee Sacrifice Rights awarded in FY21 vested into securities during the current financial year. \* FY20 Director Fees were reduced by 50% for the 3-month period to 30 June 2020. Fees forgone were instead paid out as COVID-19 deferred share rights as noted in section 5 of this Report.

<sup>\*\*</sup> The FY20 Share Benefits 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. 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.

<sup>#</sup> These Non-Executive Directors were appointed on 23 September 2019 and their FY20 remuneration is from this date to 30 June 2020.

<sup>^^</sup> Ms O'Dwyer was appointed to the Board from 18 November 2020 and her FY21 remuneration is from that date until 30 June 2021. Ms O'Dwyer's Rights benefits includes a one-off grant of 23,735 share rights to Ms O'Dwyer, as per her Consultancy Agreement prior to election to the Board. The number of Rights she was issued was based on her grant value divided by \$3.16, being the VWAP of a Security over the 5 trading days following announcement of the Company's FY20 full-year results. The Rights will be granted under the NEDEP and will not be subject to any performance conditions and, subject to Ms O'Dwyer continuing to hold office as a director.

Non-Executive Director's salaries are 100% fixed. The fixed and variable remuneration proportions for Executive KMPs for FY21 is as follows:

**Table 7: Executive KMP mix of fixed and variable remuneration (based on statutory remuneration table)**

<b>Executive KMP</b>	<b>Fixed Remuneration %</b>	<b>Variable remuneration % (included STIP and LTIP payments)</b>
David Di Pilla	55%	45%
Sid Sharma	53%	47%
Will McMicking	69%	31%
Andrew Selim	65%	35%
Andrew Boustred	63%	37%

## 9. Share-based compensation

### *Issue of Securities*

There were no Securities issued to Non-Executive Directors and Executive KMP as part of compensation during the year ended 30 June 2021.

### *Options*

There were no options over ordinary Securities issued to Non-Executive Directors and Executive KMP as part of compensation that were outstanding as at 30 June 2021.

### *Security rights*

The terms and conditions of each award of rights over ordinary Securities affecting remuneration of directors and other KMP in this financial year are set out below. Rights granted have a \$nil exercise price and carry no dividend or voting rights.

**Table 8: FY21 KMP rights awards**

<b>Award details</b>	<b>Grant Date</b>	<b>Estimated Vesting date</b>	<b>Number of Rights</b>	<b>Fair value at grant date</b>
FY20 COVID-19 Grant (Executive KMP)	27/08/2020	27/08/2022	206,228	\$1.54
FY20 COVID-19 Grant (NEDs)	27/08/2020	27/08/2022	19,128	\$1.54
FY21 LTIP (MD&CEO)	25/11/2020	27/08/2023	322,785	\$3.17
FY21 NEDEP Fee Sacrifice rights	25/11/2020	27/08/2021	124,512	\$3.16
IPO Employee Grant Top-up (Executive KMP)	13/01/2021	16/10/2022	31,792	\$3.96
FY20 LTIP (Executive KMP) Top-up	13/01/2021	30/08/2022	61,858	\$3.60
FY20 COVID-19 Grant (Executive KMP) Topup	13/01/2021	27/08/2022	34,052	\$3.01
FY20 COVID-19 Grant (NEDs) Top-up	13/01/2021	27/08/2022	3,159	\$3.01
FY21 NEDEP Fee Sacrifice rights Top-up	13/01/2021	27/08/2021	20,560	\$4.11
FY21 LTIP (MD&CEO) – Top up award	13/01/2021	30/08/2023	53,298	\$3.54
FY21 LTIP (Executive KMP, excl. MD&CEO)	18/01/2021	30/08/2023	194,678	\$3.24

## Directors' Report continued

### Security rights holding

The number of Security rights (including rights granted and vested as part of the compensation during the financial year) over ordinary Securities in Home Consortium held during the financial year by each Non-Executive Director and Executive KMP of the Group, including their personally related parties, are set out below:

**Table 9: FY21 Rights holdings by KMP**

	Rights held at 30 June 2020	Granted in FY21	Vested and exercised in FY21	Lapsed or expired in FY21	Rights held at 30 June 2021
<b>Non-Executive Directors</b>					
Chris Saxon	–	36,409	–	–	36,409
Zac Fried	–	23,618	–	–	23,618
Brendon Gale	–	21,546	–	–	21,546
Greg Hayes	–	24,137	–	–	24,137
Jane McAloon	–	22,583	–	–	22,583
Kelly O'Dwyer	–	39,066	–	–	39,066
<b>Executive KMP</b>					
David Di Pilla	223,881	688,760	–	–	912,641
Sid Sharma	189,552	363,209	–	–	552,761
Will McMicking	31,343	119,946	–	–	151,289
Andrew Selim*	65,672	166,426	–	–	232,098
Andrew Boustred*	56,717	133,515	–	–	190,232

\* The FY21 disclosures are shown until the date the executives ceased to be a KMP.

### Additional information

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

**Table 10: Factors impacting Group performance**

	30 June 2021	30 June 2020	IPO listing price 11 October 2019
Share price at reporting date (\$)	\$6.14* \$5.44	\$3.00	\$3.35
FFO (cents per security)	13.1	6.0	n/a
TSR of Home Consortium (%)**	113.2%	(9.4%)	n/a
TSR of S&P/ASX 300 A-REIT Index (%)**	30.6%	(21.8%)	n/a

\* Including the 0.5 HDN in-specie units received for every 1 HMC security (\$0.70 value per HMC security as at 30 June 2021).

\*\* TSR for FY20 is from 11 October 2019 (ASX listing date) to 30 June 2020.

## 10. Additional disclosures relating to KMP

*KMP Security holdings*

The number of securities in Home Consortium held during the financial year by each Non-Executive Director and Executive KMP, including their personally related parties, are set out below:

**Table 11: Security holdings of key management personnel**

	Balance held at 30 June 2020	Acquired	Vested	Sold	Balance held at 30 June 2021
<b>Non-Executive Directors</b>					
Chris Saxon	165,175	10,601	–	–	175,776
Zac Fried	20,432,049	4,104,015	–	–	24,536,064
Brendon Gale	221,270	10,601	–	–	231,871
Greg Hayes	9,086,183	1,104,500	–	–	10,190,683
Jane McAloon	165,175	–	–	–	165,175
Kelly O'Dwyer	–	–	–	–	–
<b>Executive KMP</b>					
David Di Pilla	33,127,978	4,182,952	–	–	37,310,930
Sid Sharma	–	–	–	–	–
Will McMicking	2,321,060	314,691	–	(29,314)	2,606,437
Andrew Selim*	–	–	–	–	–
Andrew Boustred*	537,911	10,715	–	–	548,626
	Balance held at 30 June 2019	Acquired	Vested	Sold	Balance held at 30 June 2020
<b>Non-Executive Directors</b>					
Chris Saxon	–	165,175	–	–	165,175
Zac Fried	10,000,000	10,432,049	–	–	20,432,049
Brendon Gale	–	221,270	–	–	221,270
Greg Hayes	8,682,539	403,644	–	–	9,086,183
Jane McAloon	–	165,175	–	–	165,175
<b>Executive KMP</b>					
David Di Pilla	30,857,979	2,269,999	–	–	33,127,978
Sid Sharma	–	–	–	–	–
Will McMicking	2,206,306	114,754	–	–	2,321,060
Andrew Selim	–	–	–	–	–
Andrew Boustred	500,000	37,911	–	–	537,911

\* Security holding as at date executives ceased to be KMP, 18 June 2021.



## Directors' Report<sub>continued</sub>

### *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.

***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



**Chris Saxon**  
Chair



**David Di Pilla**  
Director

25 August 2021

# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Home Consortium Limited for the year ended 30 June 2021 and Home Consortium Developments Limited for the year ended 30 June 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 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 year.

Scott Hadfield  
Partner  
PricewaterhouseCoopers

Sydney  
25 August 2021

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)  
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

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Home Consortium

# Financial report

FOR THE YEAR ENDED 30 JUNE 2021

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## Home Consortium

# Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated	
		June 2021 \$'000	June 2020 \$'000
<b>Revenue</b>			
Property income from continuing operations	6	69,397	62,257
<b>Other income</b>			
Share of profits of associates accounted for using the equity method	17	8,940	–
Other income		405	–
Interest revenue		90	121
Change in assets/liabilities at fair value through profit or loss	7	(21,954)	14,618
<b>Expenses</b>			
Property expenses		(23,994)	(27,669)
Corporate expenses		(10,983)	(8,108)
Loss on demerger	17	(15,446)	–
Acquisition and transaction costs	8	(1,945)	(5,750)
Finance costs	8	(10,910)	(23,582)
<b>Profit/(loss) before income tax (expense)/benefit from continuing operations</b>		(6,400)	11,887
Income tax (expense)/benefit	9	(89,387)	(5,920)
Profit/(loss) after income tax (expense)/benefit from continuing operations		(95,787)	5,967
Profit/(loss) after income tax (expense)/benefit from discontinued operations	10	9,883	(8,785)
<b>Loss after income tax (expense)/benefit for the year</b>		(85,904)	(2,818)
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive income for the year</b>		(85,904)	(2,818)
<i>Loss for the year is attributable to:</i>			
Non-controlling interest		4,087	–
Owners of Home Consortium		(89,991)	(2,818)
Total comprehensive income for the year		(85,904)	(2,818)
<i>Total comprehensive income for the year is attributable to:</i>			
Continuing operations		4,087	–
Discontinued operations		–	–
Non-controlling interest		4,087	–
Continuing operations		(99,874)	5,967
Discontinued operations		9,883	(8,785)
Owners of Home Consortium		(89,991)	(2,818)
		(85,904)	(2,818)

Non-controlling interest represents results of HCDL that is stapled to HCL.

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



## Home Consortium

# Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

		Cents	Cents
<b>Earnings per security for profit/(loss) from continuing operations</b>			
Basic earnings per security	36	(36.55)	3.57
Diluted earnings per security	36	(36.55)	3.57
<b>Earnings per security for profit/(loss) from discontinued operations</b>			
Basic earnings per security	36	3.62	(5.25)
Diluted earnings per security	36	3.62	(5.25)
<b>Earnings per security for loss</b>			
Basic earnings per security	36	(32.93)	(1.68)
Diluted earnings per security	36	(32.93)	(1.68)

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

Home Consortium

# Consolidated statement of financial position

AS AT 30 JUNE 2021

		Consolidated	
	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	11,694	29,575
Trade and other receivables	12	6,125	3,693
Other assets	13	13,563	4,754
		31,382	38,022
Assets classified as held for sale	14	478,592	–
Total current assets		509,974	38,022
<b>Non-current assets</b>			
Investment property – freehold	15	188,100	1,013,750
Investment property – leasehold	16	–	84,263
Right-of-use assets		277	466
Investments accounted for using the equity method	17	263,878	–
Convertible notes		548	–
Deferred tax assets	9	19,635	141,157
Total non-current assets		472,438	1,239,636
<b>Total assets</b>		982,412	1,277,658
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	13,354	38,003
Employee benefit obligations	21	1,137	536
Lease liabilities	23	205	9,609
Income tax	9	1,707	–
Total current liabilities		16,403	48,148
<b>Non-current liabilities</b>			
Borrowings	19	253,111	361,385
Derivative financial instruments	22	1,847	3,127
Provisions	20	–	2,000
Lease liabilities	23	72	133,468
Total non-current liabilities		255,030	499,980
<b>Total liabilities</b>		271,433	548,128
<b>Net assets</b>		710,979	729,530
<b>Equity</b>			
Contributed equity	24	3,710,382	3,607,986
Reserves	25	4,013	39,056
Accumulated losses		(3,007,503)	(2,917,512)
Equity attributable to the owners of Home Consortium Limited		706,892	729,530
Non-controlling interest		4,087	–
<b>Total equity</b>		710,979	729,530

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 2021

<b>Consolidated</b>	<b>Contributed equity \$'000</b>	<b>Profits reserve \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest* \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2019	3,291,155	486,659	–	(3,353,862)	–	423,952
Loss after income tax (expense)/benefit for the year	–	–	–	(2,818)	–	(2,818)
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(2,818)	–	(2,818)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 24)	316,831	–	–	–	–	316,831
Transfer to accumulated losses	–	(439,168)	–	439,168	–	–
Dividends paid (note 26)	–	(8,907)	–	–	–	(8,907)
Share-based payments (note 37)	–	–	472	–	–	472
Balance at 30 June 2020	3,607,986	38,584	472	(2,917,512)	–	729,530

<b>Consolidated</b>	<b>Contributed equity \$'000</b>	<b>Profits reserve \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest* \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2020	3,607,986	38,584	472	(2,917,512)	–	729,530
Profit/(loss) after income tax (expense)/benefit for the year	–	–	–	(89,991)	4,087	(85,904)
Other comprehensive income for the year, net of tax	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(89,991)	4,087	(85,904)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 24)	291,996	–	–	–	–	291,996
Capital distribution (note 24)	(189,600)	–	–	–	–	(189,600)
Dividends paid (note 26)	–	(36,699)	–	–	–	(36,699)
Share-based payments (note 37)	–	–	–	–	1,656	1,656
Balance at 30 June 2021	3,710,382	1,885	2,128	(3,007,503)	4,087	710,979

\* Non-controlling interest represents the contributed retained earnings of HCDL.

