

# Dexus Convenience Retail REIT (ASX:DXC)

## ASX release

7 August 2023

### 2023 Annual Report

Dexus Convenience Retail REIT (ASX: DXC) releases its 2023 Annual Report, which will be mailed to Security holders who have elected to receive a hard copy in September 2023.

*Authorised by the Board of Dexus Asset Management Limited*

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### About Dexus Convenience Retail REIT

Dexus Convenience Retail REIT (ASX code: DXC) (formerly APN Convenience Retail REIT (ASX code: AQR)) is a listed Australian real estate investment trust which owns high quality Australian service stations and convenience retail assets. At 30 June 2023, the fund's portfolio is valued at approximately \$781 million, is predominantly located on Australia's eastern seaboard and leased to leading Australian and international convenience retail tenants. The portfolio has a long lease expiry profile and contracted annual rent increases, delivering the fund a sustainable and strong level of income security. The fund has a conservative approach to capital management with a target gearing range of 25 – 40%. Dexus Convenience Retail REIT is governed by a majority Independent Board and managed by Dexus (ASX code: DXS), one of Australia's leading fully integrated real asset groups, with over 35 years of expertise in property investment, funds management, asset management and development. [www.dexus.com](http://www.dexus.com)

Dexus Asset Management Limited (ACN 080 674 479, AFSL No. 237500) (the "Responsible Entity") is the responsible entity and issuer of the financial products in respect of Convenience Retail REIT No. 1 (ARSN 101 227 614), Convenience Retail REIT No. 2 (ARSN 619 527 829) and Convenience Retail REIT No. 3 (ARSN 619 527 856) collectively the Dexus Convenience Retail REIT (ASX code: DXC) stapled group. The Responsible Entity is a wholly owned subsidiary of Dexus (ASX code: DXS).

Level 5, 80 Collins Street (South Tower), Melbourne VIC 3000 Australia. PO Box 18011 Melbourne Collins Street East VIC 8003 Australia

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# Annual Report 2023

DXC

dexus

Dexus  
Convenience Retail REIT

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Dexus Convenience Retail REIT is a listed Australian real estate investment trust which owns high-quality Australian service stations and convenience retail assets.

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Corner Weakleys & Glenwood Drives, Thornton NSW

Dexus Convenience Retail REIT 2023 Annual Report



## Acknowledgement of country



Dexus Convenience Retail REIT acknowledges the Traditional Custodians of the lands on which our business and assets operate, and recognises their ongoing contribution to land, waters and community.

We pay our respects to First Nations Elders past and present.

Artwork: Changing of the Land by Sharon Smith.

### About this Report

The 2023 Annual Report is a consolidated summary of Dexus Convenience Retail REIT's (DXC) performance for the financial year ended 30 June 2023. It should be read in conjunction with the reports that comprise the 2023 Annual Reporting Suite available from [www.dexus.com/convenience](http://www.dexus.com/convenience).

In this report, unless otherwise stated, references to 'DXC', 'the Fund', 'we' and 'our' refer to ASX listed entity of Dexus Convenience Retail REIT. Any reference in this report to a 'year' relates to the financial year ended 30 June 2023. All dollar figures are expressed in Australian dollars unless otherwise stated. The Board acknowledges its responsibility for the 2023 Annual Report and has been involved in its development and direction from the beginning. The Board reviewed, considered and provided feedback during the production process and approved the Annual Report at its August 2023 meeting.

### Dexus Convenience Retail REIT

Convenience Retail REIT No. 1  
ARSN 101 227 614

Convenience Retail REIT No. 2  
ARSN 619 527 829

Convenience Retail REIT No. 3  
ARSN 619 527 856

Dexus Asset Management Limited  
ACN 080 674 479 AFSL 237 500  
as responsible entity for Dexus Convenience Retail REIT (which comprises the above mentioned three trusts which are stapled to each other).

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### Dexus Convenience Retail REIT Annual Reporting Suite



Annual Report



Annual Results  
Presentation



Corporate Governance  
Statement



Sustainability  
Approach & Data Pack

Distributions delivered in line with guidance as the portfolio continues to provide resilient top line growth underpinned by high-quality tenant covenants, combined with a disciplined approach to capital allocation.

21.6cps

FFO per security  
FY22: 22.8cps

21.6cps

Distribution per security  
FY22: 23.1cps

\$3.75

NTA per security  
FY22: \$4.03

219 Westphalen Drive, Warrego QLD



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## Capital management

# 31.8%<sup>1</sup>

Gearing  
FY22: 35.0%

# 4.2 years<sup>2</sup>

Weighted average debt maturity  
FY22: 4.7 years

# 64%

Average hedged debt  
FY22: 58%

## Portfolio

# \$781m

Total value  
FY22: \$850m

# 99.4%

Occupancy (by income)  
FY22: 99.7%

# 9.7 years

Weighted average lease  
expiry (by income)  
FY22: 10.8 years

## Sustainability

# 100%

Renewable electricity  
sourced for managed  
portfolio assets

# 22

Plans to rollout solar at  
22 DXC properties leased  
to Chevron

# Development

Embedding sustainability  
initiatives into Glass House  
Mountains design

1. Pro forma for the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA which are expected to settle post 30 June 2023. At 30 June 2023, gearing was 33.4%.
2. Pro forma for \$30 million facility extension that occurred on 31 July 2023.



# Dexus Convenience Retail REIT is a listed Australian real estate investment trust which owns high-quality Australian service stations and convenience retail assets.

At 30 June 2023, the Fund's portfolio is valued at \$781 million, is predominantly located on Australia's eastern seaboard and leased to leading Australian and international convenience retail tenants. The portfolio has a long weighted average lease expiry and contracted annual rent increases, providing a high level of income security. The Fund has a conservative approach to capital management with a target gearing range of 25–40%.

Dexus Convenience Retail REIT is governed by a majority independent Board and managed by Dexus (ASX code: DXS), a leading Australasian fully integrated real asset group.

Since IPO, DXC has provided investors with secure portfolio income growth, with the total portfolio value growing from \$287 million to \$781 million over this period. Performance has been supported by strong business fundamentals:

- Value-accretive acquisitions: acquired 54 assets valued at \$418 million from inception to December 2021 at an average yield of 6.0% and WALE of 12.1 years
- Capital management discipline: executing divestments (over \$60 million<sup>1</sup> in last two years) to enhance portfolio quality, and ensure gearing remains appropriately managed within the target range, while providing optionality to redeploy capital into higher-returning opportunities
- Tenant quality and diversification: major tenants increased from four at inception to 10, with Chevron becoming DXC's top tenant and representing 33% of total income
- Property enhancement initiatives: working closely with tenants to ensure the long-term sustainability of their sites, including expansion of their convenience retail offerings

1. Includes the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA for combined proceeds of \$18.6 million to be received post 30 June 2023.

**\$781m**

Portfolio value

**105**

Properties

**\$99.4%**

Occupancy (by income)

**9.7 years**

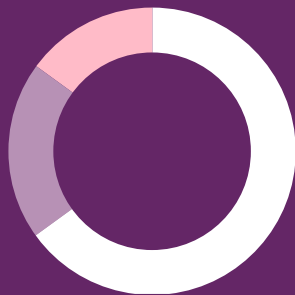
WALE (by income)

**6.10%**

Weighted average cap rate

**77%**

Weighting to eastern seaboard



#### Portfolio value by classification

Metropolitan 65%  
Highway 20%  
Regional 15%

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## Portfolio overview as at 30 June 2023

### Western Australia

\$69m valuation  
9% of total portfolio  
11 properties

### South Australia

\$111m valuation  
15% of total portfolio  
18 properties

### Queensland

\$471m valuation  
60% of total portfolio  
63 properties

### New South Wales

\$120m valuation  
15% of total portfolio  
11 properties

### Victoria

\$11m valuation  
1% of total portfolio  
2 properties

# Investment proposition

## Providing a resilient and growing income stream



### Generate defensive income with embedded rental growth

- +3.7% average rent review in FY23
- >99% occupancy (by income)
- 9.7 year WALE (by income)
- 88% income derived from 10 national and international major tenants
- Minimal capex supporting high cash flow conversion



### Maintain prudent capital structure

- Successfully reduced pro forma gearing to 31.8%<sup>1</sup>, within 25–40% target range
- Anticipate FY24 average hedging to be above 70%<sup>2</sup>
- Diversified lender book and 4.2 years average tenure<sup>3</sup>
- Significant headroom to covenants



### Active approach to portfolio optimisation

- 7% of portfolio divested in FY23 with proceeds used to repay debt<sup>4</sup>
- Disciplined approach to capital allocation
- Growth opportunities beyond fuel & convenience segment with high credit quality tenants

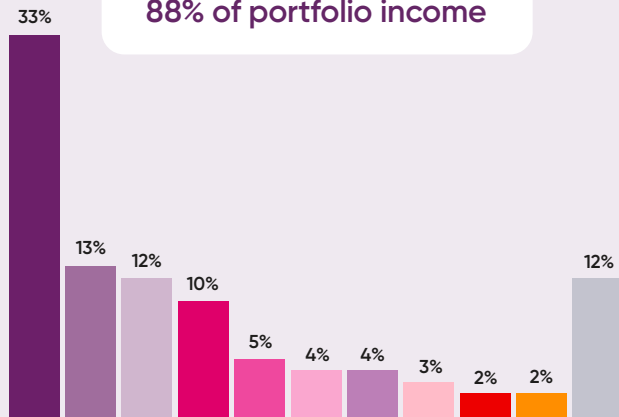


### Aligned manager with deep real asset capability

- Dexus principal ownership of 9%
- Dexus brings capital transaction, development, leasing and asset management capability across its ~\$62.3 billion platform of real asset segments<sup>5</sup>

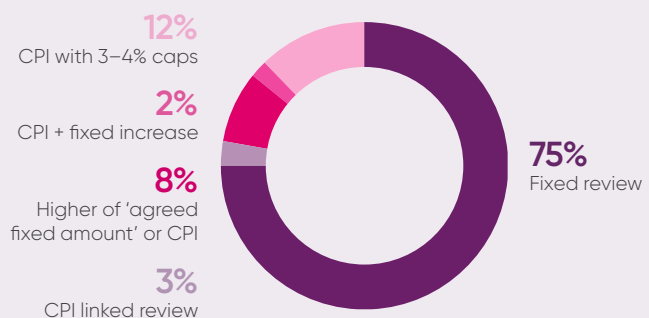
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2. Based on existing hedges in place at 30 June 2023 and assuming no further transactional activity.
3. Pro forma for \$30 million facility extension that occurred on 31 July 2023.
4. Includes the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens SA for combined proceeds of \$18.6 million to be received post 30 June 2023.
5. As at 31 December 2022. Pro forma post final completion of the AMP Capital acquisition.

### Major tenants account for 88% of portfolio income



Top tenants by income

- Chevron
- 7-Eleven
- Viva Energy
- EG Australia
- Mobil
- OTR
- United
- Ampol
- Coles Express
- BP
- Other



Rent review type by income

**Portfolio consistently generates organic growth with 3.7% weighted average rent review achieved in FY23**

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# Dexus is a leading Australasian fully integrated real asset group, managing a high-quality Australasian real estate and infrastructure portfolio valued at circa \$62.3 billion.<sup>1,2</sup>

Dexus is listed on the Australian Securities Exchange (ASX code: DXS) and is supported by more than 31,000 investors from 23 countries.

Dexus believe the strength and quality of its relationships will always be central to success and is deeply committed to working with customers to provide spaces that engage and inspire.

With more than 35 years of expertise in property investment, funds management, asset management and development, Dexus has a proven track record in managing capital and risk and delivering returns for its investors. Dexus invests in Australia and New Zealand, and directly and indirectly owns \$17.8 billion<sup>1</sup> of office, industrial, healthcare, retail and infrastructure assets and investments. Dexus manages a further \$44.5 billion<sup>1,2</sup> of office, retail, industrial, healthcare and infrastructure assets in the funds management business, which provides third-party capital with exposure to quality sector specific and diversified real asset products. Funds within this business have a strong track record of delivering performance and benefit from Dexus's capabilities. The group's \$15.8 billion<sup>1</sup> development pipeline provides the opportunity to grow both portfolios and enhance future returns.

## Dexus's sustainability strategy

Dexus's sustainability strategy is underpinned by a commitment to Environmental, Social and Governance (ESG) principles and acknowledges the impact that ESG-related risks and opportunities can have on the value of the assets Dexus invests in and the financial success of Dexus's business.

Dexus's sustainability strategy includes three priority areas; customer prosperity, climate action and enhancing communities. These priority areas, by aligning to Dexus's core business and assets, create the opportunity for greater sustainability impact while unlocking increased commercial value. The three priority areas elevate the importance of customers to sustainability outcomes and provide a balance across economic, social and environmental sustainability.

Dexus recognises that effective management of sustainability risks and opportunities requires a level of attention to material sustainability issues. In addition, circularity, health and wellbeing, First Nations engagement, nature, diversity, equity and inclusion, human rights and governance, reporting and disclosures are addressed as Foundations in the Dexus Sustainability Strategy.

Corner Northcote Street & Main Road,  
Kurri Kurri NSW

1. As at 31 December 2022.  
2. Pro forma post final completion of the AMP Capital acquisition.



**We have strengthened our balance sheet and lowered gearing to below the midpoint of our through-the-cycle target range, following \$52.3 million of asset disposals at attractive pricing for our investors<sup>1</sup>. This has been achieved despite subdued market conditions while also improving the quality of the portfolio.**

While the macroeconomic backdrop has remained uncertain, DXC continues to provide investors with defensive and growing property cash flows, and we have made significant progress to further enhance the strength of the Fund's balance sheet.

The portfolio comprises a well-located national network of 105 sites valued at \$781 million. Major national and international tenants represent 88% of total income generated, providing embedded rental growth underpinned by a long WALE of 9.7 years. With minimal capex requirements across the portfolio, the Fund generates strong cash flow underpinning distributions for investors.

Revenue growth of 8.3% for the year was supported by like-for-like income growth of 2.7%, as well as the full period impact from strategic acquisitions undertaken in the first half of the prior year. Funds From Operations and distributions per security were 21.6 cents, in line with the midpoint of the guidance range which was narrowed in February 2023 reflecting greater interest rate visibility for the year. Overall, Funds From Operations per security was down 5.3% primarily due to an increase in net finance costs as a result of rising interest rates. The statutory net loss after tax was \$8.4 million, impacted by \$41.3 million of valuation declines on investment properties, compared to valuation gains of \$30.8 million in the prior year.

# Dexus Convenience Retail REIT delivered FFO and distributions per security of 21.6 cents, in line with guidance.

DXC has an active approach to portfolio optimisation to drive long-term returns. Over the year the Fund divested 11 assets totalling \$52.3 million at an average discount to book value of 2.5% amidst subdued market conditions marked by higher inflation and interest rate pressures<sup>1</sup>. The pricing achieved on these sales demonstrates continued investor demand for fuel and convenience retail properties, attracted by the consistency and growth of rental income cash flows. The divestments have also enhanced portfolio quality by reducing our exposure to regionally located assets, while also retaining a diverse tenant base and increasing exposure to non-fuel tenants.

Divestment proceeds were used to strengthen our balance sheet to support long-term growth, with DXC maintaining ample headroom against covenant levels. Including proceeds to be received from contracted asset sales post 30 June, pro forma gearing remains conservative at 31.8% compared to our 25–40% target range<sup>2</sup>. In addition, the Fund maintains a strong debt maturity profile with no facility expiries until FY26, and a weighted average debt facility maturity of 4.2 years, following a \$30 million facility extension signed in July 2023.

DXC has an uncommitted development pipeline of \$40 million, representing the Glass House Mountains fund-through project. The redevelopment would significantly enhance the convenience retail offering at this site and also incorporates several initiatives to improve sustainability outcomes. A decision on project commencement is expected later in the calendar year.

After declining by 11.2% in FY22 in response to rising bond yields, the S&P/ASX 300 Property Accumulation (A-REIT) Index recovered to deliver a 7.5% Total Securityholder Return in FY23. DXC underperformed the A-REIT index in FY23 (with a -3.1% Total Securityholder Return), impacted by lower stock liquidity compared to larger A-REITs.

As one of Australia's largest real asset managers with a robust balance sheet, we will leverage Dexus's fully-integrated real asset platform to continue to deliver resilient and growing income, backed by high-quality tenant covenants. Following the acquisition of AMP Capital's domestic real estate and infrastructure business during the year, Dexus group funds under management increased to over \$60 billion, with deep sector expertise across office, industrial, retail, healthcare and infrastructure.