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 2021

		Consolidated	
	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from vendors and tenants (inclusive of GST)		69,618	58,338
Payments to suppliers and employees (inclusive of GST)		(46,199)	(53,841)
Interest received		–	238
Other income – lease mitigation account	10	11,000	–
Interest paid		(11,761)	(27,991)
Net cash from/(used in) operating activities	38	22,658	(23,256)
<b>Cash flows from investing activities</b>			
Payment for acquisition of investment property – freehold		(317,224)	(215,440)
Payment for acquisition of investment property – leasehold		(5,800)	(12,060)
Payments for convertible notes		(548)	–
Payment for investment in associates		(87,437)	–
Proceeds from disposal of investment property		69,000	–
Proceeds from deposits		1,383	5,335
Distributions received		3,119	–
Proceeds from demerger		204,954	–
Cash balance held by subsidiary on disposal of discontinued operations	10	(18,538)	–
Net cash used in investing activities		(151,091)	(222,165)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	24	275,637	350,000
Share issue transaction costs		(5,241)	(16,010)
Loans to related party		–	(1,589)
Proceeds from borrowings		153,500	366,000
Repayment of bank loans		(264,750)	(415,665)
Borrowing costs paid		–	(7,605)
Repayment of lease liabilities and surrenders	38	(11,895)	(20,404)
Dividends paid	26	(36,699)	(8,907)
Net cash from financing activities		110,552	245,820
Net increase/(decrease) in cash and cash equivalents		(17,881)	399
Cash and cash equivalents at the beginning of the financial year		29,575	29,176
Cash and cash equivalents at the end of the financial year	11	11,694	29,575

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

## Home Consortium

## Notes to the consolidated financial statements

30 JUNE 2021

**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 2021. 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**

The shares in HCDL are 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. HCDL and its controlled entities prepare separate financial statements which are presented after these financial statements.

**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.

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

The following Accounting Standards and Interpretations adopted during the year are most relevant to the group:

***Conceptual Framework for Financial Reporting (Conceptual Framework)***

The group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the group's financial statements.

**Basis of preparation**

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



### Note 3. Significant accounting policies *continued*

#### 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.

#### *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 34.

#### 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 2021 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.

## Notes to the consolidated financial statements *continued*

### Note 3. Significant accounting policies *continued*

#### *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 on an accrual basis and billed monthly in arrears. Actual costs reflect the service provided. The amount of recoveries revenue is determined by the actual cost incurred and the terms in the lease. The outgoings recovered are recognised over the period the services are provided.

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

#### *Management fee income*

Management fees comprise of investment management and property management fees for properties managed on behalf of third parties.

Investment management fees are recognised over time based on a percentage of Gross Asset Value (GAV) of the investment being managed. Acquisition fees and disposal fees are recognised at a point in time as a percentage of purchase or disposal values on completion of the service.

Property management fees are recognised over time based on the percentage of gross income. New tenant and lease renewal fees are recognised at a point in time as a percentage of annual rental on the successful execution of tenancy agreements. Development management fees are recognised over time based on a percentage of the development costs.

#### *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.

#### *Distribution income*

Revenue is recognised when the group's right to receive the payment is established, which is generally when the directors of the investee approve the dividends.

#### *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.

### Note 3. Significant accounting policies *continued*

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 ('HCL Tax consolidation group'). Home Consortium Developments Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime ('HCDL Tax consolidation group'). 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.

### Discontinued operations

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

### 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.

### 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.

# Notes to the consolidated financial statements continued

## Note 3. Significant accounting policies continued

### 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 in Associate

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

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

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

### Investment properties

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

### Note 3. Significant accounting policies *continued*

#### *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.

#### *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.



## Notes to the consolidated financial statements *continued*

### Note 3. Significant accounting policies *continued*

#### 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.

#### 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.

### Note 3. Significant accounting policies *continued*

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.

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 used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

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

For recurring and non-recurring fair value measurements, external valuers may be used 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.

# Notes to the consolidated financial statements continued

## Note 3. Significant accounting policies continued

### Dividends

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

### Earnings per security

#### *Basic earnings per security*

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

#### *Diluted earnings per security*

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of additional ordinary securities that would have been outstanding assuming conversion of all dilutive potential ordinary securities.

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

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

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

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

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

### Comparatives

Comparatives in the financial statements have been realigned to the current year presentation. There was no effect on the results of operations for the year.

### 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 thousand dollars, or in certain cases, the nearest dollar.

### 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 2021. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

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

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

#### 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 is ongoing following the recent delta variant outbreaks and lockdown restrictions imposed across multiple Australian states and territories. Whilst the majority of the group's properties or managed funds have either a supermarket, pharmacy or health services as 'essential services' tenants, the outlook remains uncertain.

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'. \$1.1 million has been capitalised and will be 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 \$0.1 million. An additional \$0.1 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 COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 12, 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 2021 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 28 for details of valuation techniques used.

##### *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

## Notes to the consolidated financial statements *continued*

### **Note 4. Critical accounting judgements, estimates and assumptions *continued***

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 \$19,635,000 (2020: \$141,157,000) comprises \$10,949,000 (2020: \$62,140,000) of carry forward tax losses and \$8,686,000 (2020: \$79,017,000) 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.

### **Note 5. Operating segments**

#### *Identification of reportable operating segments*

The group is organised into four operating segments: Freehold properties, Leasehold properties, Funds management and Other. During the financial year, the group disposed of the former Masters Hardware leasehold properties via the sale of Home Consortium Leasehold Pty Ltd and its subsidiaries to Home Investment Consortium Trust ('HICT'). Refer note 10 'Discontinued operations' for further information. The Other segment consists of the group's newly acquired health and education assets as well as the group's property management services.

The operating segments are based on the internal reports that are reviewed by the Chief Operating Decision Makers ('CODM') 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. The group only operates in Australia.

#### *Major customers*

During the year ended 30 June 2021 approximately 27.5% (2020: 12%) of the group's external revenue was derived from sales to two (2020: one) major customers.

**Note 5. Operating segments** continued*Operating segment information*

Consolidated – 30 June 2021	Freehold properties \$'000	Leasehold properties* \$'000	Funds management \$'000	Other \$'000	Total \$'000
<b>Revenue</b>					
Property rental income	47,053	3,985	–	–	51,038
Other property income	11,489	215	–	–	11,704
Management fee income	–	–	10,855	–	10,855
<b>Total revenue</b>	58,542	4,200	10,855	–	73,597
<b>FFO before income tax (expense)/benefit</b>	33,834	–	3,658	–	37,492
Profit from discontinued operations	–	9,883	–	–	9,883
Fair value movements	(21,954)	–	–	–	(21,954)
Acquisition and transaction costs	(1,716)	–	(229)	–	(1,945)
Loss on demerger	(15,446)	–	–	–	(15,446)
Amortisation of borrowing costs	(2,976)	–	–	–	(2,976)
Straight-lining and amortisation	(3,503)	–	–	–	(3,503)
Share of associate profit (adjusted)	2,846	–	–	–	2,846
Other adjustments	(914)	–	–	–	(914)
<b>Profit/(loss) before income tax (expense)/benefit</b>	(9,829)	9,883	3,429	–	3,483
Income tax (expense)/benefit					(89,387)
<b>Loss after income tax (expense)/benefit</b>					(85,904)
<b>Assets</b>					
Segment assets	952,899	–	9,878	19,635	982,412
<b>Total assets</b>					982,412
<i>Total assets includes:</i>					
Investments in associates	263,878	–	–	–	263,878
<b>Liabilities</b>					
Segment liabilities	262,042	–	7,684	1,707	271,433
<b>Total liabilities</b>					271,433

\* Revenue from leasehold properties is included in profit from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.



## Home Consortium

## Notes to the consolidated financial statements continued

## Note 5. Operating segments continued

Consolidated – 30 June 2020	Freehold properties \$'000	Leasehold properties \$'000	Funds management \$'000	Other \$'000	Total \$'000
<b>Revenue</b>					
Property rental income	52,855	9,938	–	–	62,793
Other property income	9,402	1,051	–	–	10,453
<b>Total revenue</b>	62,257	10,989	–	–	73,246
<b>FFO before income tax (expense)/benefit</b>	10,057	(15,637)	–	–	(5,580)
Leasehold rent and interest on lease liabilities	1,051	8,763	–	–	9,814
Fair value movements	14,618	(4,943)	–	–	9,675
Acquisition and transaction costs	(5,750)	(3,532)	–	–	(9,282)
Amortisation of borrowing costs	(7,385)	–	–	–	(7,385)
Straight-lining and amortisation	(704)	109	–	–	(595)
<b>Profit/(loss) before income tax (expense)/benefit</b>	11,887	(15,240)	–	–	(3,353)
Income tax (expense)/benefit					535
<b>Loss after income tax (expense)/benefit</b>					(2,818)
<b>Assets</b>					
Segment assets	1,099,448	178,210	–	–	1,277,658
<b>Total assets</b>					1,277,658
<b>Liabilities</b>					
Segment liabilities	389,809	158,319	–	–	548,128
<b>Total liabilities</b>					548,128

## Note 6. Property income

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>From continuing operations</b>		
Property rental income	47,053	52,855
Other property income	11,489	9,402
Management fee income	10,855	–
Property income from continuing operations	69,397	62,257

## Disaggregation of revenue

The revenue from property rental and other property income is recognised on a straight-line basis over the lease term. Management fee income is recognised over time as services are rendered. All revenue is generated within Australia. Revenue from operating segments is set out in note 5.

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

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
Net fair value (loss)/gain on investment properties – freehold (note 15)	(23,058)	17,569
Loss on remeasurement of other financial liabilities	1,104	(2,951)

**Note 8. Expenses**

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
Profit/(loss) before income tax from continuing operations includes the following specific expenses:		
Property expenses include COVID-19 rent relief	561	2,465
<i>Finance costs</i>		
Interest and finance charges on borrowings	7,440	14,544
Interest and finance charges on lease liabilities	19	1,653
Amortisation of borrowing costs*	2,976	7,385
Interest expense – other	475	–
Finance costs expensed	10,910	23,582
<i>Superannuation expense</i>		
Defined contribution superannuation expense	519	357
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation**	7,657	4,765
<i>Acquisition and transaction costs</i>		
IPO costs	–	5,750
Group reorganisation costs	1,945	–
Total acquisition and transaction costs	1,945	5,750

\* 30 June 2021 amortisation of borrowing costs includes \$1,335,000 written off upon reduction of the current debt facility limit and 30 June 2020 includes \$5,962,000 written off upon refinancing of the previous bank debt of the group.

\*\* Net of government grant for JobKeeper support of \$167,000 (2020: \$176,000).