With a focus on supporting the sustainability ambitions of our retailers, we worked closely with Chevron to plan for the rollout of onsite solar at 22 of their sites within our portfolio. We will continue to leverage Dexus's leading sustainability capabilities to manage related risks and opportunities across the portfolio. The Fund also received recognition of its progress towards net zero emissions under the Australian Government's Climate Active program, where our managed assets formed part of the Dexus group submission for its prior year emissions inventory.

DXC is well placed and will retain its focus on generating defensive income with embedded growth for its investors through:

- preserving portfolio attributes that deliver certainty of income
- maintaining a prudent capital structure (including enhancing balance sheet strength through exploring additional asset sales)
- an active approach to portfolio optimisation (including a disciplined approach to capital allocation), and
- benefiting from Dexus's capabilities across transactions, development and asset management.

In addition, DXC expects continued relative valuation resilience for service station and convenience retail assets due to their defensive characteristics.

We expect FFO and distributions per security of 20.7 – 21.1 cents per security for the 12 months ended 30 June 2024, based on contracted rental growth, current interest rate expectations and barring unforeseen circumstances<sup>3</sup>, reflecting an attractive distribution yield of over 8%.

Thank you again for your continued investment in Dexus Convenience Retail REIT.

**Jason Weate**  
Fund Manager  
Dexus Convenience Retail REIT

1. Includes the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA for combined proceeds of \$18.6 million to be received post 30 June 2023.

2. Pro forma for the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA which are expected to settle post 30 June 2023. At 30 June 2023, gearing was 33.4%.

3. Assuming average floating interest rates of 4.25% – 4.75% (90-day BBSW) and no further transactional activity.

# Dexus Convenience Retail REIT’s approach to Environmental, Social and Governance (ESG) issues aligns with Dexus’s Sustainability Strategy.

## Sustainability approach

The approach taken to sustainability by DXC is aligned to the Dexus Sustainability Strategy. Commitments made at the Dexus group level are considered, adjusted and adopted where relevant for DXC, taking into account the nature of DXC’s portfolio and its assets. A review and update of the Dexus Sustainability Strategy was undertaken in FY23. Further details of the Dexus Sustainability Strategy can be found in Dexus’s FY23 Annual Report.

## Materiality

One significant input to the sustainability strategy development process was the Dexus 2023 materiality assessment. This year a detailed materiality assessment was undertaken to redefine and prioritise ESG topics that should be addressed through Dexus’s strategy and risk management and disclosed against. The assessment

involved desktop analysis, media review, industry standards, relevant sector thought leadership and peer benchmarking, together with stakeholder engagement with partners, investors, customers, industry associations and community representatives, and Dexus employees. As part of the stakeholder engagement process, internal and external stakeholders relevant to DXC contributed to the materiality review through targeted interviews and surveys.

From the findings of the materiality assessment, Dexus has prioritised five material topics that have strategic and operational importance and that have the most direct impact on how Dexus creates value today. These will inform the evolution of our sustainability strategy, risk management approach and suite of disclosures.

## Sustainability strategy

The Dexus and DXC sustainability strategy review focused on stronger alignment with Dexus and DXC strategic objectives and prioritising some areas where greater impact can be delivered, both for DXC Security holders and society. It included consideration of the materiality assessment, a peer review and research into social and environmental issues. Extensive engagement with internal and external stakeholders was also undertaken on the aspiration and priority areas for the strategy.

The Dexus group sustainability strategy includes an aspiration to unlock the potential of real assets to create a lasting positive impact and a more sustainable tomorrow. Aligned with the Dexus Sustainability Strategy, DXC will prioritise supporting customer prosperity, accelerating action on climate change and enhancing communities where we operate, in a way that best unlocks the potential value of DXC assets.

## Material topics

| Topic                                            | Areas of focus for value creation                                                                                                        |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Customer engagement and experience               | Customer engagement and experience, customer attraction and retention, occupant health and wellbeing                                     |
| Decarbonisation and circularity                  | Supporting the transition to a low carbon economy through innovation and partnering across the value chain to accelerate decarbonisation |
| Economic performance and resilience              | Economic performance, sustainable growth and investment, market volatility and responsible investment                                    |
| Asset environmental performance and optimisation | Optimising energy and water use, waste management, indoor environment quality, environmental management and resilience                   |
| Championing a high performance workplace culture | Talent attraction, retention and engagement, employee skills and development, employee health, safety and wellbeing                      |

Further details of the outcome of the materiality assessment can be found in Dexus’s FY23 Annual Report.

## Dexus's role in applying our sustainability approach

Dexus's role in delivering sustainability outcomes across the portfolio is aligned with its ability to directly or indirectly manage assets. Sustainability activity is owned and driven by Dexus where DXC has operational control of the assets. DXC has operational control of circa 15% of its portfolio by value. Operational control is defined by the NGER Act as the corporation with the authority, or the greatest authority, to introduce and implement operating, health and safety, and environmental policies in relation to a facility. Where operational control sits with others, such as customers, DXC does not directly implement sustainability programs, but seeks to influence, work with and support the entity that has operational control in sustainability delivery.

More sustainability information can be found in the Dexus Annual Reporting Suite, including the Dexus FY23 Annual Report and Sustainability Data Pack.



1180 Beaudesert Road, Acacia Ridge QLD

FY23 highlights

About DXC

Fund Manager's Letter

ESG overview

### Priority area

### Value creation priorities for Dexus

#### Customer prosperity

Supporting the prosperity of customers through the investment, design, development and management of real assets. Dexus's products and services support occupant wellbeing and sustainability performance.

#### Climate action

Focusing on climate action to accelerate the transition to a decarbonised economy, while also safeguarding and advancing Dexus's people, assets, property and financial returns.

#### Enhancing communities

Helping the communities around Dexus's assets through inclusive and accessible design and placemaking, and investment in infrastructure that creates social value.

Governance

Financial report

Investor information

# Future Enabled Customers and Strong Communities



**Building a strong network of customers, communities, and suppliers, who support Dexus and are positively impacted by Dexus.**

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## Supply chain monitoring and relationship management

DXC is responsible for ensuring that standards relating to our people, environment and communities are maintained and continuously improved throughout our supply chain.

We recognise the central role that suppliers play in optimising asset performance, managing risk and delivering customer amenity. As a result, we are focused on collaborating with our suppliers to achieve our sustainability objectives.

This year, Dexus commenced a partnership with EcoVadis to deploy their global supplier sustainability ratings methodology across Dexus's preferred suppliers. EcoVadis takes a structured approach to track sustainability issues, enabling Dexus to proactively identify risks and opportunities within its supply chain via evidenced-based supplier scorecards.

Suppliers also benefit from their own insights across a broad range of non-financial management systems including Environmental, Labour & Human Rights, Ethics and Sustainable Procurement impacts.

In its first year of adoption, Dexus assessed 68 suppliers (2 for DXC) which relates to 72% of operational expenditure across the Dexus platform, prioritising categories such as cleaning, security, property management and construction, which have previously been assessed as having higher inherent ESG risks.

The findings to date have demonstrated that Dexus's preferred suppliers are outperforming the EcoVadis benchmarks in the areas of environment, labour and human rights, ethics and their own sustainable procurement. Key insights include feedback that 77% of assessed suppliers are operating an ISO 14001 certified Environmental Management System, and 95% have implemented policies regarding diversity, equity and inclusion.

Dexus is leveraging the supplier scorecards to enhance engagement with suppliers on their areas of strength and areas of improvement. For DXC, this provides an external reference point regarding the effectiveness of Dexus's procurement and supply chain management program.

This year, Dexus utilised its on-site Contractor Work Health Safety sign-in system to engage directly with suppliers' employees that attend Dexus properties. By integrating with the sign-in system, this approach helps Dexus engage with more third-party contractors and gives them the opportunity to 'give their voice' to matters such as modern slavery. This widespread approach helps Dexus validate representations from suppliers through their annual attestation of compliance with the Dexus Sustainable Procurement Policy and Supplier Code of Conduct. It also provides a way for third party contract workers to reach out for assistance if required.

## Reconciling with Aboriginal and Torres Strait Islander peoples

As part of the Dexus group, DXC contributes to the actions outlined in the Dexus Reconciliation Action Plan (RAP), which has been endorsed at the 'Reflect' level by Reconciliation Australia.

The Dexus RAP was launched in March 2022 and since then Dexus has been undertaking activities to support the period of reflection. Dexus recognises the value of taking the appropriate time to build a strong foundation of reconciliation action across the business and has extended the delivery of some actions within the plan to enable appropriate consideration and care to be applied.

The referendum on an Aboriginal and Torres Strait Islander Voice is a prominent issue for all Australians regardless of their background. Dexus celebrated National Reconciliation Week in 2023 by encouraging employee engagement to Listen, Act and Learn about the upcoming referendum and get involved in education and volunteering opportunities.

Dexus has continued to build awareness and understanding across its employees. In May, Dexus hosted a virtual Reconciliation Panel hosted by the Dexus RAP Working Group, where Dexus Board members Penny Bingham-Hall and Nicola Roxon answered questions from staff. They were joined by a trusted advisor from PwC Indigenous Consulting Pty Ltd to reflect on the referendum and its potential impacts.

The rollout of cultural awareness training designed in partnership with PwC Indigenous Consulting continued, with 89% of Dexus employees having participated as at 30 June 2023.

More information on our Reflect Reconciliation Action Plan is publicly available at [www.dexus.com](http://www.dexus.com).

# Enriched Environment



An efficient and resilient portfolio that minimises its environmental footprint and is positioned to thrive in a climate-affected future.

### Progress towards net zero

During FY23, DXC received its inaugural carbon neutral certification under the Australian Government’s Climate Active program for its prior year carbon emissions inventory as part of the Dexus group submission. Recognising the importance of strong climate action and the need to decarbonise, DXC will again be seeking Climate Active certification this year as part of the Dexus Group submission. Consistent with prior years, final certification is expected to be achieved post-reporting period.

### Supporting our customers to increase renewable energy uptake

Dexus continues to seek opportunities to increase renewable energy generation. This supports achievement of DXC’s sustainability goals, while supporting customers to meet their own decarbonisation goals.

Dexus has facilitated an agreement to expand rooftop solar across the group’s convenience retail portfolio and support customers to increase renewable energy uptake and reduce carbon emissions.

Throughout FY23, DXC has been collaborating with Chevron for the installation of onsite solar at 22 properties in DXC’s portfolio.

### Managing health, safety and environment risks

DXC’s portfolio varies by geographic location, asset type, and management representation. These variables present specific risks in relation to health and safety, building safety, environmental, security and insurance risks.

Dexus operates a comprehensive management program to identify, evaluate and mitigate work health and safety (WHS) and environmental risks. The WHS system is certified under ISO 45001:2018 and the environmental management system is certified under ISO 14001.

DXC assets are required to align with Dexus’s WHS and environmental management systems.

Through this process independent auditors conduct assessments and audits across health and safety, environmental, security and insurance risk to identify, evaluate and mitigate key risks. A property risk register captures key risks and high priority areas identified during an initial status audit and ongoing risk audits are raised as tasks for action and these are tracked to completion.

### Integrating sustainability within developments

Throughout FY23 DXC continued to work with customers to adapt our assets to be more resilient to change. This included a strategic approach to increasing retail amenity for our customers and the community. The uncommitted redevelopment of Glass House Mountains presents an opportunity to meaningfully enhance the customer experience via the delivery of a sophisticated convenience offering, with renowned brands and strong customer service.

The development will incorporate the following environmentally sustainable design features:

- Energy efficient lighting and water fixtures
- Rooftop solar feeding the food and beverage retailers
- Rainwater harvesting for irrigation
- Drought tolerant, native landscaping
- Electric vehicle charging stations.

Projects such as these materially align with the Dexus Sustainability Strategy.

Dexus has implemented a corporate governance framework that applies to all funds including Dexus Convenience Retail REIT.

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Dexus Asset Management Limited (DXAM) acts as Responsible Entity for Dexus Convenience Retail REIT's Managed Investment Schemes.

DXC benefits from leveraging Dexus's funds and property management expertise to drive performance.

Dexus and the Board of DXAM believe that good corporate governance supports:

- A culture of ethical behaviour resulting in an organisation that acts with integrity
- Improved decision-making processes
- Better controls and risk management
- Improved relationships with stakeholders
- Accountability and transparency

Dexus's governance framework meets the requirements of the ASX Corporate Governance Principles and Recommendations Fourth Edition (ASX Principles) and addresses additional aspects of governance which Dexus considers important.

Further details are set out in DXC's 2023 Corporate Governance Statement, which outlines key aspects of DXC's corporate governance framework and practices, which is available at [www.dexus.com/investor-centre/listed-funds/dexus-convenience-retail-reit/corporate-governance](http://www.dexus.com/investor-centre/listed-funds/dexus-convenience-retail-reit/corporate-governance)



323 North East Road, Hampstead Gardens SA

# Governance continued

## Sustainability governance

Dexus's corporate governance framework integrates sound sustainability principles across the breadth and depth of Dexus. Policies and procedures are regularly reviewed and updated to ensure the organisation adapts to shifting risks and opportunities.

Dexus's Board ESG Committee considers the material sustainability issues relevant to the group and supports the maintenance of Dexus's position as a global leader in ESG performance. The Dexus Board ESG Committee supports the DXAM Board in:

- Understanding the expectations of our key stakeholders
- Understanding how our ability to create value is impacted by sustainability issues
- Monitoring external sustainability trends and understanding associated risks and opportunities

The Dexus Board ESG Committee meets four times a year and during the year engaged with Dexus management teams on a range of sustainability topics, including:

- Supporting the wellbeing of Dexus's people and customers through implementing initiatives aligned to Dexus's corporate partnership with the Black Dog Institute
- Launching and progressing Dexus's Reflect Reconciliation Action Plan
- Strengthening sustainability in the supply chain through extended supply chain mapping and supplier assessments
- Maintaining the group's net zero emissions target
- Renewable energy and energy efficiency initiatives
- Addressing climate risk across the portfolio

Effective 1 June 2023, the Chair of the Dexus Board joined the Board ESG Committee as a committee member.

## Sustainability leadership across the Dexus group

### Dexus Board ESG Committee

Oversees the implementation and management of sustainability & ESG practices and initiatives throughout Dexus

### Corporate Executive Committee

Coordinates the implementation and management of sustainability & ESG practices and initiatives throughout Dexus

#### Climate Resilience Working Group

Responsible for monitoring climate related risks and opportunities relevant to the group and coordinating climate related management activities.

#### Anti-Modern Slavery Working Group

Responsible for coordinating the group's approach to identifying, assessing, and addressing modern slavery risk in Dexus operations and supply chain.

#### Energy Procurement Working Group

Responsible for implementing a group-wide energy procurement approach and coordinating ongoing procurement practices for electricity and natural gas, while integrating a transition to clean energy.

#### Social Impact Working Group

Responsible for implementing the group's social impact strategy across communities, people, customers and suppliers.

#### Reconciliation Action Plan Working Group

Responsible for advancing the group's reconciliation journey with Aboriginal and Torres Strait Islander peoples and implementing initiatives aligned to Dexus's Reconciliation Action Plan.

## Board of Directors

The Board of DXAM comprises four Non-Executive Directors (including the Chair) and one Executive Director.

The Board of DXAM regularly assesses the independence of its Directors in light of interests disclosed to it and has determined that each Non-Executive Director has maintained independence throughout the year. The Board continues to review its composition, experience and director tenure.

The Board renewal process is ongoing, resulting in an experienced Board of Directors with a broad and diverse skill set. The Board has determined that, along with individual Director performance, diversity is integral to a well-functioning Board.