## Notes to the consolidated financial statements continued

## Note 9. Income tax

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Income tax expense/(benefit)</i>		
Current tax	1,707	–
Deferred tax movements	87,680	(535)
Aggregate income tax expense/(benefit)	89,387	(535)
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	89,387	5,920
Profit/(loss) from discontinued operations	–	(6,455)
Aggregate income tax expense/(benefit)	89,387	(535)
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	87,680	(535)
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit/(loss) before income tax (expense)/benefit from continuing operations	(6,400)	11,887
Profit/(loss) before income tax (expense)/benefit from discontinued operations	9,883	(15,240)
	3,484	(3,353)
Tax at the statutory tax rate of 30%	1,045	(1,006)
Permanent differences and others	1,743	471
Utilisation of tax losses	9,426	–
Derecognition of deferred tax assets	77,173	–
Income tax expense/(benefit)	89,387	(535)

**Note 9. Income tax** *continued*

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	10,949	62,140
Investment property	(223)	35,409
Lease liabilities	83	42,923
Right-of-use assets	(83)	(16,070)
Others	3,425	11,708
	14,151	136,110
Amounts recognised in equity:		
Transaction costs on share issue	5,484	5,047
Deferred tax asset	19,635	141,157
Movements:		
Opening balance	141,157	135,575
Credited/(charged) to profit or loss	(87,680)	535
Credited to equity	1,561	5,047
Derecognised upon sale of leasehold portfolio	(35,403)	–
Closing balance	19,635	141,157

*Provision for income tax*

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for income tax	1,707	–

*Tax losses not recognised*

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Unused tax losses for which no deferred tax asset has been recognised	2,530,852	2,207,946
Potential tax benefit at statutory tax rates	759,256	662,384

Included within debited to profit or loss is reversal of tax losses of \$139,214,000 that no longer qualify for recognition. Tax losses carried forward as at 30 June 2021 represent losses incurred by the group since the IPO date and are subject to the Continuity of Ownership Test.

The group has not brought to account \$2,530,852,000 (2020: \$2,207,946,000) of tax losses, which includes the benefit arising from tax losses incurred prior to HCL's IPO. 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.

## Home Consortium

Notes to the consolidated financial statements *continued***Note 9. Income tax *continued***

Given the change in ownership on IPO and subsequent changes to the underlying business, the likelihood of this is considered to be remote.

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.

**Note 10. Discontinued operations**

On 20 November 2020, the group disposed of the former Masters Hardware leasehold properties (Leasehold segment) via the sale of Home Consortium Leasehold Pty Ltd and its subsidiaries to foundation shareholder Home Investment Consortium Company Pty Limited as trustee for the Home Investment Consortium Trust ('HICT'). The leasehold interest had a net asset position of \$35,493,000 and was sold for a nominal \$1 consideration.

During the financial year the group recognised other income amounting to \$11.0 million relating to the Lease Mitigation Account ('LMA').

The LMA was established in October 2019 with an initial amount of \$60.0 million to fund the ongoing operating and development cost of leasehold properties. Under the Lease Mitigation Deed, the foundation securityholders had 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 had to be an amount not less than the lesser of:

- \$30.0 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 \$5.0 million, where the percentage shall be 100% (the 'Minimum Balance').

As part of the restructure, the LMA arrangements as described above have been terminated. HICT has issued Home Consortium a promissory note of \$33.9 million for the release of HICT's obligations under the LMA which is included in other income in the profit from discontinued operations below.

**Financial performance information**

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
Total revenue	4,200	10,989
Total other income	47,283	(4,826)
Total expenses	(6,107)	(21,403)
<b>Profit/(loss) before income tax (expense)/benefit</b>	45,376	(15,240)
Income tax (expense)/benefit	–	6,455
<b>Profit/(loss) after income tax (expense)/benefit</b>	45,376	(8,785)
Loss on disposal of subsidiary	(35,493)	–
<b>Profit/(loss) after income tax (expense)/benefit from discontinued operations</b>	9,883	(8,785)

**Note 10. Discontinued operations** *continued**Cash flow information*

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash from/(used in) operating activities	4,042	(8,959)
Net cash used in investing activities	(12,817)	(24,318)
Net cash from financing activities	–	60,000
Net increase/(decrease) in cash and cash equivalents from discontinued operations	(8,775)	26,723

The above information represents cash flows from inception of the LMA to the date of disposal.

*Carrying amounts of assets and liabilities disposed*

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	18,538	–
Trade and other receivables	34,123	–
Investment properties – leasehold	79,446	–
Deferred tax assets	35,403	–
Total assets	167,510	–
Trade and other payables	8,017	–
Provisions	2,000	–
Lease liabilities	122,000	–
Total liabilities	132,017	–
Net assets	35,493	–

*Details of the disposal*

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Total sale consideration*	–	–
Carrying amount of net assets disposed	(35,493)	–
Loss on disposal before income tax	(35,493)	–
Loss on disposal after income tax	(35,493)	–

\* Nominal sale consideration of \$1 was settled on disposal of leasehold operations.



# Notes to the consolidated financial statements continued

## Note 11. Cash and cash equivalents

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current assets</i>		
Cash at bank – lease mitigation account	–	26,723
Cash at bank – other	11,694	2,852
	11,694	29,575

## Note 12. Trade and other receivables

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current assets</i>		
Trade receivables	6,287	4,078
Allowance for expected credit losses	(792)	(672)
	5,495	3,406
Accrued income	630	287
	6,125	3,693

### Allowance for expected credit losses

The group has recognised a loss of \$0.1 million (2020: \$nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

## Note 13. Other assets

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current assets</i>		
Prepayments	3,776	2,188
Other deposits	432	1,816
Other receivables*	8,477	750
Other current assets	878	–
	13,563	4,754

\* Other receivables include \$3.6 million distributions receivable and \$2.9 million management fees receivable from HDN (a related party).

**Note 14. Assets classified as held for sale**

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
Investment property	478,592	–

The group has entered into conditional agreements to sell a 100% interest in a portfolio of seven large format retail assets ('LFR Portfolio') to HDN (a related party) for a total purchase price of \$266.4 million less estimated costs of the bonus unit issue of \$8.9 million. HDN unitholder approval was obtained at an extraordinary general meeting on 16 June 2021 and settlement occurred on 1 July 2021.

Ten other properties with a value of \$221.1 million are being seeded into the HealthCo Healthcare and Wellness REIT, which is expected to be a separate listed entity.

**Note 15. Investment property – freehold**

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
<i>Non-current assets</i>		
Investment property – freehold – at fair value	188,100	1,013,750
<b>Reconciliation</b>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	1,013,750	771,048
Acquisitions and additions	284,548	143,066
Disposals	(69,000)	–
Transfer to HDN upon demerger*	(584,200)	–
Transfer to assets held for sale (note 14)	(478,592)	11,639
Capitalised expenditure	48,155	71,132
Straight-lining and amortisation	(3,503)	(704)
Net gain/(loss) from fair value adjustments (note 7)	(23,058)	17,569
Closing balance	188,100	1,013,750

\* Refer to note 17 for details on assets transferred upon demerger of HDN.

Refer to note 28 for further information on fair value measurement.

## Home Consortium

## Notes to the consolidated financial statements continued

**Note 15. Investment property – freehold** continued*Lessor commitments*

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	11,706	54,548
One to two years	11,518	58,085
Two to three years	11,048	58,472
Three to four years	9,791	56,454
Four to five years	7,980	51,676
More than five years	45,619	212,014
	97,662	491,249
	97,662	491,249

**Note 16. Investment property – leasehold**

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Non-current assets</i>		
Investment property – leasehold – at fair value	–	84,263
<b>Reconciliation</b>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	84,263	129,911
Additions	1,352	12,448
Disposals and surrenders	(5,887)	(50,591)
Unrealised fair value loss	(282)	(7,505)
Disposal of leasehold portfolio (note 10)	(79,446)	–
Closing balance	–	84,263

Refer to note 28 for further information on fair value measurement.

## Note 17. Investments accounted for using the equity method

### Establishment of HomeCo Daily Needs REIT

During the financial year, the group established HomeCo Daily Needs REIT (ASX: HDN) via an in-specie distribution to securityholders, which comprised a portfolio of stabilised, convenience-based assets. The Capital Distribution was approved by Home Consortium securityholders on 18 November 2020.

On 26 November 2020, HMC stapled securityholders received one unit in the Trust for every two stapled securities held in Home Consortium via a Capital Distribution, resulting in the transfer of approximately 128.6 million units and Home Consortium retaining approximately 128.6 million units in HDN. On completion of the ASX listing and after HDN's additional share issue, Home Consortium retained a 26.6% equity interest in HDN.

As part of the Capital Distribution, the group transferred 13 properties with a fair value of \$584.2 million to HDN and received \$205.0 million in cash. The carrying amount of the net assets retained by Home Consortium was \$189.6 million after the Capital Distribution of \$189.6 million (refer to note 24).

The fair value of investments in HDN at the date of transfer, being \$174,154,000, was calculated using the volume-weighted average price ('VWAP') of HDN shares as traded on the ASX over the first five trading days after the demerger date being \$1.35 per unit multiplied by the number of HDN shares on the initial listing of 128.6 million. This resulted in a loss on the demerger of \$15,446,000.

On 19 April 2021, HDN announced a \$265.0 million underwritten 1 for 2.36 accelerated non-renounceable entitlement offer at an issue price of \$1.295 per new unit to fund the acquisition of 7 large format retail assets from the group. The Company took up its full entitlement of 54.5 million units for \$70,575,000. Home Consortium Developments Limited (HCDL), an entity within the HMC stapled group, had committed to sub-underwrite approximately 10% of the offer and took up 13 million units for \$16,906,000 resulting in a 1.9% holding in HDN.

The investment in HDN is accounted for as an investment in associate using the equity method of accounting.

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Non-current assets</i>		
Investment in HomeCo Daily Needs REIT (ASX: HDN)	263,878	–

### Interests in associates

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

Name	Principal place of business/ Country of incorporation	Ownership interest	
		30 June 2021 %	30 June 2020 %
HomeCo Daily Needs REIT (ASX: HDN)	Australia	28.53%	–

## Home Consortium

## Notes to the consolidated financial statements continued

**Note 17. Investments accounted for using the equity method** continued*Summarised financial information*

	<b>30 June 2021</b> <b>\$'000</b>
<i>Summarised statement of financial position</i>	
Current assets	268,800
Non-current assets	1,121,600
Total assets	1,390,400
Current liabilities	31,500
Non-current liabilities	425,800
Total liabilities	457,300
Net assets	933,100
<i>Summarised statement of profit or loss and other comprehensive income</i>	
Revenue	45,200
Expenses and fair value changes	(13,900)
Profit before income tax	31,300
Other comprehensive income	—
Total comprehensive income	31,300
<i>Reconciliation of the group's carrying amount</i>	
Opening carrying amount	—
Fair value of investments in HomeCo Daily Needs REIT on demerger	174,154
Additional investments acquired during the year	87,481
Share of profit after income tax	8,940
Share of distributions paid/payable	(6,697)
Closing carrying amount	263,878

**Commitments**

	<b>Consolidated</b> <b>30 June 2021</b> <b>\$'000</b>
Committed at the reporting date but not recognised as liabilities, payable:	
Capital expenditure	34,400
Property acquisitions	274,000

In April 2021, HDN announced a \$265.0 million underwritten accelerated non-renounceable Entitlement Offer. As part of the entitlement offer, eligible HDN unitholders who are issued with new units will also be entitled to receive, without any further action, up to 1 bonus unit for every 20 new units issued, subject to certain conditions (principally related to a unitholder holding a number of units exceeding their holding as at 16 August 2021). The Company has agreed to sell back, for a nominal consideration, the number of units it holds in HDN, equal to the number of bonus units that HDN will issue, as determined above.

**Note 18. Trade and other payables**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Trade payables	4,267	21,740
Rent received in advance	1,132	2,399
Accrued expenses	7,636	8,577
Other payables	319	5,287
	13,354	38,003

Refer to note 27 for further information on financial instruments.