## Board skills and experience

The Board has determined the skills, expertise and experience required as a collective to ensure diversity of thought and vigorous debate on key decisions. The collective experience of the current Directors has been outlined against the areas of skill and expertise in the table below. The Board believes that its composition meets or exceeds the minimum requirements in each category.

| Areas of skill and expertise                     | Experience                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Leadership and governance</b>                 | Extensive experience as a director and leader including in public listed companies of similar size and complexity. Deep understanding of relevant legal, compliance and regulatory frameworks and sound capability in governance and protecting and enhancing the company's reputation.                                                               |
| <b>Strategy</b>                                  | Experience in developing, executing and successfully delivering strategy, and oversight against strategic objectives; includes extensive experience in merger and acquisition activities, integrations and organisational transformations.                                                                                                            |
| <b>Property investment</b>                       | Experience in and understanding of economic drivers and trends, markets and customer needs and driving returns from investment in real estate. Good understanding of the risks and opportunities of larger scale development projects.                                                                                                                |
| <b>Funds management</b>                          | Experience in and good understanding of the drivers of the successful management of third-party funds including a deep understanding of, and engagement with, institutional and other fund investors.                                                                                                                                                 |
| <b>Capital management</b>                        | Proficiency in and strong understanding of raising capital and investment banking including experience in allocating and managing equity and debt capital to optimise the organisation's returns whilst ensuring appropriate financial strength and liquidity.                                                                                        |
| <b>Culture and people</b>                        | Demonstrated experience in influencing organisation culture shaped by 'tone from the top' that promotes high engagement, diversity and inclusion. Deep experience in leadership development, talent management and succession planning.                                                                                                               |
| <b>Sustainability and stakeholder engagement</b> | Experience and expertise in sustainability best practices relevant to the property sector; demonstrable understanding of environmental and social impacts of the business on communities. Good understanding of community and stakeholder engagement, as well as related governance.                                                                  |
| <b>Finance</b>                                   | Good understanding of accounting standards and trends and proficient at interpreting and analysing financial statements for organisations of similar size and complexity. Sound understanding of budgeting, forecasting and drivers of financial performance. Ability to evaluate the effectiveness of internal controls.                             |
| <b>Risk management and compliance</b>            | Experience in and understanding of risk management frameworks and controls; the identification, assessment and management of risks, including managing compliance across large, complex, regulated financial services organisations. Includes experience in workplace health and safety and understanding of cyber and technological risk management. |

## Board of Directors



### Jennifer Horrigan

**BBus, GradDipMgt,  
GradDipAppFin, MAICD  
Independent Chair**

Jennifer has been a Director since 2012 and the Chair since 2022. Jennifer is also a Member of the Audit, Risk & Compliance Committee.

Ms Horrigan is an experienced non-executive director across ASX, unlisted and not-for-profit boards. She brings a diverse set of skills with executive experience across investment banking, investor relations and financial communications, including as Chief Operating Officer of independent investment bank Greenhill Australia (previously Greenhill Calburn) and Co-Founder and Managing Partner of Savage & Horrigan, an Ogilvy company.

Jennifer is an independent director of AMP Capital Funds Management Limited and AMP Investment Services Pty Limited, and a non-executive director of A2B (ASX:A2B) and Yarra Funds Management Limited. She has previously served as a non-executive director of QV Equities (ASX: QVE), Generation Healthcare (ASX: GHC) and as Chairman of Redkite (national children's cancer charity).



### Emily Smith

**BCom, GAICD  
Independent Director**

Emily was appointed as an Independent Director in 2022 and is also the Chair of the Audit, Risk & Compliance Committee.

Ms Smith has over 20 years' experience in the finance sector having worked in senior executive roles at Deutsche Bank AG and Credit Suisse. She has had significant exposure to key sectors including Building Materials, Steel, Diversified Industrials, REITs and Telecommunications both domestically and globally.

Emily is a Senior M&A Advisor and Director at Grant Samuel. She is a member of Chief Executive Women and was a Council Member of the Kambala Girls School.



### Danielle Carter

**BA/BCom, Grad Dip AppFin,  
CA, GAICD  
Independent Director**

Danielle has been a Director since 2022 and is also a Member of the Audit, Risk & Compliance Committee.

Ms Carter has over 25 years' experience in real estate, financial services and property funds management having held senior executive roles at Blackrock, SG Hiscock & Co and Strategic Financial Management. Danielle is also a non-executive external director of BWP Management Limited, the responsible entity of BWP Trust (ASX: BWP) and was previously a non-executive director of APN Property Group Limited (ASX:APD).

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**Jonathan Sweeney**  
BCom, LLB, CFA, GAICD  
Independent Director

Jonathan has been a Director since 2022 and is also a Member of the Audit, Risk & Compliance Committee.

Mr Sweeney has over 35 years' experience in the investment management, fiduciary, real estate and financial services sectors having held senior executive roles at Folkestone and the Trust Company Limited. Jonathan is a director of BT Financial Group, EP&T Global (ASX:EPX), Chair of Perpetual Private's Investment Committee and a member of the Noongar Boodja Trust's Investment Committee. He was previously a director of 8IP Emerging Companies Limited (ASX:8EC), Velocity Rewards Pty Limited, Tennis NSW and Easton Investments (ASX:EAS).



**Deborah Coakley**  
BBus, GAICD  
Executive Director

Deborah was appointed an Executive Director in 2021.

Ms Coakley is Executive General Manager, Funds Management with responsibility for managing Dexus's \$44.5 billion<sup>1</sup> funds management business which comprises a number of wholesale pooled funds, capital partnerships, retail funds and listed REITs.

She has more than 25 years' experience in management roles gained in organisations such as Deloitte, Qantas and Alexander Mann Solutions.

Deborah is an Executive Director of Dexus Wholesale Funds Limited, Dexus Asset Management Limited and AMP Capital Funds Management Limited. She is also a National Vice President of the Property Council of Australia and a member of their Capital Markets Division and is a non-Executive Director of the Children's Cancer Institute, and a member of the National Construction Industry Forum. She holds a Bachelor of Business degree from University of Technology Sydney (BBus) and is a graduate of the Australian Institute of Company Directors (GAICD).



**Brett Cameron**  
LLB/BA (Science and Technology),  
GAICD, FGIA  
Alternate Executive Director  
for Deborah Coakley

Brett was appointed an alternate Executive Director in 2022.

Mr Cameron is General Counsel and Company Secretary at Dexus and is responsible for the legal function, company secretarial services and compliance, and governance systems and practices across the Group. He is also the Company Secretary of DXAM.

He has an extensive background in real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries. Brett has held legal counsel roles in-house and in private practice in Australia and in Asia with over 22 years' experience gained in organisations including Macquarie Real Estate (Asia), Macquarie Capital Funds and Minter Ellison.

Brett holds a Bachelor of Laws and a Bachelor of Arts (Science and Technology) from the University of New South Wales and is a Fellow of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors. He is also a member of the Law Societies of New South Wales and Hong Kong.

1. As at 31 December 2022. Pro forma post final completion of the AMP Capital acquisition.



4249 and 4288 Bruce Highway, Glass House Mountains, QLD



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# Directors' Report

The Directors of Dexus Asset Management Limited (DXAM) as Responsible Entity of Convenience Retail REIT No. 2 (CRR2, the Trust and parent entity) and its controlled entities (together DXC or the Group) present their Directors' Report together with the Consolidated Financial Statements for the year ended 30 June 2023.

## Directors and Secretaries

### Directors

The following persons were Directors of DXAM at all times during the year and to the date of this Directors' Report, unless otherwise stated:

| Directors                                                                     | Appointed        |
|-------------------------------------------------------------------------------|------------------|
| Howard Brenchley, BEc <sup>1</sup>                                            | 16 March 1998    |
| Danielle Carter, BA/BCom, GradDipAppFin, CA, GAICD <sup>2</sup>               | 17 October 2022  |
| Deborah Coakley, BBus, GAICD                                                  | 19 August 2021   |
| Jennifer Horrigan, BBus, GradDipMgt, GradDipAppFin, MAICD                     | 30 April 2012    |
| Michael Johnstone, BTRP, LS, AMP (Harvard) <sup>1</sup>                       | 25 November 2009 |
| Emily Smith, BCom, GAICD                                                      | 19 April 2022    |
| Jonathan Sweeney, BCom, LLB, CFA, GAICD <sup>2</sup>                          | 17 October 2022  |
| Brett D Cameron, LLB/BA, GAICD, FGIA – Alternate Director for Deborah Coakley | 1 March 2022     |

1 Resigned, effective 17 October 2022.

2 Appointed, effective 17 October 2022.

### Company Secretaries

The names and details of the Company Secretaries of DXAM as at 30 June 2023 are as follows:

#### Brett D Cameron LLB/BA (Science and Technology), GAICD, FGIA

Appointed: 16 September 2021

Brett is the General Counsel and a Company Secretary of Dexus companies and is responsible for the legal function, company secretarial services and compliance and governance systems and practices across the Group.

Prior to joining Dexus, Brett was Head of Legal for Macquarie Real Estate (Asia) and has held senior legal positions at Macquarie Capital Funds in Hong Kong and Minter Ellison in Sydney and Hong Kong. Brett has 25 years' experience as in-house counsel and in private practice in Australia and in Asia, where he worked on real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries.

Brett graduated from The University of New South Wales and holds a Bachelor of Laws and a Bachelor of Arts (Science and Technology) and is a member of the Law Societies of New South Wales and Hong Kong. Brett is also a graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

#### Scott Mahony BBus (Acc), Grad Dip (Business Administration), MBA (eCommerce), Grad Dip (Applied Corporate Governance) FGIA, FCIS

Appointed: 14 October 2022

Scott is the Head of Governance of Dexus and is responsible for the development, implementation and oversight of Dexus's governance policies and practices. Prior to being appointed the Head of Governance in 2018, Scott had oversight of Dexus's risk and compliance programs.

Scott joined Dexus in October 2005 after two years with Commonwealth Bank of Australia as a Senior Compliance Manager. Prior to this, Scott worked for over 11 years for Assure Services & Technology (part of AXA Asia Pacific) where he held various management roles.

## Attendance of Directors at Board Meetings and Board Committee Meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met 14 times during the year, of which five were Board Sub-committees and special meetings.

|                                                 | DXAM Board |          | Audit, Risk and Compliance Committee |          |
|-------------------------------------------------|------------|----------|--------------------------------------|----------|
|                                                 | Held       | Attended | Held                                 | Attended |
| Howard Brenchley <sup>1</sup>                   | 5          | 5        | -                                    | -        |
| Danielle Carter <sup>2</sup>                    | 7          | 7        | 3                                    | 3        |
| Deborah Coakley                                 | 14         | 14       | -                                    | -        |
| Jennifer Horrigan                               | 14         | 14       | 4                                    | 4        |
| Michael Johnstone <sup>1</sup>                  | 3          | 3        | 1                                    | 1        |
| Emily Smith                                     | 13         | 13       | 4                                    | 4        |
| Jonathan Sweeney <sup>2</sup>                   | 7          | 7        | 3                                    | 3        |
| Brett D Cameron (alternate for Deborah Coakley) | -          | -        | -                                    | -        |

<sup>1</sup> Resigned, effective 17 October 2022.

<sup>2</sup> Appointed, effective 17 October 2022.

Board Sub-committee and special meetings are held at a time to enable the maximum number of Directors to attend and are generally held to consider specific items that cannot be held over to the next scheduled main meeting.

### Directors' relevant interests

The relevant interests of each Director in DXC stapled securities as at the date of this Directors' Report are shown below:

| Directors                     | No. of securities |
|-------------------------------|-------------------|
| Danielle Carter <sup>1</sup>  | 8,946             |
| Deborah Coakley               | -                 |
| Jennifer Horrigan             | 33,500            |
| Emily Smith                   | -                 |
| Jonathan Sweeney <sup>1</sup> | 15,000            |
| Brett D Cameron               | -                 |

<sup>1</sup> Appointed, effective 17 October 2022.

## Operating and financial review

### Strategy

Dexus Convenience Retail REIT (DXC) has taken an active and disciplined approach to investing in strategically located assets to provide investors a defensive income stream generated from a \$781 million property portfolio. The business assesses opportunities across the broader commercial real estate landscape, with a focus on convenience retail and other assets with a non-discretionary focus, including fuel service stations. Currently, 85% of the portfolio by value is weighted towards high-quality metropolitan and highway service stations which provide long-term opportunities for capturing increased convenience retail spend and potentially alternate uses beyond fuel retailing, with regional properties comprising the remainder. DXC's portfolio is underpinned by strong income visibility, with a weighted average lease expiry of 9.7 years. DXC's assets are supported by a strong tenant base, with 88% of income derived from major fuel tenants.

### Review of operations

The results of DXC's operations are disclosed in the Consolidated Statement of Comprehensive Income. A summary of results for the 12 months to 30 June 2023 is as follows:

| Key financial performance metrics            | 30 June<br>2023 | 30 June<br>2022 <sup>a</sup> | Change   |
|----------------------------------------------|-----------------|------------------------------|----------|
| Net profit/(loss) after tax (\$'000)         | (8,380)         | 82,639                       | (110.1)% |
| Funds From Operations (FFO) (\$'000)         | 29,750          | 31,095                       | (4.3)%   |
| FFO per security (cents)                     | 21.6            | 22.8                         | (5.3)%   |
| Distribution per security (cents)            | 21.6            | 23.1                         | (6.5)%   |
|                                              | 30 June<br>2023 | 30 June<br>2022              | Change   |
| Net tangible asset backing per security (\$) | 3.75            | 4.03                         | (6.9)%   |
| Gearing <sup>b</sup> (%)                     | 31.8%           | 35.0%                        | (3.2)ppt |

a) FY22 FFO restated to include amortised borrowing costs in FFO, aligned with PCA guidelines.

b) Pro forma for the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA which are expected to settle post 30 June 2023. At 30 June 2023, gearing was 33.4%.

|                                                 | 30 June<br>2023<br>\$'000 | 30 June<br>2022<br>\$'000 | Change          |
|-------------------------------------------------|---------------------------|---------------------------|-----------------|
| <b>Profit &amp; loss</b>                        |                           |                           |                 |
| Net rental income                               | 51,914                    | 47,844                    | 8.5%            |
| Interest income                                 | 59                        | 147                       | (59.9)%         |
| <b>Total revenue</b>                            | <b>51,973</b>             | <b>47,991</b>             | <b>8.3%</b>     |
| Management fees                                 | (5,330)                   | (4,956)                   | 7.5%            |
| Finance costs                                   | (11,370)                  | (3,398)                   | 234.6%          |
| Corporate costs                                 | (1,329)                   | (970)                     | 37.0%           |
| <b>Total expenses</b>                           | <b>(18,029)</b>           | <b>(9,324)</b>            | <b>93.4%</b>    |
| <b>Net operating income</b>                     | <b>33,944</b>             | <b>38,667</b>             | <b>(12.2)%</b>  |
| Fair value gain/(loss) on derivatives           | (1,041)                   | 13,136                    | (107.9)%        |
| Fair value gain/(loss) on investment properties | (41,283)                  | 30,836                    | (233.9)%        |
| <b>Statutory net profit/(loss) after tax</b>    | <b>(8,380)</b>            | <b>82,639</b>             | <b>(110.1)%</b> |

The Responsible Entity uses Funds From Operations (FFO) as its key performance indicator. The Directors consider the Property Council of Australia's (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, derivative mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, non-FFO tax expenses, certain transaction costs, one-off significant items, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

A reconciliation of profit after tax to FFO is outlined as follows:

|                                                     | 30 June<br>2023<br>\$'000 | 30 June<br>2022 <sup>a</sup><br>\$'000 |
|-----------------------------------------------------|---------------------------|----------------------------------------|
| <b>FFO reconciliation</b>                           |                           |                                        |
| <b>Profit/(loss) after tax for the period</b>       | <b>(8,380)</b>            | <b>82,639</b>                          |
| Net fair value (gain)/loss on investment properties | 41,283                    | (30,836)                               |
| Net fair value (gain)/loss on derivatives           | 1,041                     | (13,136)                               |
| Incentive amortisation and straight line rent       | (4,618)                   | (5,042)                                |
| Debt modification                                   | 734                       | (3,510)                                |
| Rental guarantees, coupon income and other          | (310)                     | 980                                    |
| <b>FFO</b>                                          | <b>29,750</b>             | <b>31,095</b>                          |

a) FY22 FFO restated to include amortised borrowing costs in FFO, aligned with PCA guidelines.

|                        | 30 June<br>2023<br>\$'000 | 30 June<br>2022 <sup>a</sup><br>\$'000 | Change        |
|------------------------|---------------------------|----------------------------------------|---------------|
| <b>FFO composition</b> |                           |                                        |               |
| Property FFO           | 46,971                    | 43,926                                 | 6.9%          |
| Management fees        | (5,330)                   | (4,956)                                | 7.5%          |
| Net finance costs      | (10,562)                  | (6,905)                                | 53.0%         |
| Other net expenses     | (1,329)                   | (970)                                  | 37.0%         |
| <b>FFO</b>             | <b>29,750</b>             | <b>31,095</b>                          | <b>(4.3)%</b> |

a) FY22 FFO composition restated to include amortised borrowing costs in FFO, to align with PCA guidelines, as well as a minor reclass within Property FFO relating to investment property income. Reported FY22 payout ratio was 100%.

## Financial result

DXC achieved a solid financial result as the portfolio continues to deliver resilient top line growth, underpinned by high-quality tenant covenants.

The statutory result reflected a net loss after tax of \$8.4 million, compared to the prior year's net profit after tax of \$82.6 million, primarily driven by \$41.3 million of investment property valuation declines, compared to valuation gains of \$30.8 million in the prior year.

DXC delivered on FY23 guidance with FFO of \$29.8 million, or 21.6 cents per security (compared to the 21.4–21.8 cents per security range). The result represents a 5.3% decline on the prior year, reflecting like-for-like net operating income growth of 2.7% and a full period contribution from acquisitions undertaken in HY22 being more than offset by higher floating interest rates.

## Net tangible assets and asset valuations

DXC had 82 of its 105 investment properties independently valued during the year, with the remainder subject to internal valuations. The external and internal valuations resulted in a 5.0% decrease on prior book values, contributing to NTA per security decreasing by 28 cents, or 6.9%, to \$3.75. The valuations of metropolitan assets decreased 5.5% on prior book values, while highway assets decreased 2.8% and regional assets decreased 5.9%.

## Property portfolio and asset management

DXC's property portfolio includes 105 assets valued at \$781 million. The portfolio is diversified by geography, tenant and site type.

The portfolio is 85% weighted (by value) to metropolitan and highway assets, with regional properties comprising the remainder. Metropolitan and highway assets benefit from higher levels of traffic flow and offer greater flexibility to explore alternate land usage to support the consumer trend towards greater convenience retail spend per visit.

The portfolio weighted average capitalisation rate has expanded by 36 basis points over the past 12 months to 6.10%, reflecting the broader increase in interest rates.

The portfolio has a weighted average lease expiry of 9.7 years with 89% of income expiring in FY30 or beyond, providing strong income security and visibility.

The portfolio consistently generates organic rental growth with average rent reviews of 3.7% achieved for the year. The portfolio generates 75% of income from fixed rental increases, while 25% is from CPI escalations with approximately half of these subject to caps of 3 to 4%.

Portfolio occupancy of 99.4% is underpinned by experienced national and global tenants, with 88% of rental income derived from 10 major tenants.

## Transactions

During the year, 11 divestments were announced for a total consideration of \$52.3 million<sup>1</sup>, reflecting an average discount to book value of 2.5%<sup>1</sup> amidst complex market conditions with transaction volumes significantly lower than the prior year due to cautious buyer sentiment in response to increases in cost of capital.

The announced divestments have enhanced portfolio quality by reducing DXC's exposure to regionally located assets and older tank technology while also retaining a diverse tenant base and increasing its exposure to non-fuel tenants.

Divestments included:

- 2215 David Low Way, Peregian Beach, QLD, which settled in September 2022
- 4545 Flinders Highway, Reid River, QLD, which settled in November 2022
- 25 Kiernan Drive, Roseneath, QLD, which settled in December 2022
- 282 Wardell Street, Enoggera, QLD, which settled in February 2023
- Lot 401 Great Northern Highway, South Hedland, WA, which settled in March 2023
- 983 Waterworks Road, The Gap QLD, which settled in April 2023
- 127 Kingston Road, Woodridge QLD, which settled in April 2023
- 656 Bruce Highway, Woree, QLD, which is expected to settle in August 2023
- 1182 Chapman Road, Glenfield, WA, which is expected to settle in August 2023
- 323 North East Road, Hampstead Gardens, SA, which is expected to settle in October 2023
- 264 Browns Plains Road, Browns Plains, QLD, which is expected to settle in October 2023

## Financial position

DXC's net assets decreased \$38 million (or 28 cents per security to an NTA of \$3.75) primarily due to asset devaluations in light of the rising interest rate environment.

|                                    | 30 June<br>2023  | 30 June<br>2022  |
|------------------------------------|------------------|------------------|
| <b>Balance sheet</b>               |                  |                  |
| Cash and cash equivalents (\$'000) | 5,454            | 5,178            |
| Investment properties (\$'000)     | 781,220          | 850,050          |
| Other assets (\$'000)              | 16,189           | 17,894           |
| <b>Total assets (\$'000)</b>       | <b>802,863</b>   | <b>873,122</b>   |
| Borrowings (\$'000)                | (263,420)        | (299,611)        |
| Provisions (\$'000)                | (9,796)          | (11,256)         |
| Other liabilities (\$'000)         | (13,264)         | (7,737)          |
| <b>Total liabilities (\$'000)</b>  | <b>(286,480)</b> | <b>(318,604)</b> |
| <b>Net assets (\$'000)</b>         | <b>516,383</b>   | <b>554,518</b>   |
| Stapled securities on issue ('000) | 137,757          | 137,757          |
| <b>NTA per security (\$)</b>       | <b>3.75</b>      | <b>4.03</b>      |

1. Includes the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA for combined proceeds of \$18.6 million to be received post 30 June 2023.

## Capital management

Divestments have reduced gearing from 35.0% to 31.8% on a pro forma basis<sup>2</sup>, below the mid-point of the target range of 25–40%. Average FY23 interest rate hedging of 64% is expected to increase to over 70% in FY24 following contracted asset sales and incremental hedging<sup>3</sup>, while the weighted average hedge book maturity remains strong at 4.1 years. Active extension of debt facilities has preserved a long weighted average debt maturity of 4.2 years<sup>4</sup>, with no debt expiries until FY26.

| Key metrics                           | 30 June<br>2023        | 30 June<br>2022 |
|---------------------------------------|------------------------|-----------------|
| Gearing <sup>a</sup>                  | 31.8% <sup>b</sup>     | 35.0%           |
| Cost of debt <sup>c</sup>             | 3.7%                   | 2.6%            |
| Average maturity of debt <sup>d</sup> | 4.2 years <sup>e</sup> | 4.7 years       |
| Average hedged debt (including caps)  | 64%                    | 58%             |
| Average maturity of hedges            | 4.1 years              | 3.8 years       |
| Headroom <sup>f</sup>                 | \$80.5m                | \$75.4m         |

a) Adjusted for cash.

b) Pro forma for the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA which are expected to settle post 30 June 2023. At 30 June 2023, gearing was 33.4%.

c) Weighted average for the period, inclusive of fees and margins on a drawn basis.

d) Weighted average maturity of drawn debt. 30 June 2022 is restated and was previously reported as 4.2 years based on a weighted average maturity of total facility limits.

e) Pro forma for \$30 million facility extension that occurred on 31 July 2023.

f) Undrawn facilities plus cash.

## Environmental, social and governance (ESG)

DXC remains focused on driving long-term portfolio resilience. Approximately 12% of the portfolio's income is derived from non-fuel tenants.

DXC sources 100% renewable electricity for its managed portfolio assets and continues to work with tenants on their emission-reduction strategies, including progressing the rollout of onsite solar across 22 properties leased to Chevron.

Throughout the year, DXC progressed planning for the uncommitted Glass House Mountains fund-through development and has been focused on ensuring that sustainability initiatives are embedded into the project design including electric vehicle charging stations, rooftop solar and rainwater harvesting.

DXC will continue to leverage and align with Dexu's Sustainability Strategy to support long-term value creation.

## Market outlook

Service station investments remain sought after as a stable and defensive asset class due to their long leases and strong lease covenants. Fuel and convenience retail businesses play an important role in the community as an essential service, making the asset class resilient and defensive.

Fuel and convenience yields have been higher and more stable than many other property investments. In FY23 yields were between 6 – 6.5% on average, screening favourably compared to many other asset classes in an environment where investors are increasingly seeking higher yielding investment opportunities.

2. Pro forma for the sale of 656 Bruce Highway, Woree, QLD, 1182 Chapman Road, Glenfield WA, 264 Browns Plains Road, Browns Plains, QLD and 323 North East Road, Hampstead Gardens, SA which are expected to settle post 30 June 2023. At 30 June 2023, gearing was 33.4%.

3. Based on existing hedges in place as at 30 June 2023 and assuming no further transactional activity.

4. Pro forma for \$30 million facility extension that occurred on 31 July 2023.

## Summary and guidance

DXC is well placed and will retain its focus on generating defensive income with embedded growth for its investors through:

- preserving portfolio attributes that deliver certainty of income
- maintaining a prudent capital structure (including enhancing balance sheet strength through exploring additional asset sales)
- an active approach to portfolio optimisation (including a disciplined approach to capital allocation and growth opportunities), and benefiting from Dexu's capabilities across transactions, development and asset management.

In addition, DXC expects continued relative valuation resilience for service station and convenience retail assets due to their predictable cash flows, strong tenant covenants and a weighted average cap rate that provides a positive spread against the marginal cost of debt.

DXC provides FY24 guidance for FFO and distributions of 20.7 – 21.1 cents per security, reflecting an attractive distribution yield of over 8%<sup>5</sup>. Guidance has been provided based on property income growth supported by contracted rental increases, current interest rate expectations and barring unforeseen circumstances (average floating interest rate (90-day BBSW) range of 4.25% – 4.75% and no further transactional activity).

## Key risks

| Risk                                                                                                                                                                                                                                                 | Potential impacts                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How DXC is responding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Health, safety and wellbeing</b><br><br>Providing an environment that ensures the safety and wellbeing of customers, contractors and the public at DXC properties and responding to events that have the potential to disrupt business continuity | <ul style="list-style-type: none"> <li>– Death or injury at DXC properties</li> <li>– Loss of broader community confidence</li> <li>– Costs or sanctions associated with regulatory response</li> <li>– Costs associated with criminal or civil proceedings</li> <li>– Costs associated with remediation and/or restoration</li> <li>– Inability to sustainably perform or deliver objectives</li> <li>– Business disruption</li> </ul>                                  | <ul style="list-style-type: none"> <li>– Dexu implements an ISO 45001 accredited WHS Management system to communicate and manage WHS risks, including contractor management procedures to facilitate safe systems of work</li> <li>– Maintain a business continuity management framework to mitigate safety threats, including the adoption of plans relating to crisis management, business continuity and emergency management</li> </ul>                                                                                                                                                                                                                                                   |
| <b>Strategic and financial performance</b><br><br>Ability to meet market guidance and deliver DXC's investment proposition to provide defensive income with embedded growth for investors                                                            | <ul style="list-style-type: none"> <li>– Reduced investor sentiment (equity and debt)</li> <li>– Reduced credit ratings and availability of debt financing</li> <li>– Sustained inflation and recessionary pressures on the economy which could impact performance</li> <li>– Inability to meet guidance</li> <li>– Decline in asset valuations</li> <li>– Reputational damage</li> </ul>                                                                                | <ul style="list-style-type: none"> <li>– Processes in place to monitor and manage performance and risks that may impact on performance</li> <li>– DXC's strategy and risk appetite are approved annually by the Board and reviewed throughout the year by management</li> <li>– Investments, divestments and developments must be approved by the Investment Committee and the Dexu Asset Management Limited (DXAM) Board in accordance with the terms of reference and operating limits</li> <li>– Due diligence is undertaken for all investment and divestment proposals, developments and major capital expenditure before approval or endorsement of each investment decision</li> </ul> |
| <b>Capital management</b><br><br>Positioning the capital structure of the Fund to withstand unexpected changes in equity and debt markets                                                                                                            | <ul style="list-style-type: none"> <li>– Constrained capacity to execute strategy</li> <li>– Increased cost of funding (equity and debt)</li> <li>– Fluctuations in interest rates which could impact the cost of debt</li> <li>– Fluctuations in foreign exchange rates which could impact profitability</li> <li>– Reduced investor sentiment</li> <li>– Reduced availability of debt financing</li> <li>– Breach of financial covenants leading to default</li> </ul> | <ul style="list-style-type: none"> <li>– Prudent management of capital, including regular sensitivity analysis and periodic independent reviews of the Treasury Policy, assists in positioning DXC's balance sheet in relation to unexpected changes in capital markets</li> <li>– Ongoing monitoring of capital management is undertaken to ensure metrics are within risk appetite thresholds benchmarks and/or limits outlined within the Treasury Policy</li> <li>– Reporting and oversight by the Capital Markets Committee and the DXAM Board</li> </ul>                                                                                                                                |

5. Based on closing security price as at 4 August 2023.

| Risk                                                                                                                                                                           | Potential impacts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How DXC is responding                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Environmental and social sustainability</b><br><br>Ability to meet societal and investor expectations of corporate and social responsibilities                              | <ul style="list-style-type: none"> <li>Impacts to the community including human health and wellbeing</li> <li>Increased costs associated with global and domestic energy crisis</li> <li>Increased difficulty in leasing assets due to heightened risk of climate change impact</li> <li>Increased costs associated with physical risks (e.g. asset damage from extreme weather)</li> <li>Increased costs associated with transition risks (e.g. carbon regulation, requirements for building efficiency)</li> <li>Inability to maintain access to capital due to reputational damage</li> <li>Increased reputational risk for not supporting the community and social causes</li> </ul> | <ul style="list-style-type: none"> <li>Dexus use scenario analysis to understand the broad range of climate-related issues that may impact the business and focus on enhancing the resilience of properties while implementing energy efficiency initiatives and renewable energy projects</li> <li>DXC are committed to ensuring its operations provide quality jobs with the right conditions and collaborate with its suppliers to understand how it can contribute to upholding human rights across the supply chain, including addressing modern slavery</li> </ul>                                                                                                                                                       |
| <b>Compliance and regulatory</b><br><br>Maintain appropriate governance and compliance practices to support oversight of, and compliance with, applicable laws and regulations | <ul style="list-style-type: none"> <li>Reputational damage</li> <li>Conflicts of interest resulting in loss or reduced performance</li> <li>Fines and sanctions impacting on business operations</li> <li>Reduced investor sentiment (equity and debt)</li> <li>Loss of broader community confidence</li> <li>Increased compliance costs</li> </ul>                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>DXC's compliance monitoring program supports its comprehensive compliance policies and procedures that are regularly updated to ensure the business operates in accordance with regulatory expectations</li> <li>Dexus employees and DXC service providers receive training on their compliance obligations and are encouraged to raise concerns where appropriate</li> <li>Maintain grievance, complaints and whistleblower mechanisms for Dexus employees and DXC stakeholders to raise concerns safely, confidently and anonymously</li> <li>Risk-based Internal Audit program</li> <li>Independent industry experts are appointed to undertake reviews where appropriate</li> </ul> |
| <b>Development</b><br><br>Providing the opportunity to grow DXC's portfolio and enhance future returns                                                                         | <ul style="list-style-type: none"> <li>Reputational damage</li> <li>Leasing outcomes impacting on completion valuations</li> <li>Fluctuations in construction costs and project delays, including due to liquidation of third-party contractors, resulting in sub-optimal returns</li> <li>Financial loss</li> </ul>                                                                                                                                                                                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>Partnering with trusted and high-quality development managers to execute fund-through projects</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Performance of manager</b><br><br>Services and activities provided by the manager e.g. cyber and data security, people and culture                                          | <ul style="list-style-type: none"> <li>Disruption to business impacting key stakeholder groups</li> <li>Financial loss</li> <li>Reputation damage</li> <li>Breach of laws/regulations resulting in sanctions and fines</li> <li>Decrease in business performance, agility and resilience</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>Regular Board Reporting including key risk, incident and breach updates</li> <li>Regular monitoring of key metrics</li> <li>Engagement with management to ensure visibility and oversight of key business activities and processes</li> <li>Regular review and oversight of applicable business Policies</li> </ul>                                                                                                                                                                                                                                                                                                                                                                     |

## Directors' Report continued

### Remuneration Report

No fees have been paid by the Group to the Directors or key management personnel of DXAM in their capacity as Directors or key management personnel of the Responsible Entity.

No loans have been provided to the Directors or key management personnel of DXAM in the current financial year.