**Note 19. Borrowings**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current liabilities</i>		
Senior secured bank debt	254,750	366,000
Capitalised transaction costs	(1,639)	(4,615)
	253,111	361,385

Refer to note 27 for further information on financial instruments.

During the financial year, the group reduced its debt facility limit by \$185.0 million to \$315.0 million as at 30 June 2021. The group has complied with all financial covenants during the financial year. The debt facility has a maturity date of 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.

**Financing arrangements**

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

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Senior secured bank debt	315,000	500,000
Used at the reporting date		
Senior secured bank debt	254,750	366,000
Unused at the reporting date		
Senior secured bank debt	60,250	134,000



## Home Consortium

## Notes to the consolidated financial statements continued

## Note 20. Provisions

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Non-current liabilities</i>		
Make good provision	–	2,000

*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*

	Make good provision \$'000
<b>Consolidated – 30 June 2021</b>	
Carrying amount at the start of the year	2,000
Transfer upon disposal of leasehold portfolio	(2,000)
Carrying amount at the end of the year	–

## Note 21. Employee benefit obligations

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current liabilities</i>		
Annual leave	410	219
Employee benefits	727	317
	1,137	536

## Note 22. Derivative financial instruments

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Non-current liabilities</i>		
Derivative liability	1,847	3,127

Refer to note 27 for further information on financial instruments.

Refer to note 28 for further information on fair value measurement.

**Note 23. Lease liabilities**

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current liabilities</i>		
Lease liability	205	9,609
<i>Non-current liabilities</i>		
Lease liability	72	133,468
	277	143,077

Refer to note 27 for maturity analysis of lease liabilities.

**Note 24. Contributed equity**

	Consolidated			
	30 June 2021 Shares	30 June 2020 Shares	30 June 2021 \$'000	30 June 2020 \$'000
Ordinary shares – fully paid	290,121,283	197,912,426	3,710,382	3,607,986

**Movements in ordinary share capital**

Details	Date	Shares	\$'000
Balance	1 July 2019	1,287,740,632	3,291,155
Share-consolidation of 13.797 shares held into one share	29 August 2019	(1,194,407,297)	–
Capital reduction	6 September 2019	–	(21,734)
Conversion of convertible notes into shares	16 October 2019	7,462,687	25,000
Issue of shares at initial public offering (at \$3.35 per ordinary share)	16 October 2019	97,014,911	325,000
Issue of shares on vesting of share rights	27 February 2020	101,493	340
Share issue transaction costs, net of tax		–	(11,775)
Balance	30 June 2020	197,912,426	3,607,986
Issue of shares (at \$2.88 per ordinary share)	7 July 2020	48,611,111	140,000
Issue of shares (at \$2.83 per ordinary share)	28 July 2020	3,758,565	10,637
Issue of shares (at \$2.88 per ordinary share)	2 September 2020	6,944,444	20,000
Capital Distribution on demerger of HomeCo Daily Needs REIT (ASX:HDN)*	26 November 2020	–	(189,600)
Issue of shares (at \$3.80 per ordinary share)	10 December 2020	32,894,737	125,000
Share issue transaction costs, net of tax		–	(3,641)
Balance	30 June 2021	290,121,283	3,710,382

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

\* As part of the Capital Distribution, the securityholders of HMC received one unit in HomeCo Daily Needs REIT for every two stapled securities held via a distribution in-specie, resulting in a capital reduction of \$189,600,000.

## Home Consortium

Notes to the consolidated financial statements *continued***Note 24. Contributed equity** *continued***Ordinary shares**

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to securityholders should the company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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 securityholders 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 securityholders, return capital to stapled securityholders, 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 25. Reserves**

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
Profits reserve	1,885	38,584
Share-based payments reserve	2,128	472
	4,013	39,056

**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.

**Note 25. Reserves** continued*Movements in reserves*

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

<b>Consolidated</b>	<b>Profits reserve \$'000</b>	<b>Share-based payments reserve \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	486,659	–	486,659
Share-based payments	–	472	472
Dividends paid (note 26)	(8,907)	–	(8,907)
Transfer to accumulated losses	(439,168)	–	(439,168)
Balance at 30 June 2020	38,584	472	39,056
Share-based payments	–	1,656	1,656
Dividends paid (note 26)	(36,699)	–	(36,699)
Balance at 30 June 2021	1,885	2,128	4,013

**Note 26. Dividends***Dividends*

Dividends paid during the financial year were as follows:

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
Final dividend for the year ended 30 June 2020 of 7.5 cents per ordinary security	19,292	–
Interim dividend for the year ended 30 June 2021 of 6.0 cents per ordinary share (2020: 4.50 cents)	17,407	8,907
	36,699	8,907

On 24 August 2021, the directors of the stapled group determined a dividend to be paid of 6.0 cents per ordinary security to be paid on 1 October 2021 to eligible securityholders registered on 3 September 2021.

*Franking credits*

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
Franking credits available for subsequent financial years based on a tax rate of 30%	21,355	37,084

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; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

# Notes to the consolidated financial statements continued

## Note 27. 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 risk 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 2021		30 June 2020	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Bank loans	1.87%	254,750	2.04%	366,000
Interest rate swaps (notional principal amount)	0.89%	(175,000)	0.83%	(175,000)
Net exposure to cash flow interest rate risk		79,750		191,000

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 (2020: 50) basis points would have an adverse/favourable effect on profit before tax of \$399,000 (2020: \$955,000) 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 2021 of \$175,000,000 (2020: \$175,000,000). 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% (2020: 1.0%).

### 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

**Note 27. Financial instruments** *continued*

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 two major tenants, which as at 30 June 2021 owed the group \$3.1 million (50% of trade receivables) (2020: one major tenant of \$1.4 million (34.0% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2021. 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 19 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.

<b>Consolidated – 30 June 2021</b>	<b>1 year or less \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Remaining contractual maturities \$'000</b>
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	4,267	–	–	–	4,267
Other payables	319	–	–	–	319
<i>Interest-bearing – variable</i>					
Bank loans	4,741	256,157	–	–	260,898
<i>Interest-bearing – fixed rate</i>					
Lease liability	215	72	–	–	287
<b>Total non-derivatives</b>	<b>9,542</b>	<b>256,229</b>	<b>–</b>	<b>–</b>	<b>265,771</b>
<b>Derivatives</b>					
Interest rate swaps inflow	1,553	461	–	–	2,014
<b>Total derivatives</b>	<b>1,553</b>	<b>461</b>	<b>–</b>	<b>–</b>	<b>2,014</b>



# Notes to the consolidated financial statements continued

## Note 27. Financial instruments continued

Consolidated – 30 June 2020	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	21,740	–	–	–	21,740
Other payables	5,287	–	–	–	5,287
<i>Interest-bearing – variable</i>					
Bank loans	7,465	7,486	368,215	–	383,166
<i>Interest-bearing – fixed rate</i>					
Lease liability	20,042	19,586	58,607	114,120	212,355
Total non-derivatives	54,534	27,072	426,822	114,120	622,548
<b>Derivatives</b>					
Interest rate swaps inflow	1,451	1,451	614	–	3,516
Total derivatives	1,451	1,451	614	–	3,516

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

## Note 28. 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

Consolidated – 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Investment property – freehold	–	–	188,100	188,100
Investment property – held for sale	–	–	478,592	478,592
Convertible notes	–	–	548	548
Total assets	–	–	667,240	667,240
<b>Liabilities</b>				
Derivative financial instruments	–	1,847	–	1,847
Total liabilities	–	1,847	–	1,847

**Note 28. Fair value measurement** continued

Consolidated – 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Investment property – freehold	–	–	1,013,750	1,013,750
Investment property – leasehold	–	–	84,263	84,263
Total assets	–	–	1,098,013	1,098,013
<i>Liabilities</i>				
Derivative financial instruments	–	3,127	–	3,127
Total liabilities	–	3,127	–	3,127

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

There were no transfers between levels during the financial year.

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

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

The basis of the 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 take into consideration occupancy rates and returns on investment. For properties not independently valued at period end, 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. As at 30 June 2021, investment property with a fair value of \$62.7 million was externally valued.

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) 2021	Range (weighted average) 2020
Investment property – freehold and held for sale	(i) Capitalisation rate	4.8% to 8.0% (6.5%)	5.5% to 8.0% (6.6%)
	(ii) Discount rate	5.5% to 9.0% (7.1%)	6.3% to 9.0% (7.3%)
	(iii) Terminal yield	5.3% to 8.3% (6.6%)	5.8% to 8.3% (6.9%)
	(iv) Rental growth	2.0% to 3.5% (2.7%)	1.2% to 3.0% (2.3%)
Investment property – leasehold	(i) Discount rate		7.8% to 8.5% (8.1%)
	(ii) Rental growth		2.5% to 3.1% (2.8%)

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 (2020: 25) basis point change in capitalisation rate would increase/decrease fair value by \$26.9 million (2020: \$37.0 million).

## Home Consortium

Notes to the consolidated financial statements *continued***Note 28. Fair value measurement** *continued*

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 29. 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 2021 \$'000	30 June 2020 \$'000
Short-term employee benefits	2,892,758	1,949,449
Post-employment benefits	169,823	128,455
Share-based payments	1,413,841	742,176
	4,476,422	2,820,080

**Note 30. 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 2021 \$'000	30 June 2020 \$'000
<i>Audit services – PricewaterhouseCoopers</i>		
Audit or review of the financial statements	326,275	369,000
<i>Other services – PricewaterhouseCoopers</i>		
Other assurance services	–	28,000
	326,275	397,000

**Note 31. Contingent liabilities**

As at 30 June 2020, the group held 9 operating leases of which Woolworths Limited (the previous parent entity) remained the guarantor. If more than 5 of these Woolworths guarantees remained 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 \$5.0 million would have been due to Woolworths Limited.

As a result of the sale of the leasehold portfolio (refer to note 10), the above contingent liability was extinguished during the financial year.

The group had no other contingent liabilities as at 30 June 2021 and 30 June 2020.

**Note 32. Commitments**

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Capital expenditure	17,556	32,349
Property acquisitions (exchanged but not settled)	125,045	–
	142,601	32,349

**Note 33. 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 35.

***Associates***

Interests in associates are set out in note 17.

***Key management personnel***

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

***Related party transactions with HomeCo Daily Needs REIT ('HDN') during the financial year***

HMC Funds Management Limited ('Responsible Entity') was acquired by HCDL on 18 September 2020 and later became the responsible entity of HDN. 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 HDN in accordance with an Investment Management and Property and Development Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are wholly owned subsidiaries of the group.

Refer to note 17 for details of the establishment of HDN.

***Related party transactions with Aurrum Pty Ltd***

The Erina residential aged care property was acquired from Aurrum Pty Ltd, a director and key management personnel ('KMP') related entity of David Di Pilla, Greg Hayes and Will McMicking, for \$32.6 million on a sale and lease back transaction which was approved by securityholders on 1 September 2020. As part of the acquisition, Home Consortium issued \$20.0 million of securities at \$2.88 per security together with \$12.6 million cash as consideration.

## Home Consortium

## Notes to the consolidated financial statements continued

**Note 33. Related party transactions continued**

Material related party transactions entered during the financial year are disclosed below:

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
Sale of goods and services:		
(i) Property rental and other property income from Spotlight Pty Ltd, a related entity of Zac Fried, Director	1,509,107	1,905,000
(ii) Property rental and other property income from Anaconda Group Pty Ltd, a related entity of Zac Fried, Director	2,217,652	2,453,000
(iii) 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	1,146,913	1,163,000
(iv) Property rental and other property income from Aurrum Pty Ltd, a director related entity of David Di Pilla and Greg Hayes	1,826,441	8,000
(v) Investment management and property management fees from HDN, an associate entity	10,118,036	—
(vi) Responsible Entity expenses reimbursed from HDN	288,946	—
(vii) Management fees from Home Consortium Leasehold Pty Ltd, an entity controlled by Home Investment Consortium Company Pty Ltd, a director and KMP related entity of David Di Pilla, Greg Hayes, Zac Fried, Will McMicking and Andrew Boustred	1,248,790	—
Payment for goods and services:		
(i) Payment for office space, associated costs and reimbursement of expenses from Aurrum Pty Ltd	43,749	265,414
(ii) Payment for settlement adjustments relating to tenant rent and property expenses	1,962,001	—
Other transactions:		
(i) Rental guarantee expenses payable to HDN	475,000	—
(ii) Receipts from HDN (reimbursement of property deposits, capital expenditure and IPO transaction costs)	26,140,642	—
(iii) Sub underwriter fee	405,000	—

**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 2021 \$	30 June 2020 \$
Current receivables:		
(i) Trade receivables from Spotlight Pty Ltd	64,601	95,186
(ii) Trade receivables from Anaconda Group Pty Ltd	74,324	154,192
(iii) Trade receivables from CW Leasing Services Pty Ltd	27,192	46,049
(iv) Trade and other receivables from HDN	6,251,806	—
(v) Receivable from Home Consortium Leasehold Pty Ltd	330,000	—
Current payables:		
Trade payables to Aurrum Pty Ltd	—	67,542

**Note 33. Related party transactions** *continued***Loans to/from related parties**

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

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Non-current receivables:		
Convertible notes in Aurrum Childcare Pty Ltd, a director and KMP related entity of David Di Pilla, Greg Hayes and Will McMicking	548,000	–

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 34. Parent entity information**

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

**Statement of profit or loss and other comprehensive income**

	<b>Parent</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(89,220)	(57,068)
Total comprehensive income	(89,220)	(57,068)

**Statement of financial position**

	<b>Parent</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	12,011	5,361
Total assets	977,526	1,107,002
Total current liabilities	4,455	2,322
Total liabilities	259,691	367,300
Equity		
Contributed equity	3,710,382	3,607,986
Profits reserve	1,885	38,584
Share-based payments reserve	2,128	472
Accumulated losses	(2,996,560)	(2,907,340)
Total equity	717,835	739,702

**Contingent liabilities**

Refer to note 31 for the Company's contingent liabilities. The parent entity had no other contingent liabilities as at 30 June 2021 and 30 June 2020.

## Home Consortium

Notes to the consolidated financial statements *continued***Note 34. Parent entity information** *continued***Capital commitments – Property, plant and equipment**

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

**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.

**Note 35. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 3:

		Ownership interest	
Name	Principal place of business/ Country of incorporation	30 June 2021 %	30 June 2020 %
Subsidiaries of Home Consortium Limited:			
Home Consortium Property Pty Ltd	Australia	100%	100%
Home Consortium Leasehold Pty Ltd	Australia	–	100%
Home Consortium Property Trust	Australia	100%	100%
Subsidiaries of Home Consortium Developments Limited:			
HomeCo Childcare Pty Ltd	Australia	100%	100%
Home Consortium Developments Property Trust	Australia	100%	100%
HMC Funds Management Limited	Australia	100%	–
HomeCo Investment Management Pty Ltd	Australia	100%	–
HomeCo Property Management Pty Ltd	Australia	100%	–

**Note 36. Earnings per security**

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Earnings per security for profit/(loss) from continuing operations</i>		
Profit/(loss) after income tax	(95,787)	5,967
Non-controlling interest	(4,087)	–
Profit/(loss) after income tax	(99,874)	5,967
	Cents	Cents
Basic earnings per security	(36.55)	3.57
Diluted earnings per security	(36.55)	3.57



**Note 36. Earnings per security** continued

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
<i>Earnings per security for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax	9,883	(8,785)
Non-controlling interest	–	–
Profit/(loss) after income tax	9,883	(8,785)
	<b>Cents</b>	<b>Cents</b>
Basic earnings per security	3.62	(5.25)
Diluted earnings per security	3.62	(5.25)

	<b>Consolidated</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
<i>Earnings per security for loss</i>		
Loss after income tax	(85,904)	(2,818)
Non-controlling interest	(4,087)	–
Loss after income tax	(89,991)	(2,818)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per security	273,245,680	167,301,599
Weighted average number of ordinary shares used in calculating diluted earnings per security	273,245,680	167,301,599
	<b>Cents</b>	<b>Cents</b>
Basic earnings per security	(32.93)	(1.68)
Diluted earnings per security	(32.93)	(1.68)

1,869,816 (2020: 674,627) share rights over ordinary shares have been excluded from the calculation of diluted earnings per security as they are anti-dilutive.

**Note 37. Share-based payments**

The share-based payment expense for the year was \$1,656,000 (2020: \$0.7 million).

**Share rights**

During the financial year, the group granted share rights as part of the Financial Year 2020 ('FY20') COVID-19 grants, nonexecutive director grants ('FY21 NEDEP Grant'), employee long-term incentive plan ('FY21 LTIP'), and top-up awards. Topup awards for all FY2020 rights outstanding was made in January 2021 to compensate employees for the capital reduction approved by securityholders at the FY20 AGM. Existing right holders were not entitled to participate in the capital reduction so as to preserve their value of the performance rights, additional performance rights were issued (with the same performance hurdles and vesting conditions where applicable).

## Home Consortium

## Notes to the consolidated financial statements continued

**Note 37. Share-based payments continued**

Vesting of share rights is subject to meeting predetermined service and performance conditions including relative Total Shareholder Return ('TSR'), and aggregated FFO targets over the performance period, excluding NEDEP fee sacrifice rights which upon vesting are only subject to disposal restrictions. The performance periods are up to three years.

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

**30 June 2021**

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
FY20 LTIP	14/10/2019	27/08/2022	374,627	–	–	61,858	436,485
IPO employee grant	14/10/2019	14/10/2022	300,000	–	–	44,319	344,319
FY20 COVID-19 Grant	25/08/2020	30/09/2022	–	262,567	–	–	262,567
FY21 LTIP (MD & CEO)	25/11/2020	27/08/2023	–	376,083	–	–	376,083
FY21 NEDEP Fee Sacrifice rights	25/11/2020	27/08/2021	–	145,072	–	–	145,072
FY21 LTIP (Executive KMP, excluding MD & CEO)	18/01/2021	27/08/2023	–	305,290	–	–	305,290
			674,627	1,089,012	–	106,177	1,869,816

\* Includes 110,655 top-up awards that were made for existing awards during FY21, as these awards have been added to their original awards.

**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
			–	783,583	(101,493)	(7,463)	674,627

There are no share rights that are vested and exercisable as at 30 June 2021 (2020: Nil). The weighted average remaining contractual life of share rights outstanding at the end of the financial year was 1.5 years (2020: 2.2 years).

**Note 37. Share-based payments** *continued*

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 COVID-19 Grant	25/08/2020	30/09/2022	3.11	40.00%	5.00%	0.25%	1.54
FY21 LTIP (MD & CEO)	25/11/2020	27/08/2023	3.90	36.00%	3.47%	0.11%	3.17
IPO Employee Grant Top-up	13/01/2021	14/10/2022	4.20	37.00%	3.36%	0.07%	3.96
FY20 LTIP (Executive KMP) Top-up	13/01/2021	27/08/2022	4.20	37.00%	3.36%	0.07%	3.60
FY20 COVID-19 Grant Top-up	13/01/2021	30/09/2022	4.20	37.00%	3.36%	0.08%	3.01
FY21 NEDEP Fee Sacrifice rights Top-up	13/01/2021	27/08/2021	4.20	37.00%	3.36%	0.04%	4.11
FY21 LTIP (MD & CEO) Top-up award	13/01/2021	27/08/2023	4.20	37.00%	3.36%	0.10%	3.54
FY21 LTIP (Executive KMP)	18/01/2021	27/08/2023	3.92	37.00%	3.48%	0.09%	3.24

**Note 38. Cash flow information***Reconciliation of loss after income tax to net cash from/(used in) operating activities*

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Loss after income tax (expense)/benefit for the year	(85,904)	(2,818)
Adjustments for:		
Share-based payments	1,656	812
Share of profit – associates	(8,940)	–
Net fair value adjustment to investment property – freehold	23,058	(17,569)
Net fair value adjustment to investment property – leasehold	–	7,505
Straight-lining of rent	(3,503)	(11,063)
Finance cost – non-cash	2,976	7,385
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,151)	(5,476)
Decrease/(increase) in deferred tax assets	123,083	(300)
Decrease/(increase) in other operating assets	1,496	(200)
Decrease in trade and other payables	(22,834)	(3,155)
Increase/(decrease) in derivative liabilities	(1,279)	3,127
Decrease in other provisions	(2,000)	(1,504)
Net cash from/(used in) operating activities	22,658	(23,256)

## Home Consortium

## Notes to the consolidated financial statements continued

**Note 38. Cash flow information** continued*Non-cash investing and financing activities*

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares issued under employee share plan	–	340
Shares issued on acquisition of property	20,000	–
Capital Distribution on demerger of HomeCo Daily Needs REIT	(189,600)	–
Related party receivable extinguished via non-cash share capital reduction	–	(21,734)

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	<b>Senior secured bank debt \$'000</b>	<b>Mezzanine facility \$'000</b>	<b>Lease liability \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	337,268	78,397	232,101	647,766
Net cash from/(used in) financing activities	28,732	(78,397)	(20,404)	(70,069)
Non-cash surrender of leasehold property	–	–	(8,464)	(8,464)
Acquisition of leasehold property	–	–	(56,650)	(56,650)
Surrender fees transferred to other payables	–	–	(5,343)	(5,343)
Changes in fair value	–	–	1,837	1,837
Balance at 30 June 2020	366,000	–	143,077	509,077
Net cash used in financing activities	(111,250)	–	(11,895)	(123,145)
Transfer to investment property – leasehold	–	–	(8,905)	(8,905)
Disposal of leasehold property	–	–	(122,000)	(122,000)
Balance at 30 June 2021	254,750	–	277	255,027

**Note 39. Events after the reporting period***Asset disposals:*

In April 2021, Home Consortium entered into conditional agreements to sell a 100% interest in a portfolio of seven large format retail assets to HDN for a total purchase price of \$266.4 million less estimated costs of the bonus unit issue of \$8.9 million. HDN unitholder approval was obtained at an extraordinary general meeting on 16 June 2021 and settlement occurred on 1 July 2021.

*Financing:*

On 29 July 2021 Home Consortium completed an upsize and extension of its existing three-year senior secured syndicated debt facility to a \$375 million senior secured syndicated debt facility expiring in November 2023.

### Note 39. Events after the reporting period *continued*

#### *HealthCo Healthcare and Wellness REIT:*

Home Consortium entered into a number of contracted property acquisitions post 30 June 2021 in relation to seed assets for the establishment of the HealthCo Healthcare and Wellness REIT ('HCW'). This included a property portfolio leased to GenesisCare, a health and knowledge precinct fund through development located in Southport, QLD and the establishment of a joint venture with hospital operator Acurio Health Group to acquire and develop a 5 hectare integrated private hospital anchored health precinct in Camden, NSW. Additionally, a childcare centre in Nunawading, VIC has been acquired in August 2021 and contracts were exchanged on another childcare centre in Armadale, VIC which is currently under development and expected to settle in December 2021.

The acquisitions of Morayfield Health Hub, QLD and a childcare centre in Concord, NSW settled in July 2021, both of which were contracted pre-30 June 2021.

On 15 July 2021, a subsidiary of HCDL completed the acquisition of the leasehold property located at 101 Learmonth Road, Wendouree (Ballarat) from a third-party vendor. Given that the property was leased by a subsidiary of Home Investment Consortium Company Pty Ltd ('HICC') at the time and in accordance with commercial terms agreed and approved between HCDL and HICC, a payment of \$10.8 million was paid by HCDL to HICC in connection with this transaction, representing the difference between the independent valuation at settlement less a 7.5% discount and the contract price with the third-party vendor plus working capital adjustments.