### Directors' directorships in other listed entities

The following table sets out directorships of other ASX listed entities (unless otherwise stated), not including DXAM, held by the Directors at any time in the three years immediately prior to the end of the year, and the period for which each directorship was held.

| Directors                      | Company                                     | Date appointed    |
|--------------------------------|---------------------------------------------|-------------------|
| Howard Brenchley <sup>1</sup>  | National Storage Holdings Ltd               | 21 November 2014  |
|                                | National Storage Financial Services Limited | 8 September 2015  |
| Danielle Carter <sup>2</sup>   | BWP Management Limited                      | 1 December 2021   |
| Deborah Coakley                | -                                           | -                 |
| Jennifer Horrigan              | QV Equities Limited <sup>3</sup>            | 26 April 2016     |
|                                | A2B Australia Limited                       | 11 September 2020 |
| Michael Johnstone <sup>1</sup> | Charter Hall Social Infrastructure Trust    | 22 December 2004  |
| Emily Smith                    | -                                           | -                 |
| Jonathan Sweeney <sup>2</sup>  | EP&T Global Limited                         | 1 March 2021      |
| Brett D Cameron                | -                                           | -                 |

1 Retired from the Board of DXAM, effective 17 October 2022.

2 Appointed to the Board of DXAM, effective 17 October 2022.

3 Retired from the Board of QV Equities Limited, effective 31 March 2023.

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## Principal activities

During the year, the principal activity of the Group was to own and manage a quality portfolio of convenience retail properties that offer secure income streams and have the potential for capital growth. The Group consists of three registered managed investment schemes domiciled in Australia and together forms Dexu Convenience Retail REIT which is listed on the Australian Securities Exchange ("ASX") (ASX Ticker: "DXC"). The parent entity of the Group is Convenience Retail REIT No. 2. The Group did not have any employees during the year.

## Total value of Group assets

The total value of the assets of the Group as at 30 June 2023 was \$802,863,000 (2022: \$873,122,000). Details of the basis of this valuation are outlined in the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

## Likely developments and expected results of operations

In the opinion of the Directors, disclosure of any further information regarding business strategies and future developments or results of the Group, other than the information already outlined in this Directors' Report or the Consolidated Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Group.

## Significant changes in the state of affairs

During the financial year, DXC had no significant changes in its state of affairs.

## Matters subsequent to the end of the financial year

On 21 July 2023, contracts were exchanged for the disposal of 264 Browns Plains Road, Browns Plains QLD.

On 31 July 2023, an extension of the existing Tranche 11 Series debt facility was approved, extending the maturity date to July 2028.

On 2 August 2023, unconditional contracts were exchanged for the disposal of 323 North East Road, Hampstead Gardens SA.

The Group has communicated with its panel of independent real estate valuation firms to understand whether any changes subsequent to the balance date would have changed their view regarding the 30 June 2023 real estate valuations. In particular, the Group considered the economic environment, including but not limited to inflation, interest rates and capital flows. The independent valuation firms have not provided information to indicate that the independent valuations at 30 June 2023 are not appropriate.

Since the end of the year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in the Consolidated Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial periods.

## Distributions

Distributions paid or payable by the Group for the year ended 30 June 2023 were 21.60 cents per security which amounted to \$29,755,000 (2022: 23.10 cents per security, \$32,037,000) as outlined in note 6 of the Notes to the Consolidated Financial Statements.

## Interests in DXC securities

The movement in securities on issue in the Group during the year and the number of securities on issue as at 30 June 2023 are detailed in note 12 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

The number of interests in the Group held by DXAM or its associates as at the end of the financial year is 21,319,368 securities (2022: 22,992,429 securities).

The Group did not have any options on issue as at 30 June 2023 (2022: nil).

## Environmental regulation

The Audit, Risk and Compliance Committee oversees the policies, procedures and systems that have been implemented to ensure the adequacy of its environmental risk management practices. It is the opinion of this Committee that adequate systems are in place for the management of its environmental responsibilities and compliance with its various licence requirements and regulations. Further, the Committee is not aware of any material breaches of these requirements.

The Group is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 (NGER Act). The NGER Act requires the Group to report its annual greenhouse gas emissions and energy use.

The Group has implemented systems and processes for the collection and calculation of the data required. The Group submitted its 2022 report to the Greenhouse and Energy Data Officer on 27 October 2022 and will submit its 2023 report by 31 October 2023. During the 12 month period ending 30 June 2023, the Group complied with all the relevant requirements as set out by the NGER Act.

Information regarding the Group's participation in the NGER program is available at: [www.dexus.com/sustainability](http://www.dexus.com/sustainability)

## Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, Officers and others (as defined in the relevant policy of insurance) is paid by DXAM's parent entity, Dexu Holdings Pty Limited (DXH).

Subject to specified exclusions, the liabilities insured are for costs that may be incurred in defending civil or criminal proceedings that may be brought against Directors and Officers in their capacity as Directors and Officers of DXAM, its subsidiaries or such other entities, and other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings.

PricewaterhouseCoopers (PwC or the Auditor), is indemnified out of the assets of the Group pursuant to the Dexu Specific Terms of Business agreed for all engagements with PwC, to the extent that the Group inappropriately uses or discloses a

## Directors' Report continued

report prepared by PwC. The Auditor is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

### Audit

#### Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*. In accordance with section 324DAA of the *Corporations Act 2001*, the Group's lead auditor and review auditor must be rotated every five years unless the Board grants approval to extend the term for up to a further two years.

#### Non-audit services

The Group may decide to employ the Auditor on assignments, in addition to its statutory audit duties, where the Auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out in note 14 of the Notes to the Consolidated Financial Statements.

The Audit, Risk and Compliance Committee is satisfied that the provision of non-audit services provided during the year by the Auditor (or by another person or firm on the Auditor's behalf) is compatible with the standard of independence for auditors imposed by the *Corporations Act 2001*.

The reasons for the Directors being satisfied are:

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the impartiality and objectivity of the Auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

The above Directors' statements are in accordance with the advice received from the Audit, Risk and Compliance Committee.

#### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33 and forms part of this Directors' Report.

### Corporate governance

DXAM's Corporate Governance Statement is available at: [www.dexus.com/investor-centre/listed-funds/dexus-convenience-retail-reit/corporate-governance](http://www.dexus.com/investor-centre/listed-funds/dexus-convenience-retail-reit/corporate-governance)

### Rounding of amounts and currency

As the Group is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Consolidated Financial Statements, except where otherwise stated, are expressed in Australian dollars.

### Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Consolidated Financial Statements were authorised for issue by the Directors on 7 August 2023.



**Jennifer Horrigan**

Chair

7 August 2023

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## Auditor's Independence Declaration

As lead auditor for the audit of Convenience Retail REIT No. 2 for the year ended 30 June 2023, 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 Convenience Retail REIT No. 2 and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Samantha Johnson'.

Samantha Johnson  
Partner  
PricewaterhouseCoopers

Sydney  
7 August 2023

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# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

|                                                                                                                              | Note | 2023<br>\$'000  | 2022<br>\$'000  |
|------------------------------------------------------------------------------------------------------------------------------|------|-----------------|-----------------|
| <b>Revenue from ordinary activities</b>                                                                                      |      |                 |                 |
| Property revenue                                                                                                             | 2    | 59,376          | 55,424          |
| <b>Total revenue from ordinary activities</b>                                                                                |      | <b>59,376</b>   | <b>55,424</b>   |
| <b>Other Income</b>                                                                                                          |      |                 |                 |
| Interest revenue                                                                                                             |      | 59              | 147             |
| Net fair value gain of investment properties                                                                                 | 7    | —               | 30,836          |
| Net fair value gain of derivatives                                                                                           | 9(c) | —               | 13,136          |
| Other income                                                                                                                 |      | 15              | —               |
| <b>Total other income</b>                                                                                                    |      | <b>74</b>       | <b>44,119</b>   |
| <b>Total income</b>                                                                                                          |      | <b>59,450</b>   | <b>99,543</b>   |
| <b>Expenses</b>                                                                                                              |      |                 |                 |
| Property expenses                                                                                                            | 2    | (7,477)         | (7,580)         |
| Finance costs                                                                                                                | 3    | (11,370)        | (3,398)         |
| Management fee expense                                                                                                       |      | (5,330)         | (4,956)         |
| Net fair value loss of investment properties                                                                                 | 7    | (41,283)        | —               |
| Net fair value loss of derivatives                                                                                           | 9(c) | (1,041)         | —               |
| Other expenses                                                                                                               |      | (1,329)         | (970)           |
| <b>Total expenses</b>                                                                                                        |      | <b>(67,830)</b> | <b>(16,904)</b> |
| <b>(Loss)/profit for the year</b>                                                                                            |      | <b>(8,380)</b>  | <b>82,639</b>   |
| <b>(Loss)/profit for the year attributable to:</b>                                                                           |      |                 |                 |
| Security holders of the parent entity                                                                                        |      | (1,826)         | 30,499          |
| Security holders of other stapled entities (non-controlling interests) <sup>1</sup>                                          |      | (6,554)         | 52,140          |
| <b>(Loss)/profit for the year</b>                                                                                            |      | <b>(8,380)</b>  | <b>82,639</b>   |
| Other comprehensive income for the year                                                                                      |      | —               | —               |
| <b>Total comprehensive (loss)/income for the year</b>                                                                        |      | <b>(8,380)</b>  | <b>82,639</b>   |
| <b>Total comprehensive (loss)/income for the year attributable to:</b>                                                       |      |                 |                 |
| Security holders of the parent entity                                                                                        |      | (1,826)         | 30,499          |
| Security holders of other stapled entities (non-controlling interests) <sup>1</sup>                                          |      | (6,554)         | 52,140          |
| <b>Total comprehensive (loss)/income for the year</b>                                                                        |      | <b>(8,380)</b>  | <b>82,639</b>   |
|                                                                                                                              |      | <b>Cents</b>    | <b>Cents</b>    |
| <b>Earnings per stapled security on profit/(loss) attributable to security holders of the Trust (parent entity)</b>          |      |                 |                 |
| Basic earnings per security                                                                                                  | 5    | (1.32)          | 22.37           |
| Diluted earnings per security                                                                                                | 5    | (1.32)          | 22.37           |
| <b>Earnings per stapled security on profit/(loss) attributable to security holders of other stapled entities<sup>1</sup></b> |      |                 |                 |
| Basic earnings per security                                                                                                  | 5    | (4.76)          | 38.25           |
| Diluted earnings per security                                                                                                | 5    | (4.76)          | 38.25           |

<sup>1</sup> Non-controlling interests represent the profit/(loss) and total comprehensive income/(loss) for the year attributable to Convenience Retail REIT No. 1 (CRR1) and Convenience Retail REIT No. 3 (CRR3).

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

As at 30 June 2023

|                                                                                                                  | Note  | 2023<br>\$'000 | 2022<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>Current assets</b>                                                                                            |       |                |                |
| Cash and cash equivalents                                                                                        |       | 5,454          | 5,178          |
| Receivables                                                                                                      | 13(b) | 1,422          | 1,288          |
| Non-current assets classified as held for sale                                                                   | 8     | 7,050          | —              |
| Derivative financial instruments                                                                                 | 9(c)  | 4,996          | 3,499          |
| Other current assets                                                                                             | 13(c) | 2,183          | 3,348          |
| <b>Total current assets</b>                                                                                      |       | <b>21,105</b>  | <b>13,313</b>  |
| <b>Non-current assets</b>                                                                                        |       |                |                |
| Investment properties                                                                                            | 7     | 774,170        | 850,050        |
| Derivative financial instruments                                                                                 | 9(c)  | 7,516          | 9,447          |
| Other non-current assets                                                                                         |       | 72             | 312            |
| <b>Total non-current assets</b>                                                                                  |       | <b>781,758</b> | <b>859,809</b> |
| <b>Total assets</b>                                                                                              |       | <b>802,863</b> | <b>873,122</b> |
| <b>Current liabilities</b>                                                                                       |       |                |                |
| Payables                                                                                                         | 13(d) | 12,004         | 6,737          |
| Provisions                                                                                                       | 13(e) | 9,796          | 11,256         |
| <b>Total current liabilities</b>                                                                                 |       | <b>21,800</b>  | <b>17,993</b>  |
| <b>Non-current liabilities</b>                                                                                   |       |                |                |
| Derivative financial instruments                                                                                 | 9(c)  | 260            | —              |
| Interest bearing liabilities                                                                                     | 10    | 263,420        | 299,611        |
| Other non-current liabilities                                                                                    |       | 1,000          | 1,000          |
| <b>Total non-current liabilities</b>                                                                             |       | <b>264,680</b> | <b>300,611</b> |
| <b>Total liabilities</b>                                                                                         |       | <b>286,480</b> | <b>318,604</b> |
| <b>Net assets</b>                                                                                                |       | <b>516,383</b> | <b>554,518</b> |
| <b>Equity</b>                                                                                                    |       |                |                |
| <b>Equity attributable to security holders of the Trust (parent entity)</b>                                      |       |                |                |
| Contributed equity                                                                                               | 12    | 190,503        | 190,503        |
| Retained profits                                                                                                 |       | 35,482         | 48,711         |
| <b>Parent entity security holders' interest</b>                                                                  |       | <b>225,985</b> | <b>239,214</b> |
| <b>Equity attributable to security holders of other stapled entities (non-controlling interests)<sup>1</sup></b> |       |                |                |
| Contributed equity                                                                                               | 12    | 216,760        | 216,760        |
| Retained profits                                                                                                 |       | 73,638         | 98,544         |
| <b>Other stapled security holders' interest</b>                                                                  |       | <b>290,398</b> | <b>315,304</b> |
| <b>Total equity</b>                                                                                              |       | <b>516,383</b> | <b>554,518</b> |

1 Non-controlling interests represent the net assets attributable to Convenience Retail REIT No. 1 (CRR1) and Convenience Retail REIT No. 3 (CRR3).

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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FY23 highlights

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# Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

|                                                                   | Note | Attributable to security holders of the Trust (parent entity) |                         |                 | Attributable to security holders of other stapled entities <sup>1</sup> |                         |                 | Total equity \$'000 |
|-------------------------------------------------------------------|------|---------------------------------------------------------------|-------------------------|-----------------|-------------------------------------------------------------------------|-------------------------|-----------------|---------------------|
|                                                                   |      | Contributed equity \$'000                                     | Retained profits \$'000 | Total \$'000    | Contributed equity \$'000                                               | Retained profits \$'000 | Total \$'000    |                     |
| <b>Opening balance as at 1 July 2021</b>                          |      | <b>170,572</b>                                                | <b>31,667</b>           | <b>202,239</b>  | <b>186,046</b>                                                          | <b>64,986</b>           | <b>251,032</b>  | <b>453,271</b>      |
| Net (loss)/profit for the year                                    |      | —                                                             | 30,499                  | 30,499          | —                                                                       | 52,140                  | 52,140          | 82,639              |
| Other comprehensive income/(loss) for the year                    |      | —                                                             | —                       | —               | —                                                                       | —                       | —               | —                   |
| <b>Total comprehensive income/(loss) for the year</b>             |      | <b>—</b>                                                      | <b>30,499</b>           | <b>30,499</b>   | <b>—</b>                                                                | <b>52,140</b>           | <b>52,140</b>   | <b>82,639</b>       |
| Transactions with owners in their capacity as owners              |      |                                                               |                         |                 |                                                                         |                         |                 |                     |
| Issue of contributed equity                                       | 12   | 21,953                                                        | —                       | 21,953          | 33,547                                                                  | —                       | 33,547          | 55,500              |
| Securities issued under distribution reinvestment plan (DRP)      | 12   | 344                                                           | —                       | 344             | 451                                                                     | —                       | 451             | 795                 |
| Buy-back of contributed equity                                    | 12   | (1,913)                                                       | —                       | (1,913)         | (2,596)                                                                 | —                       | (2,596)         | (4,509)             |
| Equity issuance and buy-back costs                                | 12   | (453)                                                         | —                       | (453)           | (688)                                                                   | —                       | (688)           | (1,141)             |
| Distributions paid or payable                                     | 6    | —                                                             | (13,455)                | (13,455)        | —                                                                       | (18,582)                | (18,582)        | (32,037)            |
| <b>Total transactions with owners in their capacity as owners</b> |      | <b>19,931</b>                                                 | <b>(13,455)</b>         | <b>6,476</b>    | <b>30,714</b>                                                           | <b>(18,582)</b>         | <b>12,132</b>   | <b>18,608</b>       |
| <b>Closing balance as at 30 June 2022</b>                         |      | <b>190,503</b>                                                | <b>48,711</b>           | <b>239,214</b>  | <b>216,760</b>                                                          | <b>98,544</b>           | <b>315,304</b>  | <b>554,518</b>      |
| <b>Opening balance as at 1 July 2022</b>                          |      | <b>190,503</b>                                                | <b>48,711</b>           | <b>239,214</b>  | <b>216,760</b>                                                          | <b>98,544</b>           | <b>315,304</b>  | <b>554,518</b>      |
| Net (loss)/profit for the year                                    |      | —                                                             | (1,826)                 | (1,826)         | —                                                                       | (6,554)                 | (6,554)         | (8,380)             |
| Other comprehensive income/(loss) for the year                    |      | —                                                             | —                       | —               | —                                                                       | —                       | —               | —                   |
| <b>Total comprehensive income/(loss) for the year</b>             |      | <b>—</b>                                                      | <b>(1,826)</b>          | <b>(1,826)</b>  | <b>—</b>                                                                | <b>(6,554)</b>          | <b>(6,554)</b>  | <b>(8,380)</b>      |
| Transactions with owners in their capacity as owners              |      |                                                               |                         |                 |                                                                         |                         |                 |                     |
| Issue of contributed equity                                       | 12   | —                                                             | —                       | —               | —                                                                       | —                       | —               | —                   |
| Securities issued under distribution reinvestment plan (DRP)      | 12   | —                                                             | —                       | —               | —                                                                       | —                       | —               | —                   |
| Buy-back of contributed equity                                    | 12   | —                                                             | —                       | —               | —                                                                       | —                       | —               | —                   |
| Equity issuance and buy-back costs                                | 12   | —                                                             | —                       | —               | —                                                                       | —                       | —               | —                   |
| Distributions paid or payable                                     | 6    | —                                                             | (11,403)                | (11,403)        | —                                                                       | (18,352)                | (18,352)        | (29,755)            |
| <b>Total transactions with owners in their capacity as owners</b> |      | <b>—</b>                                                      | <b>(11,403)</b>         | <b>(11,403)</b> | <b>—</b>                                                                | <b>(18,352)</b>         | <b>(18,352)</b> | <b>(29,755)</b>     |
| <b>Closing balance as at 30 June 2023</b>                         |      | <b>190,503</b>                                                | <b>35,482</b>           | <b>225,985</b>  | <b>216,760</b>                                                          | <b>73,638</b>           | <b>290,398</b>  | <b>516,383</b>      |

1 Non-controlling interests represent the equity attributable to Convenience Retail REIT No. 1 (CRR1) and Convenience Retail REIT No. 3 (CRR3).