On 2 August 2021 Home Consortium lodged a product disclosure statement ('PDS') with the Australian Securities and Investments Commission in relation to the proposed establishment of an ASX listed managed investment scheme known as HealthCo Healthcare and Wellness REIT (ASX: HCW) and entered into an underwriting agreement in relation to an offer of new ordinary units to raise \$650 million in September 2021. Home Consortium will have a direct investment in HCW of approximately 20.0% of units on issue as at the ASX listing date, which is subject to a 12-month voluntary escrow arrangement.

#### *Convertible Notes*

Post year-end, Home Consortium have invested in convertible notes worth \$1.2 million with Aurrum Childcare Pty Ltd, a related party, pursuant to the terms of a Subscription and Shareholders Deed.

#### *COVID-19:*

The impact of the COVID-19 pandemic is ongoing following the recent delta variant outbreaks and lockdown restrictions imposed across multiple Australian states and territories. Whilst the majority of the group's properties or managed funds have either a supermarket, pharmacy or health services as 'essential services' tenants, the outlook remains uncertain.

Apart from the dividend determined as disclosed in note 26, no other matter or circumstance has arisen since 30 June 2021 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.*

Home Consortium Developments Limited

# Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

		Consolidated	
		Year ended 30 June 2021 \$'000	Period from 29 August 2019 to 30 June 2020 \$'000
	Note		
<b>Revenue</b>			
<b>Property income</b>	5	14,261	—
Share of profits of associates accounted for using the equity method	15	595	—
Other income		405	—
Interest revenue		24	—
Net unrealised fair value loss	6,13	(1,659)	—
<b>Expenses</b>			
Property expenses		(2,763)	—
Corporate expenses		(4,762)	—
Acquisition and transaction costs		(593)	—
Finance costs	7	(1,470)	—
<b>Profit before income tax expense</b>		4,038	—
Income tax expense	8	(1,419)	—
<b>Profit after income tax expense for the year attributable to the owners of Home Consortium Developments Limited</b>		2,619	—
Other comprehensive income for the year, net of tax		—	—
<b>Total comprehensive income for the year attributable to the owners of Home Consortium Developments Limited</b>		2,619	—
		<b>Cents</b>	<b>Cents</b>
Basic earnings per security	30	0.96	—
Diluted earnings per security	30	0.96	—

Home Consortium Developments Limited

# Consolidated statement of financial position

AS AT 30 JUNE 2021

		Consolidated	
	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	7,969	–
Trade and other receivables	10	5,893	–
Other assets	11	3,704	–
		17,566	–
Assets classified as held for sale	14	95,525	–
Total current assets		113,091	–
<b>Non-current assets</b>			
Convertible notes	12	548	–
Investments accounted for using the equity method	15	17,263	–
Deferred tax	8	289	–
Total non-current assets		18,100	–
<b>Total assets</b>		131,191	–
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	3,555	–
Income tax	8	1,707	–
Employee benefits		1,137	–
Total current liabilities		6,399	–
<b>Non-current liabilities</b>			
Borrowings	17	122,173	–
Total non-current liabilities		122,173	–
<b>Total liabilities</b>		128,572	–
<b>Net assets</b>		2,619	–
<b>Equity</b>			
Contributed equity	18	–	–
Retained profits		2,619	–
<b>Total equity</b>		2,619	–



Home Consortium Developments Limited

# Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2021

	Contributed equity \$'000	Retained profits \$'000	Total equity \$'000
<b>Consolidated</b>			
Balance at 29 August 2019	—	—	—
Profit after income tax expense for the year	—	—	—
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive income for the year	—	—	—
Balance at 30 June 2020	—	—	—

	Contributed equity \$'000	Retained profits \$'000	Total equity \$'000
<b>Consolidated</b>			
Balance at 1 July 2020	—	—	—
Profit after income tax expense for the year	—	2,619	2,619
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive income for the year	—	2,619	2,619
Balance at 30 June 2021	—	2,619	2,619

Home Consortium Developments Limited

# Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated		
		Period from 29 August 2019 to 30 June 2020
	Note	Year ended 30 June 2021 \$'000
Cash flows from operating activities		
Receipts from vendors and tenants (inclusive of GST)		7,854
Payments to suppliers and employees (inclusive of GST)		(4,837)
Net cash from operating activities	29	3,017
<b>Cash flows from investing activities</b>		
Payment for acquisition of investment property		(98,184)
Payment for investment in associates	15	(16,906)
Payment for other investments		(113)
Payment for convertible notes	12	(548)
Net cash used in investing activities		(115,751)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	17	120,703
Net cash from financing activities		120,703
Net increase in cash and cash equivalents		7,969
Cash and cash equivalents at the beginning of the financial year		–
Cash and cash equivalents at the end of the financial year	9	7,969

Home Consortium Developments Limited

# Notes to the consolidated financial statements

30 JUNE 2021

## 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  
Sydney NSW 2000

The shares in HCDL are 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*.

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 2021.

## Note 2. Significant accounting policies

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

### New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations adopted during the year are most relevant to the group:

### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the group's financial statements.

### Accounting period and comparatives

The group's current accounting period is for the financial year ended 30 June 2021. The comparative accounting period is from 29 August 2019 (incorporation date of HCDL) to 30 June 2020, therefore the results for the current year ended 30 June 2021 may not be directly comparable to the comparative period.

### 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, except for, where applicable, the revaluation of certain financial assets and liabilities, and revaluation of investment properties at fair value through profit or loss.

## Note 2. 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 3.

### **Parent entity information**

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

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Home Consortium Developments Limited as at 30 June 2021 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 on an accrual basis and billed monthly in arrears. 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.

Home Consortium Developments Limited

# Notes to the consolidated financial statements continued

## Note 2. Significant accounting policies continued

### *Management fee income*

Management fees comprise of investment management and property management fees for properties managed on behalf of third parties.

Investment management fees are recognised over time based on a percentage of Gross Asset Value (GAV) of the investment being managed. Acquisition fees and disposal fees are recognised at a point in time as a percentage of purchase or disposal values on completion of the service.

Property management fees are recognised over time based on the percentage of gross income. New tenant and lease renewal fees are recognised at a point in time as a percentage of annual rental on the successful execution of tenancy agreements. Development management fees are recognised over time based on a percentage of the development costs.

### 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 Developments Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime ('HCDL Tax consolidation group'). 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.

## Note 2. Significant accounting policies *continued*

### Current and non-current classification

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

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

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

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.

### 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 in Associate

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

Home Consortium Developments Limited

# Notes to the consolidated financial statements *continued*

## Note 2. Significant accounting policies *continued*

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

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

### Investments including convertible notes

Investments are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset, unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Convertible notes are measured at fair value through profit or loss. Fair value movements are recognised in profit or loss.

### Investment properties

Investment properties consists of freehold investment properties held at fair value through profit or loss.

Investment 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.

### 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.

### Finance costs

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

### 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.



## Note 2. Significant accounting policies *continued*

### *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, the 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.

### **Fair value measurement**

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

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

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

For recurring and non-recurring fair value measurements, external valuers may be used 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 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.

### **Earnings per security**

#### *Basic earnings per security*

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

#### *Diluted earnings per security*

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of additional ordinary securities that would have been outstanding assuming conversion of all dilutive potential ordinary securities.

Home Consortium Developments Limited

# Notes to the consolidated financial statements continued

## **Note 2. Significant accounting policies continued**

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

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

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

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

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

### **Rounding of amounts**

The group 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 thousand dollars, or in certain cases, the nearest dollar.

### **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 2021. The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the group's financial statements.

## **Note 3. Critical accounting judgements, estimates and assumptions**

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

### ***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 not materially impacted the financial performance of the group during the financial year. However, the pandemic is ongoing following the recent delta variant outbreaks and lockdown restrictions imposed across multiple Australian states and territories. Whilst the majority of the group's properties have health services as 'essential services' tenants, the outlook remains uncertain.

### Note 3. Critical accounting judgements, estimates and assumptions *continued*

#### *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 makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

#### *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 2021 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 21 for details of valuation techniques used.

#### *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 losses.

### Note 4. Operating segments

#### *Identification of reportable operating segments*

The group is organised into three operating segments: Freehold properties, Funds management and Other. The operating segments are based on the internal reports that are reviewed by the Chief Operating Decision Makers ('CODM') 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'). 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. The group only operates in Australia.

#### *Major customers*

During the financial year ended 30 June 2021, approximately 84.0% of the group's external revenue was derived from sales to two major customers.

Home Consortium Developments Limited

## Notes to the consolidated financial statements continued

## Note 4. Operating segments continued

## Segment results

Consolidated – Year ended 30 June 2021	Freehold \$'000	Funds management \$'000	Other \$'000	Total \$'000
<b>Revenue</b>			–	3,294
Property rental income	3,294	–	–	112
Other property income	112	–	–	10,855
Management fee income	–	10,855		
<b>Total revenue</b>	3,406	10,855	–	14,261
<b>FFO before income tax expense</b>	2,204	3,658	–	5,862
Fair value movements	(1,659)	–	–	(1,659)
Acquisition and transaction costs	(364)	(229)	–	(593)
Straight lining and amortisation	238	–	–	238
Share of associate profit (adjusted)	190	–		190
<b>Profit before income tax expense</b>	609	3,429	–	4,038
Income tax expense				(1,419)
<b>Profit after income tax expense</b>				2,619
<b>Assets</b>				
Segment assets	121,025	9,878	288	131,191
<b>Total assets</b>				131,191
<b>Liabilities</b>				
Segment liabilities	119,181	7,684	1,707	128,572
<b>Total liabilities</b>				128,572

There were no operations during the previous financial period.

## Note 5. Property income

	Consolidated	
	Year ended 30 June 2021 \$'000	Period from 29 August 2019 to 30 June 2020 \$'000
Property rental income	3,294	–
Other property income	112	–
Management fee income	10,855	–
Property income	14,261	–

## Disaggregation of revenue

The revenue from property rental and other property income is recognised on a straight-line basis over the lease term. Management fee income is recognised over time as services are rendered. All revenue is generated in Australia.

**Note 6. Net unrealised fair value loss**

	<b>Consolidated</b>	
	<b>Year ended 30 June 2021 \$'000</b>	<b>Period from 29 August 2019 to 30 June 2020 \$'000</b>
Net unrealised fair value loss on investment properties	(1,659)	–

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>Year ended 30 June 2021 \$'000</b>	<b>Period from 29 August 2019 to 30 June 2020 \$'000</b>
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	1,470	–
<i>Superannuation expense</i>		
Defined contribution superannuation expense	326	–
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	4,649	–
<i>Acquisition and transaction costs</i>		
Group reorganisation costs	593	–

Home Consortium Developments Limited

## Notes to the consolidated financial statements continued

## Note 8. Income tax

	Consolidated	
	Year ended 30 June 2021 \$'000	Period from 29 August 2019 to 30 June 2020 \$'000
<i>Income tax expense</i>		
Current tax	1,708	–
Deferred tax – origination and reversal of temporary differences	(289)	–
Aggregate income tax expense	1,419	–
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(289)	–
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	4,038	–
Tax at the statutory tax rate of 30%	1,211	–
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences and others	208	–
Income tax expense	1,419	–

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued expenses and others	289	–
Deferred tax asset	289	–
Movements:		
Opening balance	–	–
Credited to profit or loss	289	–
Closing balance	289	–

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Provision for income tax</i>		
Provision for income tax	1,707	–

**Note 9. Cash and cash equivalents**

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current assets</i>		
Cash at bank	7,969	–

**Note 10. Trade and other receivables**

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current assets</i>		
Trade receivables	1,791	–
Other receivables	4,085	–
Accrued income	17	–
	4,102	–
	5,893	–

**Allowance for expected credit losses**

The group has recognised a loss of \$ Nil in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

**Note 11. Other assets**

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current assets</i>		
Prepayments	2,826	–
Other current assets	878	–
	3,704	–

**Note 12. Convertible notes**

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Non-current assets</i>		
Convertible notes	548	–

Convertible notes represent an investment in Aurrum Childcare Pty Ltd, a related party, and bears interest at a variable rate plus a margin.