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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# Consolidated Statement of Cash Flows

For the year ended 30 June 2023

|                                                             | Note  | 2023<br>\$'000  | 2022<br>\$'000   |
|-------------------------------------------------------------|-------|-----------------|------------------|
| <b>Cash flows from operating activities</b>                 |       |                 |                  |
| Receipts in the course of operations (inclusive of GST)     |       | 62,614          | 53,994           |
| Payments in the course of operations (inclusive of GST)     |       | (17,731)        | (15,386)         |
| Interest received                                           |       | 59              | 147              |
| Finance costs paid                                          |       | (10,536)        | (9,698)          |
| <b>Net cash inflow/(outflow) from operating activities</b>  | 15(a) | <b>34,406</b>   | <b>29,057</b>    |
| <b>Cash flows from investing activities</b>                 |       |                 |                  |
| Proceeds from sale of investment properties                 |       | 33,437          | 6,880            |
| Payments for acquisition of investment properties           |       | —               | (162,599)        |
| Payments for capital expenditure on investment properties   |       | (84)            | (12,205)         |
| <b>Net cash inflow/(outflow) from investing activities</b>  |       | <b>33,353</b>   | <b>(167,924)</b> |
| <b>Cash flows from financing activities</b>                 |       |                 |                  |
| Proceeds from borrowings                                    |       | 146,943         | 438,175          |
| Repayment of borrowings                                     |       | (184,292)       | (314,789)        |
| Proceeds from issue of contributed equity                   |       | —               | 55,500           |
| Payments for buy-back of contributed equity                 |       | —               | (4,509)          |
| Equity issuance and buy-back costs paid                     |       | —               | (1,141)          |
| Distributions paid to security holders                      |       | (30,134)        | (29,977)         |
| <b>Net cash inflow/(outflow) from financing activities</b>  |       | <b>(67,483)</b> | <b>143,259</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |       | <b>276</b>      | <b>4,392</b>     |
| Cash and cash equivalents at the beginning of the year      |       | 5,178           | 786              |
| <b>Cash and cash equivalents at the end of the year</b>     |       | <b>5,454</b>    | <b>5,178</b>     |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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# Notes to the Consolidated Financial Statements

## In this section

This section sets out the basis upon which the Group's Consolidated Financial Statements are prepared. Specific accounting policies are described in their respective Notes to the Consolidated Financial Statements.

## Basis of preparation

These Consolidated Financial Statements are general purpose financial statements which have been prepared in accordance with the requirements of the Constitutions of the entities within the Group, the *Corporations Act 2001*, Australian accounting standards issued by the Australian Accounting Standards Board and the International Financial Reporting Standards adopted by the International Accounting Standards Board.

Unless otherwise stated the Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period. Where required, comparative information has been restated for consistency with the current year's presentation.

The Consolidated Financial Statements are presented in Australian dollars, with all values rounded to the nearest thousand dollars in accordance with ASIC *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated.

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for the following which are stated at their fair value:

- Investment properties
- Non-current assets classified as held for sale
- Derivative financial instruments

DXC stapled securities are quoted on the Australian Securities Exchange under the "DXC" code and comprise one unit in each of CRR1, CRR2 and CRR3. In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. CRR2 is the parent entity and deemed acquirer of CRR1 and CRR3.

These Consolidated Financial Statements therefore represent the consolidated results of DXC and include CRR1, CRR2 and CRR3. All entities within the Group are for-profit entities.

Equity attributable to other trusts stapled to CRR2 is a form of non-controlling interest and represents the equity of CRR1 and CRR3. The amount of non-controlling interests attributable to stapled security holders is disclosed in the Consolidated Statement of Financial Position.

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards. Dexu Asset Management Limited (DXAM) as Responsible Entity for CRR1, CRR2 and CRR3 may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

## Net current asset deficiency

As at 30 June 2023, the Group had a net current asset deficiency of \$695,000 (2022: deficiency of \$4,680,000). This is primarily due to the distributions payable to stapled security holders of \$7,645,000 (2022: \$8,024,000). The Group has in place external funding arrangements to support the cash flow requirements of the Group, including undrawn facilities of \$75,019,000 (2022: \$70,169,000). In determining the basis of preparation of the Consolidated Financial Statements, the Directors of the Responsible Entity have taken into consideration the unutilised facilities available to the Group. As such, the Group is a going concern and the Consolidated Financial Statements have been prepared on that basis.

## Critical accounting estimates

The preparation of the Consolidated Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies.

In the process of applying the Group's accounting policies, management has considered the current economic environment including the impacts of inflation and rising interest rates.

Other than inflationary and interest rate impacts and the estimates and assumptions used for the measurement of items held at fair value such as:

- Certain financial instruments
- Investment properties
- Non-current assets classified as held for sale

No other key assumptions concerning the future or other estimation uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Consolidated Financial Statements.

## Climate change

The Group is continuing to develop its assessment of the impact of climate change in line with emerging industry and regulatory guidance in preparing the Consolidated Financial Statements.

Refer to specific considerations relating to Investment Properties within note 7 to the Consolidated Financial Statements.

On 26 June 2023, the International Sustainability Standards Board (ISSB) released its new sustainability standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. With the standards now officially released, the Australian Government has announced its second round of consultation on Climate-related financial disclosures indicating an intention to adopt the new sustainability standards and potential to mandate for large businesses and financial institutions. The Group will assess the potential impact of these new standards on the Consolidated Financial Statements once they have been adopted by the Australian Accounting Standards Board (AASB).

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Principles of consolidation

These Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2023.

Controlled entities

Subsidiaries are all 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 deconsolidated from the date that control ceases.

Goods and services tax

Revenues, expenses and capital assets are recognised net of any amount of Australian Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

Notes to the Consolidated Financial Statements continued

The Notes include information which is required to understand the Consolidated Financial Statements and is material and relevant to the operations, financial position and performance of the Group.

The Notes are organised into the following sections:

| Group performance |                                | Property portfolio assets |                                                | Capital and financial risk management and working capital |                                       | Other disclosures |                                              |
|-------------------|--------------------------------|---------------------------|------------------------------------------------|-----------------------------------------------------------|---------------------------------------|-------------------|----------------------------------------------|
| 1.                | Operating segment              | 7.                        | Investment properties                          | 9.                                                        | Capital and financial risk management | 14.               | Audit, taxation and transaction service fees |
| 2.                | Property revenue and expenses  | 8.                        | Non-current assets classified as held for sale | 10.                                                       | Interest bearing liabilities          | 15.               | Cash flow information                        |
| 3.                | Finance costs                  |                           |                                                | 11.                                                       | Commitments and contingencies         | 16.               | Related parties                              |
| 4.                | Taxation                       |                           |                                                | 12.                                                       | Contributed equity                    | 17.               | Controlled entities                          |
| 5.                | Earnings per security          |                           |                                                | 13.                                                       | Working capital                       | 18.               | Parent entity disclosures                    |
| 6.                | Distributions paid and payable |                           |                                                |                                                           |                                       | 19.               | Subsequent events                            |

# Group performance

## In this section

This section explains the results and performance of the Group.

It provides additional information about those individual line items in the Consolidated Financial Statements that the Directors consider most relevant in the context of the operations of the Group, including: results by operating segment, property revenue and expenses, finance costs, taxation, earnings per security and distributions paid and payable.

## Note 1 Operating segment

The Group derives its income from investment in properties located in Australia and is deemed to have only one operating segment which is consistent with the reporting reviewed by the chief operating decision makers. The Directors consider the Property Council of Australia (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. A reconciliation of DXC's FFO to profit/(loss) for the year is tabled below:

|                                                     | 2023<br>\$'000 | 2022<br>Restated<br>\$'000 |
|-----------------------------------------------------|----------------|----------------------------|
| <b>Segment performance measures</b>                 |                |                            |
| Property revenue                                    | 59,376         | 55,424                     |
| Property expenses                                   | (7,477)        | (7,580)                    |
| Management fee expense                              | (5,330)        | (4,956)                    |
| Other expenses                                      | (1,329)        | (970)                      |
| Interest and other income                           | 74             | 147                        |
| Finance costs                                       | (10,636)       | (6,908)                    |
| Incentive amortisation and rent straight line       | (4,618)        | (5,042)                    |
| Rental guarantees, coupon income and other          | (310)          | 980                        |
| <b>Funds From Operations (FFO)<sup>1</sup></b>      | <b>29,750</b>  | <b>31,095</b>              |
| Net fair value gain/(loss) of investment properties | (41,283)       | 30,836                     |
| Net fair value gain/(loss) of derivatives           | (1,041)        | 13,136                     |
| Incentive amortisation and rent straight line       | 4,618          | 5,042                      |
| Rental guarantees, coupon income and other          | 310            | (980)                      |
| Debt modification                                   | (734)          | 3,510                      |
| <b>(Loss)/profit for the year</b>                   | <b>(8,380)</b> | <b>82,639</b>              |

1 2022 restated to include amortised borrowing costs (\$402,000) in FFO, aligned with PCA guidelines.

## Note 2 Property revenue and expenses

The Group's main revenue stream is property rental revenue and is derived from holding properties as investment properties and earning rental yields over time. Rental revenue is recognised on a straight line basis over the lease term for leases with fixed rent review clauses.

Prospective tenants may be offered incentives as an inducement to enter into operating leases. The costs of incentives are recognised as a reduction of rental revenue on a straight line basis from the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

Within its lease arrangements, the Group provides certain services to tenants (such as utilities, cleaning and maintenance) which are accounted for within AASB 15 *Revenue from Contracts with Customers*. A portion of the consideration within the lease arrangements is therefore allocated to services revenue within property revenue.

|                                 | 2023<br>\$'000 | 2022<br>\$'000 |
|---------------------------------|----------------|----------------|
| Rental income                   | 53,904         | 50,713         |
| Outgoings and direct recoveries | 4,120          | 3,895          |
| Services revenue                | 1,413          | 911            |
| Incentive amortisation          | (61)           | (95)           |
| <b>Total property revenue</b>   | <b>59,376</b>  | <b>55,424</b>  |

# Notes to the Consolidated Financial Statements continued

## Note 2 Property revenue and expenses (continued)

### Property expenses

Property expenses include rates, taxes, expected credit losses on receivables and other property outgoings incurred in relation to investment properties. These expenses are recognised in the Consolidated Statement of Comprehensive Income on an accrual basis. If these items are recovered from a tenant by the Group, they are recorded within services revenue or direct recoveries within property revenue.

|                                             | 2023         | 2022         |
|---------------------------------------------|--------------|--------------|
|                                             | \$'000       | \$'000       |
| Recoverable outgoings and direct recoveries | 6,029        | 4,970        |
| Other non-recoverable property expenses     | 1,448        | 2,610        |
| <b>Total property expenses</b>              | <b>7,477</b> | <b>7,580</b> |

## Note 3 Finance costs

Finance costs include interest, amortisation, debt modification or other costs incurred in connection with arrangement of borrowings, and realised interest rate swaps. Finance costs are expensed as incurred.

|                                                            | 2023          | 2022         |
|------------------------------------------------------------|---------------|--------------|
|                                                            | \$'000        | \$'000       |
| Interest paid/payable <sup>1</sup>                         | 13,280        | 5,239        |
| Amortisation of borrowing costs                            | 451           | 402          |
| Debt modifications                                         | 734           | (3,510)      |
| Realised (gain)/loss of interest rate derivative contracts | (3,154)       | 1,220        |
| Other finance costs                                        | 59            | 47           |
| <b>Total finance costs</b>                                 | <b>11,370</b> | <b>3,398</b> |

1 Includes \$2,496,000 (2022: \$2,165,000) of line fees expensed during the year.

## Note 4 Taxation

All Trusts that comprise DXC are "flow-through" entities for Australian income tax purposes that have elected into the Attribution Managed Investment Trusts rules ("AMIT Funds") on and from 1 July 2017, such that the determined trust components of each AMIT Fund will be taxable in the hands of the beneficiaries (the security holders) on an attribution basis.

Accordingly, deferred taxes associated with these AMIT Funds have not been recognised in the Consolidated Financial Statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains/losses which could arise in the event of a sale of properties for the amount at which they are stated in the Consolidated Financial Statements.

Realised capital losses are not attributed to the security holders but instead are retained within the AMIT Funds to be offset against realised capital gains. The benefit of any carried forward capital losses is also not recognised in the Consolidated Financial Statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to security holders as noted above. For the year ended 30 June 2023, there were no unrecognised carried forward capital losses (2022: nil).

## Note 5 Earnings per security

Earnings per security are determined by dividing the net profit/(loss) attributable to security holders by the weighted average number of ordinary securities outstanding during the year. Diluted earnings per security are adjusted from the basic earnings per security by taking into account the impact of dilutive potential securities.

|                                                                                       | 2023          | 2022         |
|---------------------------------------------------------------------------------------|---------------|--------------|
| (Loss)/profit (\$'000) attributable to security holders of the Trust (parent entity)  | (1,826)       | 30,499       |
| Weighted average number of securities outstanding (thousands)                         | 137,757       | 136,329      |
| <b>Basic and diluted earnings (cents per security)</b>                                | <b>(1.32)</b> | <b>22.37</b> |
| (Loss)/profit (\$'000) attributable to security holders of the other stapled entities | (6,554)       | 52,140       |
| Weighted average number of securities outstanding (thousands)                         | 137,757       | 136,329      |
| <b>Basic and diluted earnings (cents per security)</b>                                | <b>(4.76)</b> | <b>38.25</b> |

No dilutive securities were issued or on issue during the current year (2022: nil).

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## Note 6 Distributions paid and payable

Distributions are recognised when declared.