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



Home Consortium Developments Limited

## Notes to the consolidated financial statements continued

## Note 13. Investment property

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Non-current assets		
Investment property – at fair value	–	–
<b>Reconciliation</b>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Balance at 1 July 2020	–	–
Acquisitions	97,184	–
Net unrealised loss from fair value adjustments (note 6)	(1,659)	–
Transfer to asset held for sale (note 14)	(95,525)	–
Balance at 30 June 2021	–	–

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

## Note 14. Assets classified as held for sale

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Current assets		
Investment property	95,525	–

Investment property held for sale as at 30 June 2021 represents seed assets for the HealthCo Healthcare and Wellness REIT which is a proposed ASX-listed entity (to be externally managed by the group).

## Note 15. Investments accounted for using the equity method

## Investment in HomeCo Daily Needs REIT

During the year, the Company committed to sub-underwrite \$26.7 million (approximately 10%) of the retail component of an accelerated non-renounceable Entitlement Offer by HomeCo Daily Needs REIT (ASX: HDN). The Company took up 1.9% of the holding at a fair value of \$16.9 million.

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Non-current assets		
Investment in HomeCo Daily Needs REIT (ASX: HDN)	17,263	–

## Interests in associates

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2021 %	30 June 2020 %
HomeCo Daily Needs REIT (ASX: HDN)	Australia	1.90%	–

**Note 15. Investments accounted for using the equity method** *continued**Summarised financial information*

	<b>30 June 2021</b> <b>\$'000</b>
<i>Summarised statement of financial position</i>	
Current assets	268,785
Non-current assets	1,121,640
Total assets	1,390,425
Current liabilities	31,515
Non-current liabilities	425,778
Total liabilities	457,293
Net assets	933,132
<i>Summarised statement of profit or loss and other comprehensive income</i>	
Revenue	45,202
Expenses and fair value changes	(13,869)
Profit before income tax	31,333
Other comprehensive income	–
Total comprehensive income	31,333
<i>Reconciliation of the group's carrying amount</i>	
Opening carrying amount	–
Fair value of investments acquired	16,906
Share of profit after income tax	595
Distributions received	(238)
Closing carrying amount	17,263

**Commitments**

	<b>Consolidated</b> <b>30 June 2021</b> <b>\$'000</b>
Committed at the reporting date but not recognised as liabilities, payable:	
Capital expenditure	34,400
Property acquisitions	274,000

Home Consortium Developments Limited

## Notes to the consolidated financial statements continued

## Note 16. Trade and other payables

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Current liabilities</i>		
Trade payables	1,930	–
Rent received in advance	23	–
Accrued expenses	1,483	–
Other payables	119	–
	3,555	–

Refer to note 20 for further information on financial instruments.

## Note 17. Borrowings

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<i>Non-current liabilities</i>		
Loan from Home Consortium Ltd	122,173	–

Refer to note 20 for further information on financial instruments.

The loan from Home Consortium Ltd, a related party, is to fund operational and capital expenditure. The loan is variable interest-bearing and the principal amount along with the accrued interest is payable after 10 years.

## Note 18. Contributed equity

	Consolidated			
	30 June 2021 Shares	30 June 2020 Shares	30 June 2021 \$'000	30 June 2020 \$'000
Ordinary shares – fully paid	290,121,283	197,912,426	–	–

## Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	29 August 2019	–	–
Initial allotment of shares	29 August 2019	93,333,335	–
Conversion of convertible note	16 October 2019	7,462,687	–
Issue of shares at initial public offering	16 October 2019	97,014,911	–
Issue of shares on vesting of share rights	27 February 2020	101,493	–
Balance	30 June 2020	197,912,426	–
Issue of shares	7 July 2020	48,611,111	–
Issue of shares	28 July 2020	3,758,565	–
Issue of shares	2 September 2020	6,944,444	–
Issue of shares	10 December 2020	32,894,737	–
Balance	30 June 2021	290,121,283	–

The issued shares are made up of stapled securities comprising one share of HCL and one share of HCDL.

**Note 18. Contributed equity** *continued***Ordinary shares**

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to securityholders should Home Consortium be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the stapled entity 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 securityholders 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 securityholders, return capital to stapled securityholders, 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 19. Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Note 20. Financial instruments****Financial risk management objectives**

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

Risk management is carried out by 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.

Home Consortium Developments Limited

# Notes to the consolidated financial statements continued

## Note 20. Financial instruments continued

### 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.

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

	30 June 2021		30 June 2020	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Loan from Home Consortium Ltd	2.33%	122,173	—	—
Net exposure to cash flow interest rate risk		122,173		—

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 (2020: Not applicable) basis points would have an adverse/favourable effect on profit before tax of \$611,000 (2020: Not applicable) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

### 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 sales experience, historical collection rates and forward-looking information that is available.

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

### 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.

**Note 20. Financial instruments** continued

Consolidated – 30 June 2021	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	1,930	–	–	–	1,930
Other payables	119	–	–	–	119
<i>Interest-bearing – variable</i>					
Loan from Home Consortium Ltd	–	–	–	149,494	149,494
<b>Total non-derivatives</b>	<b>2,049</b>	<b>–</b>	<b>–</b>	<b>149,494</b>	<b>151,543</b>

There were no financial liabilities as at 30 June 2020.

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

**Note 21. Fair value measurement***Fair value hierarchy*

The following 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.

Consolidated – 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Investment property – held for sale	–	–	95,525	95,525
Convertible notes	–	–	548	548
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>96,073</b>	<b>96,073</b>

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.

There were no assets and liabilities fair valued as at 30 June 2020.

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 the 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 take into consideration occupancy rates and returns on investment. For properties not independently valued at period end, a directors' valuation is carried out to determine the appropriate carrying value of the property as at the date of the report.

Home Consortium Developments Limited

# Notes to the consolidated financial statements continued

## Note 21. Fair value measurement continued

Where directors' valuations are performed, the valuation methods include using the discounted cash flow method and the capitalisation method. As at 30 June 2021, no investment properties were externally valued.

### Level 3 assets and liabilities

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

Description	Unobservable inputs	Range (weighted average) 30 June 2021
Investment property – held for sale	(i) Capitalisation rate	4.8% to 6.3% (5.6%)
	(ii) Discount rate	5.5% to 7.0% (6.3%)
	(iii) Terminal yield	5.3% to 6.5% (6.0%)
	(iv) Rental growth	2.0% to 3.5% (2.7%)

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 the fair value by \$4.5 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 22. 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	
	Year ended 30 June 2021 \$	Period from 29 August 2019 to 30 June 2020 \$
Short-term employee benefits	1,169	–
Post-employment benefits	90	–
	1,259	–

Fees paid or payable for services provided by key management personnel, were borne by HCL prior to 1 January 2021. Refer to Remuneration report for details of key management personnel remuneration of Home Consortium stapled group.



**Note 23. Remuneration of auditors**

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

	<b>Consolidated</b>	
	<b>Year ended 30 June 2021</b>	<b>Period from 29 August 2019 to 30 June 2020</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services – PricewaterhouseCoopers</i>		
Audit or review of the financial statements	32,500	–

**Note 24. Contingent liabilities**

The group had no contingent liabilities as at 30 June 2021 and 30 June 2020.

**Note 25. Commitments**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property acquisitions (exchanged but not settled)	125,045	–

**Note 26. Related party transactions****Parent entity**

Home Consortium Developments Limited is the parent entity.

**Subsidiaries**

Interests in subsidiaries are set out in note 28.

**Associates**

Interests in associates are set out in note 15.

**Key management personnel**

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

**Related party transactions with HomeCo Daily Needs REIT ('HDN') during the financial year**

HMC Funds Management Limited ('Responsible Entity') was acquired by HCDL on 18 September 2020 and later became the responsible entity of HDN. 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 HDN in accordance with an Investment Management and Property and Development Management Agreement ('Management Agreements'). The Responsible Entity, Property Manager and Investment Manager are wholly owned subsidiaries of the group.

**Related party transactions with Aurrum Pty Ltd**

The Erina residential aged care property was acquired from Aurrum Pty Ltd, a director and key management personnel ('KMP') related entity of David Di Pilla, Greg Hayes and Will McMicking, for \$32,590,000 on a sale and lease back transaction which was approved by securityholders on 1 September 2020. As part of the acquisition, Home Consortium issued \$20,000,000 of securities at \$2.88 per security together with \$12,590,000 cash as consideration.

## Home Consortium Developments Limited

## Notes to the consolidated financial statements continued

**Note 26. Related party transactions continued**

Material related party transactions entered during the financial year are disclosed below:

	<b>Consolidated</b>	
	<b>Year ended 30 June 2021 \$</b>	<b>Period from 29 August 2019 to 30 June 2020 \$</b>
Sale of goods and services:		
Investment management and property management fees from HDN	10,118,036	—
Responsible Entity expenses reimbursed from HDN	334,142	—
Management fees from Home Consortium Leasehold Pty Ltd, an entity controlled by Home Investment Consortium Company Pty Ltd, a director and KMP related entity of David Di Pilla, Greg Hayes, Zac Fried, Will McMicking and Andrew Boustred	736,667	—
Rental income from Aurrum Pty Ltd	1,824,528	—
Payment for other expenses:		
Interest paid/payable to Home Consortium Limited	1,469,890	—
Payments to Home Consortium Limited	359,564	—

**Receivable from and payable to related parties**

The following balances are outstanding at the reporting date:

	<b>Consolidated</b>	
	<b>30 June 2021 \$</b>	<b>30 June 2020 \$</b>
Current receivables:		
Trade and other receivables from HDN	4,324,834	—
Trade and other receivables from Home Consortium Limited	939,106	—
Trade and other receivables from Home Consortium Leasehold Pty Ltd	330,000	—
Current payables:		
Trade and other payables to Home Consortium Limited	3,850	—

**Loans to/from related parties**

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

	<b>Consolidated</b>	
	<b>30 June 2021 \$</b>	<b>30 June 2020 \$</b>
Non-current receivables:		
Convertible notes in Aurrum Childcare Pty Ltd, a director and KMP related entity of David Di Pilla, Greg Hayes and Will McMicking	548,000	—
Non-current borrowings:		
Loan from Home Consortium Ltd	122,172,814	—

**Note 26. Related party transactions** *continued***Terms and conditions**

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

**Note 27. Parent entity information**

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

**Statement of profit or loss and other comprehensive income**

	<b>Parent</b>	
	<b>Year ended 30 June 2021 \$'000</b>	<b>Period from 29 August 2019 to 30 June 2020 \$'000</b>
Profit after income tax	3,000	–
Total comprehensive income	3,000	–

**Statement of financial position**

	<b>Parent</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
Total current assets	6,243	–
Total assets	122,120	–
Total current liabilities	–	–
Total liabilities	122,120	–
Equity		
Contributed equity	–	–
Retained profits	3,000	–
Total equity	3,000	–

**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 2021 and 30 June 2020.

**Contingent liabilities**

The parent entity had no contingent liabilities as at 30 June 2021 and 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 2021 and 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 controlled entities are accounted for at cost, less any impairment, in the parent entity.
- Dividends and distributions received from controlled entities are recognised as other income by the parent entity when a right to receive payment is established.