### Distribution to security holders

|                                               | 2023          | 2022          |
|-----------------------------------------------|---------------|---------------|
|                                               | \$'000        | \$'000        |
| 30 September (paid 10 November 2022)          | 7,301         | 7,966         |
| 31 December (paid 23 February 2023)           | 7,301         | 7,967         |
| 31 March (paid 19 May 2023)                   | 7,508         | 8,080         |
| 30 June (payable 24 August 2023)              | 7,645         | 8,024         |
| <b>Total distribution to security holders</b> | <b>29,755</b> | <b>32,037</b> |

### Distribution rate

|                                      | 2023               | 2022               |
|--------------------------------------|--------------------|--------------------|
|                                      | Cents per security | Cents per security |
| 30 September (paid 10 November 2022) | 5.300              | 5.725              |
| 31 December (paid 23 February 2023)  | 5.300              | 5.725              |
| 31 March (paid 19 May 2023)          | 5.450              | 5.825              |
| 30 June (payable 24 August 2023)     | 5.550              | 5.825              |
| <b>Total distribution rate</b>       | <b>21.600</b>      | <b>23.100</b>      |

## Property portfolio assets

### In this section

The following table summarises the property portfolio assets detailed in this section.

|                                                |      | 2023           |
|------------------------------------------------|------|----------------|
| 30 June 2023                                   | Note | \$'000         |
| Investment properties                          | 7    | 774,170        |
| Non-current assets classified as held for sale | 8    | 7,050          |
| <b>Total</b>                                   |      | <b>781,220</b> |

Property portfolio assets are used to generate the Group's performance. The assets are detailed in the following notes:

- **Investment properties:** relates to investment properties, both stabilised and under development
- **Non-current assets classified as held for sale:** relates to investment properties which are expected to be sold within 12 months of the reporting date and are being marketed for sale or contracts have already exchanged.

### Note 7 Investment properties

The Group's investment properties consist of properties held for long term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently measured at fair value.

Investment properties represent convenience retail properties held for deriving rental income and held for development for future use as investment property. For all investment properties, the current use equates to the highest and best use.

The basis of valuations of investment properties is fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Consolidated Statement of Comprehensive Income in the year of disposal.

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property.

Leasing fees incurred and incentives provided are capitalised and amortised over the lease periods to which they relate.

|                    | 2023           | 2022           |
|--------------------|----------------|----------------|
|                    | \$'000         | \$'000         |
| <b>Non-current</b> |                |                |
| Convenience retail | 774,170        | 850,050        |
| <b>Total</b>       | <b>774,170</b> | <b>850,050</b> |

#### a. Reconciliation

|                                                                  | 2023           | 2022           |
|------------------------------------------------------------------|----------------|----------------|
|                                                                  | \$'000         | \$'000         |
| Opening balance at the beginning of the year                     | 850,050        | 632,651        |
| Additions <sup>1</sup>                                           | 1,281          | 10,782         |
| Acquisitions                                                     | –              | 176,164        |
| Lease incentives                                                 | 294            | 1,469          |
| Amortisation of lease incentives                                 | (161)          | (138)          |
| Rent straightlining                                              | 4,779          | 5,166          |
| Disposals                                                        | (33,740)       | (6,880)        |
| Transfer to non-current assets classified as held for sale       | (7,050)        | –              |
| Net fair value gain/(loss) of investment properties <sup>2</sup> | (41,283)       | 30,836         |
| <b>Closing balance at the end of the year</b>                    | <b>774,170</b> | <b>850,050</b> |

1 Includes \$539,000 (2022: \$956,000) of maintenance capital expenditure incurred during the year.

2 Includes \$682,000 of transaction costs associated with the disposals of investment properties during the period (2022: \$185,000).

## Note 7 Investment properties (continued)

### a. Reconciliation (continued)

#### Disposals

Settlement for the disposals of the following investment properties occurred during the year, totalling \$33,740,000 excluding transaction costs:

- 2215 David Low Way, Peregian Beach QLD on 19 September 2022
- 4545 Flinders Highway, Reid River QLD on 14 November 2022
- 25 Kiernan Drive, Roseneath QLD on 16 December 2022
- 282 Wardell Street, Enoggera QLD on 6 February 2023
- Lot 401 Great Northern Highway, South Hedland WA on 31 March 2023
- 127 Kingston Road, Woodridge QLD on 27 April 2023
- 983 Waterworks Road, The Gap QLD on 27 April 2023

### b. Valuation process

It is the policy of the Group to obtain independent valuations for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. It is the Group's practice to have such valuations performed for a selection of properties every six months. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three years except for properties under development. Independent valuations may be undertaken earlier where the Responsible Entity believes there is potential for a change in the fair value of the property, being 5% of the asset value. At 30 June 2023, 57 out of 105 investment properties were independently externally valued.

The Group's policy requires investment properties to be internally valued at least every six months at each reporting period (interim and full-year) unless they have been independently externally valued. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine that the internal valuations present a more reliable estimate of fair value the internal valuation is adopted as book value. Internal valuations are performed by the Group's internal valuers who hold recognised relevant professional qualifications and have previous experience as property valuers from major real estate valuation firms.

An appropriate valuation methodology is utilised according to asset class. In relation to convenience retail assets this includes the capitalisation approach (market approach). The valuation is also compared to, and supported by, direct comparison to recent market transactions. The adopted capitalisation rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also built into each asset assessment of fair value.

In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date (using the methodology as outlined above) less costs still required to complete the project, including an appropriate adjustment for industry benchmarked profit and development risk.

### c. Sustainability valuation considerations

The Group engages independent valuation firms to assist in determining fair value of the investment property assets at each reporting period. As qualified valuers, they are required to follow both the *RICS Valuation - Global Standards* and the Australian Property Institute's International Valuation Standards, and accordingly their valuations are required to take into account the sustainability features of properties being valued and the implications such factors could have on property values in the short, medium and longer term.

Where relevant, the Group's independent valuation firms note in their valuation reports that sustainability features are considered as part of the valuation approach and outline that sustainability features have been influencing value for some time.

Where the independent valuation firms give consideration to the impacts of sustainability, they are incorporating their understanding of how market participants include sustainability in their bids and the impact on market valuations, noting that valuers should reflect markets and not lead them.

# Notes to the Consolidated Financial Statements continued

## Note 7 Investment properties (continued)

### d. Fair value measurement, valuation techniques and inputs

The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement of investment property.

| Class of property  | Fair value hierarchy | Inputs used to measure fair value   | Range of unobservable inputs |                 |
|--------------------|----------------------|-------------------------------------|------------------------------|-----------------|
|                    |                      |                                     | 2023                         | 2022            |
| Convenience retail | Level 3              | Adopted capitalisation rate         | 5.25% – 8.00%                | 4.50% – 8.50%   |
|                    |                      | Current net market rental (per sqm) | \$240 – \$4,810              | \$226 – \$4,745 |

#### Key estimates: inputs used to measure fair value of investment properties

Judgement is required in determining the following significant unobservable inputs:

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- **Net market rental (per sqm):** The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction.

### e. Impact of the current economic environment on the fair value of investment properties

The elevated levels of economic uncertainty, coupled with a lack of recent comparable transactions in the market, has created heightened levels of judgement when deriving the fair value of the Group's investment property portfolio.

To address this increased estimation uncertainty, the Directors have reviewed relevant market information on an ongoing basis (including post year end and up until the date of signing this report).

Whilst the fair values of investment property can be relied upon at the date of valuation, a higher level of valuation uncertainty than normal is assumed. A sensitivity analysis has been included in note 7(f), showing indicative movements in investment property valuations should certain significant unobservable inputs differ by reasonably possible amounts from those assumed in the valuations.

### f. Sensitivity information

Significant movement in any one of the valuation inputs listed in the table above may result in a change in the fair value of the Group's investment properties as shown below.

The estimated impact of a change in certain significant unobservable inputs would result in a change in the fair value as follows:

|                                                                   | 2023<br>\$'000 | 2022<br>\$'000 |
|-------------------------------------------------------------------|----------------|----------------|
| A decrease of 25 basis points in the adopted capitalisation rate  | 33,750         | 37,920         |
| An increase of 25 basis points in the adopted capitalisation rate | (30,870)       | (36,870)       |
| A decrease of 5% in the net market rental (per sqm)               | (39,090)       | (43,580)       |
| An increase of 5% in the net market rental (per sqm)              | 39,010         | 41,310         |

Under the capitalisation approach, the net market rental has a strong interrelationship with the adopted capitalisation rate as the fair value of the investment property is derived by capitalising, in perpetuity, the total net market rent receivable. An increase (softening) in the adopted capitalisation rate may offset the impact to fair value of an increase in the net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the net market rent. A directionally opposite change in the net market rent and the adopted capitalisation rate may increase the impact to fair value.

### g. Investment properties pledged as security

Refer to note 10 for information on investment properties pledged as security.

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## Note 8 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

Non-current assets classified as held for sale are presented separately from the other assets in the Consolidated Statement of Financial Position. Non-current assets classified as held for sale relate to investment properties measured at fair value.

At 30 June 2023, the balance relates to 656 Bruce Highway, Woree QLD and 1182 Chapman Road, Glenfield WA.

At 30 June 2022, there were no investment properties held for sale.

|                                     | 2023<br>\$'000 | 2022<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>Non-current</b>                  |                |                |
| Investment properties held for sale | 7,050          | –              |
|                                     | 7,050          | –              |

## Capital and financial risk management and working capital

### In this section

The Group's overall risk management program focuses on reducing volatility from impacts of movements in financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Note 9 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (interest rate risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Group.

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from DXC stapled security holders (equity) in order to finance the Group's activities both now and in the future. This capital structure is detailed in the following notes:

- **Debt:** *Interest bearing liabilities* in note 10, and *Commitments and contingencies* in note 11
- **Equity:** *Contributed equity* in note 12

Note 13 provides a breakdown of the working capital balances held in the Consolidated Statement of Financial Position.

### Note 9 Capital and financial risk management

Capital and financial risk management is carried out through a centralised treasury function which is governed by a Board approved Treasury Policy. The Group is supported by an established Dexu governance structure which consists of Dexu Group Management Committee and Capital Markets Committee.

The Dexu Group Management Committee is responsible for supporting DXC in achieving its goals and objectives, including the prudent financial and risk management of the Group. The Dexu appointed Capital Markets Committee has been established to advise the Dexu Group Management Committee and the Board.

The Capital Markets Committee is a management committee that is accountable to the Board. It convenes at least quarterly and conducts a review of financial risk management exposures including liquidity, funding strategies and hedging. It is also responsible for the development of financial risk management policies and funding strategies for recommendation to the Board, and the approval of treasury transactions within delegated limits and powers.

#### a. Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to security holders. The Group continuously monitors its capital structure and it is managed in consideration of the following factors:

- The cost of capital and the financial risks associated with each class of capital
- Gearing levels and other debt covenants
- Potential impacts on net tangible assets and security holders' equity
- Other market factors

The Group has a stated target gearing level of 25% to 40%. As at 30 June 2023, the Group's gearing ratio is 33.4% (2022: 35.0%).

The Group is required to comply with certain financial covenants in respect of its interest bearing liabilities. During the 2023 and 2022 reporting periods, the Group was in compliance with all of its financial covenants.

DXAM is the Responsible Entity for the managed investment schemes that are stapled to form the Group. DXAM has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to maintain liquidity above specified limits. DXAM must also prepare rolling cash projections over at least the next 15 months and demonstrate it will have access to sufficient financial resources to meet its liabilities that are expected to be payable over that period. Cash projections and assumptions are approved, at least quarterly, by the Board of the Responsible Entity.

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## Note 9 Capital and financial risk management (continued)

### b. Financial risk management

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's principal financial instruments, other than derivatives, comprise cash and bank loans. The main purpose of financial instruments is to manage liquidity and hedge the Group's exposure to financial risks namely:

- Interest rate risk
- Liquidity risk
- Credit risk

The Group uses derivatives to reduce the Group's exposure to fluctuations in interest rates. These derivatives create an obligation or a right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative financial instruments that the Group may use to hedge its risks includes interest rate swaps and interest rate options (together interest rate derivatives).

The Group does not trade in interest rate derivative instruments for speculative purposes. The Group uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure and conducting sensitivity analysis.

### i. Market risk

#### Interest rate risk

Interest rate risk arises from interest bearing financial assets and liabilities that the Group utilises. Non-derivative interest bearing financial instruments are predominantly short term liquid assets and long term debt issued at variable rates which expose the Group to interest rate risk due to movements in variable interest rates. The Group's borrowings which have a variable interest rate give rise to cash flow interest rate risk due to movements in variable interest rates.

The Group's risk management policy for interest rate risk seeks to minimise the effects of interest rate movements on its asset and liability portfolio through active management of the exposures. The policy prescribes minimum and maximum hedging amounts for the Group, which is managed on a portfolio basis.

The Group maintains local currency variable rate debt through a mix of long term and short term debt. The Group primarily enters into interest rate swap agreements to manage the associated interest rate risk. The derivative contracts are recorded at fair value in the Consolidated Statement of Financial Position, using standard valuation techniques with market inputs.

As at 30 June 2023, 65% (2022: 57%) of the Group's debt was hedged. The average hedged percentage for the financial year was 64% (2022: 58%).

Interest rate derivatives require settlement of net interest receivable or payable generally each 90 or 180 days. The settlement dates coincide with the dates on which the interest is payable on the underlying debt. The receivable and payable legs on interest rate derivative contracts are settled on a net basis. The net notional amount of interest rate derivatives in place in each year and the weighted average effective hedge rate is set out below:

|                               | June 2024 | June 2025 | June 2026 | June 2027 | June 2028 |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
|                               | \$'000    | \$'000    | \$'000    | \$'000    | \$'000    |
| A\$ interest rate derivatives | 189,167   | 163,333   | 132,083   | 106,250   | 57,500    |
| <b>Hedge rate (%)</b>         | 1.62%     | 2.01%     | 2.35%     | 3.37%     | 4.14%     |

#### Sensitivity analysis on interest expense

The table below shows the impact on the Group's net interest expense of a 100 basis point movement in market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Group's floating rate debt and derivative cash flows on average during the financial year. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

|                              | 2023         | 2022         |
|------------------------------|--------------|--------------|
|                              | \$'000       | \$'000       |
| +/- 1.00% (100 basis points) | 1,047        | 1,127        |
| <b>Total</b>                 | <b>1,047</b> | <b>1,127</b> |

The movement in interest expense is proportional to the movement in interest rates.

# Notes to the Consolidated Financial Statements continued

## Note 9 Capital and financial risk management (continued)

### b. Financial risk management (continued)

#### i. Market risk (continued)

##### Interest rate risk (continued)

Sensitivity analysis on fair value of interest rate derivatives

The sensitivity analysis on interest rate derivatives below shows the effect on net profit or loss of changes in the fair value of interest rate derivatives for a 100 basis point movement in short-term and long-term market interest rates. The sensitivity on fair value arises from the impact that changes in market rates will have on the valuation of the interest rate derivatives.

The fair value of interest rate derivatives is calculated as the present value of estimated future cash flows on the instruments. Although interest rate derivatives are transacted for the purpose of providing the Group with an economic hedge, the Group has elected not to apply hedge accounting to these instruments. Accordingly, gains or losses arising from changes in the fair value are reflected in the profit or loss.

|                              | 2023         | 2022         |
|------------------------------|--------------|--------------|
|                              | \$'000       | \$'000       |
| +/- 1.00% (100 basis points) | 5,260        | 5,232        |
| <b>Total</b>                 | <b>5,260</b> | <b>5,232</b> |

#### ii. Liquidity risk

Liquidity risk is associated with ensuring that there are sufficient funds available to meet the Group's financial commitments as and when they fall due and planning for any unforeseen events which may curtail cash flows. The Group identifies and manages liquidity risk across the following categories:

- Short-term liquidity management covering the month ahead on a rolling basis with continuous monitoring of forecast and actual cash flows
- Medium-term liquidity management of liquid assets, working capital and standby facilities to cover Group cash requirements over the next 1-24 month period. The Group maintains a level of committed borrowing facilities above the forecast committed debt requirements (liquidity headroom buffer). Committed debt includes future expenditure that has been approved by the Board or Investment Committee (as required within delegated limits)
- Long-term liquidity management through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated in certain time periods and ensuring an adequate diversification of funding sources where possible, subject to market conditions

#### Refinancing risk

Refinancing risk is the risk that the Group:

- Will be unable to refinance its debt facilities as they mature
- Will only be able to refinance its debt facilities at unfavourable interest rates and credit market conditions (margin price risk)

The Group's key risk management strategy for margin price risk on refinancing is to spread the maturities of debt facilities over different time periods to reduce the volume of facilities to be refinanced and the exposure to market conditions in any one period.