Home Consortium Developments Limited

# Notes to the consolidated financial statements continued

## Note 28. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2021 %	30 June 2020 %
HomeCo Childcare Pty Ltd	Australia	100.00%	100.00%
Home Consortium Developments Property Trust	Australia	100.00%	100.00%
HMC Funds Management Limited	Australia	100.00%	–
HomeCo Investment Management Pty Ltd	Australia	100.00%	–
HomeCo Property Management Pty Ltd	Australia	100.00%	–

## Note 29. Cash flow information

### Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	Year ended 30 June 2021 \$'000	Period from 29 August 2019 to 30 June 2020 \$'000
Profit after income tax expense for the year	2,619	–
Adjustments for:		
Net fair value loss on investment properties	1,659	–
Share of profit – associates	(595)	–
Finance cost – non-cash	1,470	–
Straight – lining of rent	(238)	–
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,638)	–
Increase in deferred tax assets	(289)	–
Increase in prepayments	(393)	–
Increase in other operating assets	(138)	–
Increase in trade and other payables	1,716	–
Increase in provision for income tax	1,707	–
Increase in employee benefits	1,137	–
Net cash from operating activities	3,017	–

**Note 29. Cash flow information** *continued**Non-cash investing and financing activities*

	<b>Consolidated</b>	
	<b>Year ended 30 June 2021 \$'000</b>	<b>Period from 29 August 2019 to 30 June 2020 \$'000</b>
Net fair value movement of investment properties	(1,659)	–
Finance cost – non-cash	(1,470)	–

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	<b>Loan from Home Consortium Ltd \$'000</b>
Balance at 29 August 2019	–
Net cash from financing activities	–
Balance at 30 June 2020	–
Net cash from financing activities	120,703
Finance cost capitalised	1,470
Balance at 30 June 2021	122,173

**Note 30. Earnings per security**

	<b>Consolidated</b>	
	<b>Year ended 30 June 2021 \$'000</b>	<b>Period from 29 August 2019 to 30 June 2020 \$'000</b>
Profit after income tax attributable to the owners of Home Consortium Developments Limited	2,619	–

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	273,245,680	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	273,245,680	–

	<b>Cents</b>	<b>Cents</b>
Basic earnings per security	0.96	–
Diluted earnings per security	0.96	–

Home Consortium Developments Limited

# Notes to the consolidated financial statements continued

## Note 31. Events after the reporting period

### *HealthCo Healthcare and Wellness REIT*

Home Consortium entered into a number of contracted property acquisitions post 30 June 2021 in relation to seed assets for the establishment of the HealthCo Healthcare and Wellness REIT ('HCW'). This included a property portfolio leased to GenesisCare, a health and knowledge precinct fund through development located in Southport, QLD and the establishment of a joint venture with hospital operator Acurio Health Group to acquire and develop a 5 hectare integrated private hospital anchored health precinct in Camden, NSW. Additionally, a childcare centre in Nunawading, VIC has been acquired in August 2021 and contracts were exchanged on another childcare centre in Armadale, VIC which is currently under development and expected to settle in December 2021.

The acquisitions of Morayfield Health Hub, QLD and a childcare centre in Concord, NSW settled in July 2021, both of which were contracted pre-30 June 2021.

On 15 July 2021, a subsidiary of HCDL completed the acquisition of the leasehold property located at 101 Learmonth Road, Wendouree (Ballarat) from a third-party vendor. Given that the property was leased by a subsidiary of Home Investment Consortium Company Pty Ltd ('HICC') at the time and in accordance with commercial terms agreed and approved between HCDL and HICC, a payment of \$10.8 million was paid by HCDL to HICC in connection with this transaction, representing the difference between the independent valuation at settlement less a 7.5% discount and the contract price with the third-party vendor plus working capital adjustments.

On 2 August 2021, Home Consortium lodged a product disclosure statement ('PDS') with the Australian Securities and Investments Commission in relation to the proposed establishment of an ASX listed managed investment scheme known as HealthCo Healthcare and Wellness REIT (ASX: HCW) and entered into an underwriting agreement in relation to an offer of new ordinary units to raise \$650 million in September 2021. Home Consortium will have a direct investment in HCW of approximately 20.0% of units on issue as at the ASX listing date, which is subject to a 12-month voluntary escrow arrangement.

### *Convertible Notes*

Post year-end, Home Consortium have invested in convertible notes worth \$1.2 million with Aurrum Childcare Pty Ltd, a related party, pursuant to the terms of a Subscription and Shareholders Deed.

### *Coronavirus (COVID-19) pandemic*

The impact of the COVID-19 pandemic is ongoing following the recent delta variant outbreaks and lockdown restrictions imposed across multiple Australian states and territories. Whilst the majority of the group's properties or managed funds have either a supermarket, pharmacy or health services as 'essential services' tenants, the outlook remains uncertain.

No other matter or circumstance has arisen since 30 June 2021 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.*

## Directors' declaration

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 2021 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 2021 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 ended 30 June 2021.

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



**Chris Saxon**  
Chair



**David Di Pilla**  
Director

25 August 2021



# Independent auditor's report



## Independent auditor's report

To the members of Home Consortium Limited and the members 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 its controlled entities (together the Group), and Home Consortium Developments Limited and its controlled entities (HCDL), 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 2021 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- 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 significant accounting policies and other explanatory information
- the directors' declaration.

The HCDL financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- 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 significant accounting policies and other explanatory information
- the directors' declaration.

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

#### PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001

T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124

T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

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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 & 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.



#### **Materiality**

For the purpose of our audit we used overall Group materiality of \$3.6 million, which represents approximately 0.5% of the net assets of the Group.

# Independent auditor's report continued



For the purpose of our audit of HCDL we used overall materiality of \$0.6 million, which represents approximately 0.5% of the total assets of HCDL.

We applied these thresholds, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

We chose net assets and total assets for the Group and HCDL respectively because, in our view, they are key benchmarks against which the performance of the Group and HCDL are measured.

We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

## **Audit scope**

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

## **Key audit matters**

Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:

- Valuation of investment properties
- Recoverability of deferred tax assets - tax losses (HCL only)

These are further described in the *Key audit matters* section of our report.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period. The key audit matters were addressed in the context of our audit of the financial reports 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.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Valuation of investment properties (including those investment properties owned through an equity accounted investment and held for sale at year end):</b> <b>Group investment properties (Refer to note 15) \$188,100k</b>	<b>Procedures performed in relation to the valuation of investment properties (including those investment properties owned through an equity accounted investment and held for sale at year end) included:</b> <b>Overall considerations:</b> 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



**Group equity accounted investments (Refer to note 17)**  
\$263,878k

**Group assets held for sale (Refer to note 14)** \$478,592k

**HCDL equity accounted investments (Refer to note 15)**  
\$17,263k

**HCDL assets held for sale (Refer to note 14)** \$95,525k

Investment properties are measured at the fair value of each property.

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.

This was a key audit matter because the:

- 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
- ongoing COVID-19 impact is uncertain and has affected the certainty of the rental income cash-flows, and as a consequence,

enquired about the ongoing impact of COVID-19 on investment property valuations and how this has been considered in determining fair value at 30 June 2021.

For all properties, we agreed the fair values recorded in the accounting records to the external valuation reports or internal valuation models and assessed the competency, capability and objectivity of the relevant valuer and where possible, to agreed sale prices.

We have also assessed the reasonableness of the related disclosures in the notes 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.

*Specific procedures performed in relation to the audit of investment properties included:*

We evaluated the design 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.

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.

We selected a sample of leases from the tenancy schedules used in the valuations and tied the key terms to signed lease agreements.

We performed a risk-based assessment over the 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.

For those properties which met our selection criteria, we performed procedures to assess the appropriateness of key assumptions used in the external valuations and internal valuation models. These procedures included, amongst others:

- We assessed the appropriateness of the capitalisation rate, discount rate, outgoings and market rents used in the valuation against industry benchmarks and market data, including comparable transactions where possible.
- We assessed the appropriateness 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.

*Procedures performed where there was an additional focus on COVID-19, included:*

We obtained an understanding of specific assumptions included in valuations with reference to COVID-19, such as adjustments to growth rates in discounted cash flow calculations. We then considered

## Independent auditor's report continued



<p>changes in the valuation of the investment properties.</p>	<p>whether these assumptions were appropriate in context with market evidence and our understanding of the property and tenants.</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 any key assumptions applied in light of uncertain economic conditions due to COVID-19, as well as developing an understanding of their valuation approach, sources of information and key judgments made.</p>
<p><b>Recoverability of deferred tax assets - tax losses</b>  <b>Group only (Refer to note 9)</b>  <b>\$19,635k</b></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 \$2,530,852k 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>This was 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><b>The procedures performed to assess the Group's ability to utilise the tax losses recognised as deferred tax assets included, amongst others:</b></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/failure 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 nine 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 appropriateness of the relevant selected assumptions such as property rental income, management fee income, expenses and the corporate tax rate 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 ongoing impacts of COVID-19, we considered the appropriateness 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 reasonableness 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 2021, but does not include the



financial reports and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report, Related Party Leases, Stapled Security Holder Information and Corporate directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

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

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

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

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

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### *Responsibilities of the directors for the financial reports*

The directors of HCL and HCDL are responsible for the preparation of 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 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 a going concern, 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.

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### *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 are located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

## Independent auditor's report<sup>continued</sup>



### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 16 to 31 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of HCL and HCDL for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

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#### *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 2021

## Related party leases

HomeCo leases a number of its premises to related parties. The existing lease arrangements as at 30 June 2021 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 \$1.3 million is provided below:

Location	Terms and renewal	Location	Terms and renewal
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, 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 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 Wagga Wagga, 129-145 Hammond Avenue, Wagga Wagga NSW 2650	Initial term of 10 years commencing in April 2021 with 3 options to renew for 10 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 \$1.1 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 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 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 Marsden Park, 17-43 Hollinsworth Road, Marsden Park NSW	Initial term of 10 years commencing in October 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 \$0.6 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 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 Roxburgh Park, 1550 Pascoe Vale Road, Coolaroo VIC 3048	Initial term of 5 years commencing in July 2020 with 3 options to renew for 5 years each.		



## Stapled security holder information

The stapled security holder information set out below was applicable as at 31 July 2021.

### Distribution of equitable securities

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

	Ordinary shares	
	Number of holders of stapled securities	% of total shares issued
1 to 1,000	424	0.06
1,001 to 5,000	1,034	1.14
5,001 to 10,000	814	2.11
10,001 to 100,000	855	6.84
100,001 and over	55	89.85
	3,182	100.0
Holding less than a marketable parcel	46	–

### Equity securityholders

#### *Twenty largest quoted equity security holders – stapled securities*

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

	Ordinary shares	
	Number held	% of total securities issued
HSBC Custody Nominees (Australia) Limited	70,614,283	24.34
Home Investment Consortium Company Pty Ltd	62,222,223	21.45
HICC 2 Pty Ltd	31,111,112	10.72
JP Morgan Nominees Australia Pty Limited	25,398,834	8.75
National Nominees Limited	12,268,063	4.23
Citicorp Nominees Pty Limited	11,508,568	3.97
Aurum Holdings Pty Ltd	6,944,444	2.39
Goat Properties Pty Ltd	6,716,418	2.32
UBS Nominees Pty Ltd	4,602,346	1.59
BNP Paribas Nominees Pty Ltd	3,738,876	1.29
Netwealth Investments Limited	3,730,742	1.29
BNP Paribas Noms Pty Ltd	2,802,839	0.97
Bridgebox Pty Ltd	2,759,639	0.95
Balmoral Financial Investments Pty Ltd	2,243,207	0.77
CW Property Nominees Pty Ltd	2,238,806	0.77
Longmorn Pty Ltd	1,350,000	0.47
SG Foundation Investments Pty Ltd	1,051,014	0.36
Brispot Nominees Pty Ltd	870,442	0.30
BNP Paribas Nominees Pty Ltd	707,954	0.24
Tripel Pty Ltd	545,824	0.19
	253,425,634	87.36

*Unquoted equity securities*

	Number on issue	Number of holders
Share rights	1,900,124	28

**Substantial holders – stapled securities**

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Home Investment Consortium Company Pty Ltd	101,289,767	34.91
Spotlight Group Holdings Pty Ltd*	108,710,274	37.47
CW Properties Nominees Pty Ltd*	95,593,343	32.95

\* Includes 93,354,537 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	101,493
		93,434,828

# Corporate directory

## Directors

Chris Saxon  
David Di Pilla  
Zac Fried  
Greg Hayes  
Jane McAloon  
Brendon Gale  
Kelly O'Dwyer

## 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

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 fully complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations').

The group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and ASX Appendix 4G are approved and 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 its website at <https://investors.home-co.com.au/investor-centre/?page=corporate-governance>.



**Home  
Consortium**