An analysis of the contractual maturities of the Group's payables, provisions and interest bearing liabilities is shown in the table below. The amounts in the table represent undiscounted cash flows.

|                              | Within<br>one year | Between<br>one and<br>two<br>years | Between<br>two and<br>five<br>years | After five<br>years | Total<br>contractual<br>cashflows | Carrying<br>amount |
|------------------------------|--------------------|------------------------------------|-------------------------------------|---------------------|-----------------------------------|--------------------|
| 2023                         | \$'000             | \$'000                             | \$'000                              | \$'000              | \$'000                            | \$'000             |
| <b>Liabilities</b>           |                    |                                    |                                     |                     |                                   |                    |
| Payables                     | 12,004             | –                                  | –                                   | –                   | 12,004                            | 12,004             |
| Provisions                   | 9,796              | –                                  | –                                   | –                   | 9,796                             | 9,796              |
| Interest bearing liabilities | 17,542             | 47,473                             | 252,269                             | 41,636              | 358,920                           | 267,481            |
| <b>Total liabilities</b>     | <b>39,342</b>      | <b>47,473</b>                      | <b>252,269</b>                      | <b>41,636</b>       | <b>380,720</b>                    | <b>289,281</b>     |

|                              | Within<br>one year | Between<br>one and<br>two<br>years | Between<br>two and<br>five<br>years | After five<br>years | Total<br>contractual<br>cashflows | Carrying<br>amount |
|------------------------------|--------------------|------------------------------------|-------------------------------------|---------------------|-----------------------------------|--------------------|
| 2022                         | \$'000             | \$'000                             | \$'000                              | \$'000              | \$'000                            | \$'000             |
| <b>Liabilities</b>           |                    |                                    |                                     |                     |                                   |                    |
| Payables                     | 6,737              | –                                  | –                                   | –                   | 6,737                             | 6,737              |
| Provisions                   | 11,256             | –                                  | –                                   | –                   | 11,256                            | 11,256             |
| Interest bearing liabilities | 16,938             | 28,708                             | 259,629                             | 117,331             | 422,606                           | 304,831            |
| <b>Total liabilities</b>     | <b>34,931</b>      | <b>28,708</b>                      | <b>259,629</b>                      | <b>117,331</b>      | <b>440,599</b>                    | <b>322,824</b>     |

## Note 9 Capital and financial risk management (continued)

### b. Financial risk management (continued)

#### iii. Credit risk

Credit risk is the risk that the counterparty will not fulfil its obligations under the terms of a financial instrument and will cause financial loss to the Group. The Group has exposure to credit risk on all financial assets and derivative contracts included in the Group's Consolidated Statement of Financial Position.

The Group manages this risk by:

- Adopting a process for determining an approved counterparty, with consideration of qualitative factors as well as the counterparty's credit rating
- Regularly monitoring counterparty exposure within approved credit limits that are based on the lower of an S&P and Moody's credit rating. The exposure includes the current market value of in-the-money contracts and the potential exposure, which is measured with reference to credit conversion factors as per APRA guidelines
- Entering into International Swaps and Derivatives Association (ISDA) Master Agreements once a financial institution counterparty is approved
- For some trade receivables, obtaining collateral where necessary in the form of bank guarantees and tenant bonds
- Regularly monitoring loans and receivables on an ongoing basis

A minimum S&P rating of "A–" (or Moody's equivalent) is required to become or remain an approved counterparty unless otherwise approved by the DXAM Board.

The Group is exposed to credit risk on cash balances and on derivative financial instruments with financial institutions. The Group has a policy that sets limits as to the amount of credit exposure to each financial institution. New derivatives and cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Group's policy requirements.

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Group's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments. The maximum exposure to credit risk at 30 June 2023 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position.

The Group is exposed to credit risk on trade receivable balances. The Group has a policy to continuously assess and monitor the credit quality of trade debtors on an ongoing basis. Given the historical profile and exposure of the trade receivables, it has been determined that no significant concentrations of credit risk exists for receivables balances. The maximum exposure to credit risk at 30 June 2023 is the carrying amounts of the trade receivables recognised on the Consolidated Statement of Financial Position.

#### iv. Fair value

The Group uses the following methods in the determination and disclosure of the fair value of financial instruments:

**Level 1:** the fair value is calculated using quoted prices in active markets.

**Level 2:** the fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

**Level 3:** the fair value is estimated using inputs for the asset or liability that are not based on observable data.

All derivative financial instruments were measured at Level 2 for the periods presented in this report.

All investment properties were appropriately measured at Level 3 for the periods presented in this report.

During the year, there were no transfers between Level 1, 2 and 3 fair value measurements.

Since cash, receivables and payables are short-term in nature, their fair values are not materially different from their carrying amounts. For borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

#### Key assumptions: fair value of derivatives and interest bearing liabilities

The fair value of derivatives and interest bearing liabilities has been determined based on observable market inputs (interest rates) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Group.

### c. Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to an underlying benchmark, such as interest rates, exchange rates, or asset values, and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity regularly reviews the Group's exposures and updates its treasury policies and procedures. The Group does not trade in interest rate or foreign exchange related derivative instruments for speculative purposes.

# Notes to the Consolidated Financial Statements continued

## Note 9 Capital and financial risk management (continued)

### c. Derivative financial instruments (continued)

The Group uses derivative contracts as part of its financial and business strategy. Interest rate derivative contracts are used to manage the risk of movements in variable interest rates on the Group's Australian dollar denominated borrowings.

Derivatives are measured at fair value with any changes in fair value recognised either in the Consolidated Statement of Comprehensive Income.

#### Interest rate contracts

The Group has exposure to a debt facilities that are subject to floating interest rates. The Group uses derivative financial instruments on a portfolio basis to manage its exposure to interest rates such as interest rate swaps (to lock in fixed interest rates) and/or interest rate caps (to limit exposure to rising floating interest rates).

All derivative financial instruments are entered into on terms that provide pari-passu security and cross collateralisation rights over the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement) pursuant to the Group's revolving cash advance facility.

Generally, interest rate contracts settle on either a monthly or quarterly basis coinciding with the dates on which the interest is payable on the underlying debt. The floating rate incurred on the debt is Australian BBSY. The difference between the fixed and floating interest rate is settled on a net basis with the relevant counterparty. The interest rate contracts have not been identified as hedging instruments and any movements in the fair value are recognised immediately in the Consolidated Statement of Comprehensive Income.

|                                                                         | 2023<br>\$'000 | 2022<br>\$'000 |
|-------------------------------------------------------------------------|----------------|----------------|
| <b>Current assets</b>                                                   |                |                |
| Interest rate derivative contracts                                      | 4,996          | 3,499          |
| <b>Total current assets - derivative financial instruments</b>          | <b>4,996</b>   | <b>3,499</b>   |
| <b>Non-current assets</b>                                               |                |                |
| Interest rate derivative contracts                                      | 7,516          | 9,447          |
| <b>Total non-current assets - derivative financial instruments</b>      | <b>7,516</b>   | <b>9,447</b>   |
| <b>Non-current liabilities</b>                                          |                |                |
| Interest rate derivative contracts                                      | (260)          | —              |
| <b>Total non-current liabilities - derivative financial instruments</b> | <b>(260)</b>   | <b>—</b>       |
| <b>Net derivative financial instruments</b>                             | <b>12,252</b>  | <b>12,946</b>  |

The table below details a breakdown of the net fair value gain on derivatives in the Consolidated Statement of Comprehensive Income.

|                                                        | 2023<br>\$'000 | 2022<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| <b>Net fair value (loss)/gain of derivatives</b>       |                |                |
| Interest rate derivative contracts                     | (1,041)        | 13,136         |
| <b>Total net fair value (loss)/gain of derivatives</b> | <b>(1,041)</b> | <b>13,136</b>  |

## Note 10 Interest bearing liabilities

Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in the Consolidated Statement of Comprehensive Income over the expected life of the borrowings.

If there is a substantial debt modification, the financial liability is derecognised from the Consolidated Statement of Financial Position and residual capitalised costs expensed to the Consolidated Statement of Comprehensive Income. If there is a non-substantial debt modification, the balance on the Consolidated Statement of Financial Position is adjusted and the difference between the fair value of the new facility and carrying value of the original facility is recognised in the Consolidated Statement of Comprehensive Income.

If there is an effective fair value hedge of borrowings, a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings. This movement is recognised in the Consolidated Statement of Comprehensive Income. Refer to note 9 *Capital and financial risk management* for further detail.

All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

## Note 10 Interest bearing liabilities (continued)

|                                                                     | 2023           | 2022           |
|---------------------------------------------------------------------|----------------|----------------|
|                                                                     | \$'000         | \$'000         |
| <b>Non-current</b>                                                  |                |                |
| <b>Secured</b>                                                      |                |                |
| Bank loans (net of debt modification)                               | 264,706        | 301,321        |
| Capitalised borrowing cost                                          | (1,286)        | (1,710)        |
| <b>Total secured</b>                                                | <b>263,420</b> | <b>299,611</b> |
| <b>Total non-current liabilities – interest bearing liabilities</b> | <b>263,420</b> | <b>299,611</b> |
| <b>Total interest bearing liabilities</b>                           | <b>263,420</b> | <b>299,611</b> |

### Financing arrangements

DXC has \$342,500,000 of revolving credit facilities.

|                                       | 2023          | 2022          |
|---------------------------------------|---------------|---------------|
|                                       | \$'000        | \$'000        |
| Loan facility limit                   | 342,500       | 375,000       |
| Amount drawn at balance date          | (267,481)     | (304,831)     |
| <b>Amount undrawn at balance date</b> | <b>75,019</b> | <b>70,169</b> |

As at 30 June 2023, the following table summarises the maturity profile of the Group's financing arrangements:

| Type of facility  | Maturity date | Utilised<br>\$'000 | Facility limit<br>\$'000 |
|-------------------|---------------|--------------------|--------------------------|
| Tranche 1 Series  | Mar-26        | –                  | 52,500                   |
| Tranche 2 Series  | Jul-27        | 18,500             | 31,250                   |
| Tranche 3 Series  | Mar-26        | 21,000             | 21,250                   |
| Tranche 4 Series  | Mar-27        | 7,500              | 7,500                    |
| Tranche 5 Series  | Mar-27        | 24,000             | 30,000                   |
| Tranche 6 Series  | Sep-27        | 15,000             | 17,500                   |
| Tranche 7 Series  | Mar-27        | 20,000             | 20,000                   |
| Tranche 8 Series  | Mar-29        | 20,000             | 20,000                   |
| Tranche 9 Series  | Mar-29        | 20,000             | 20,000                   |
| Tranche 10 Series | Mar-28        | 15,000             | 15,000                   |
| Tranche 11 Series | Jul-24        | 30,000             | 30,000                   |
| Tranche 12 Series | Jul-25        | 30,000             | 30,000                   |
| Tranche 13 Series | Sep-26        | 29,000             | 30,000                   |
| Tranche 14 Series | Sep-27        | 17,481             | 17,500                   |

The revolving cash advance facilities are secured and cross collateralised over DXC's investment properties (by first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement), maturing between July 2024 and March 2029 with a weighted average maturity of December 2026. On 31 July 2023, an extension of the existing Tranche 11 Series debt facility was approved, extending the maturity date to July 2028.

The debt facilities contain both financial and non-financial covenants and undertakings that are customary for secured debt facilities of this nature. The key financial covenants that apply to the Group are as follows:

|                              |                                                         | 2023      | 2022      |
|------------------------------|---------------------------------------------------------|-----------|-----------|
| Loan to Value Ratio ("LVR")  | At all times, LVR does not exceed 50%                   | 33.8%     | 38.8%     |
| Interest Cover Ratio ("ICR") | As at 30 June each year, ICR is not less than 2.0 times | 4.0 times | 5.2 times |

## Note 11 Commitments and contingencies

### a. Commitments

#### Capital commitments

Under some of the lease agreements applicable to the existing investment properties, the Group is responsible for capital and structural repairs to the premises (except to the extent required due to the tenant's act, omissions or particular use). This contractual obligation can include the requirement to replace underground tanks and/or LPG tanks if they become worn out, obsolete, inoperable, or incapable of economic repair. As at the reporting date, there were no requirements to replace underground tanks at any sites (2022: nil).

# Notes to the Consolidated Financial Statements continued

## Note 11 Commitments and contingencies (continued)

### a. Commitments (continued)

The following amounts represent capital expenditure commitments on investment properties at the end of each reporting period but not recognised as liabilities payable:

|                                  | 2023      | 2022       |
|----------------------------------|-----------|------------|
|                                  | \$'000    | \$'000     |
| Investment properties            | 23        | 348        |
| <b>Total capital commitments</b> | <b>23</b> | <b>348</b> |

### Lease receivable commitments

The majority of the investment properties are leased to tenants under long term operating leases. Rentals are receivable from the tenants monthly. Minimum lease payments to be received under non-cancellable operating leases of investment properties not recognised in the Consolidated Financial Statements as receivable are as follows:

|                                                   | 2023           | 2022           |
|---------------------------------------------------|----------------|----------------|
|                                                   | \$'000         | \$'000         |
| Within one year                                   | 47,889         | 49,774         |
| Later than one year but not later than five years | 201,518        | 209,941        |
| Later than five years                             | 294,854        | 367,705        |
| <b>Total lease receivable commitments</b>         | <b>544,261</b> | <b>627,420</b> |

### b. Contingencies

The Directors of the Responsible Entity are not aware of any other contingent liabilities in relation to the Group, other than those disclosed in the Consolidated Financial Statements, which should be brought to the attention of security holders as at the date of completion of this report.

Outgoings are excluded from contingencies as they are expensed when incurred.

## Note 12 Contributed equity

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group. Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

Transaction costs arising on the issuance and buy-back of equity instruments are recognised directly in equity. Transaction costs are the costs that are incurred directly in connection with the issue and buy-back of those equity instruments and which would not have been incurred had those instruments not been issued or bought back.

### Carrying amount

|                                                        | 2023           | 2022           |
|--------------------------------------------------------|----------------|----------------|
|                                                        | \$'000         | \$'000         |
| At the beginning of the year                           | 407,263        | 356,618        |
| Issue of contributed equity                            | —              | 55,500         |
| Securities issued under distribution reinvestment plan | —              | 795            |
| Buy-back of contributed equity                         | —              | (4,509)        |
| Equity issuance and buy-back costs                     | —              | (1,141)        |
| <b>At the end of the year</b>                          | <b>407,263</b> | <b>407,263</b> |
| <b>Attributable to:</b>                                |                |                |
| Security holders of the parent entity                  | 190,503        | 190,503        |
| Security holders of other stapled entities             | 216,760        | 216,760        |
| <b>At the end of the year</b>                          | <b>407,263</b> | <b>407,263</b> |

### Number of securities on issue

|                                                        | 2023               | 2022               |
|--------------------------------------------------------|--------------------|--------------------|
|                                                        | No.                | No.                |
| At the beginning of the year                           | 137,756,563        | 123,429,770        |
| Issue of contributed equity                            | —                  | 15,499,599         |
| Securities issued under distribution reinvestment plan | —                  | 218,613            |
| Buy-back of contributed equity                         | —                  | (1,391,419)        |
| <b>At the end of the year</b>                          | <b>137,756,563</b> | <b>137,756,563</b> |

## Note 13 Working capital

### a. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and 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.

### b. Receivables

Rental income is brought to account on an accrual basis.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly.

A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The calculation of expected credit losses relating to rent and other receivables requires judgement to assess the future uncertainty of tenants' ability to pay their debts. Expected credit losses have been estimated using a provision matrix that has been developed with reference to the Group's historical credit loss experience, general economic conditions and forecasts, assumptions around rent relief that may be provided to tenants and tenant risk factors such as size, industry exposure and the Group's understanding of the ability of tenants to pay their debts. Accordingly, expected credit losses include both the part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant.

For any provisions for expected credit losses, the corresponding expense has been recorded in the Consolidated Statement of Comprehensive Income within property expenses.

|                                            | 2023<br>\$'000 | 2022<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| Rent receivable <sup>1</sup>               | 878            | 1,528          |
| Less: provision for expected credit losses | (357)          | (520)          |
| <b>Total rent receivables</b>              | <b>521</b>     | <b>1,008</b>   |
| Other receivables                          | 901            | 280            |
| <b>Total other receivables</b>             | <b>901</b>     | <b>280</b>     |
| <b>Total receivables</b>                   | <b>1,422</b>   | <b>1,288</b>   |

1 Rent receivable includes outgoings recoveries.

The provision for expected credit losses for rent receivables (which includes outgoings recoveries) as at 30 June 2023 was determined as follows:

|                                                 | 2023<br>\$'000 | 2022<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| <b>Days outstanding</b>                         |                |                |
| 0-30 days                                       | 53             | 24             |
| 31-60 days                                      | 30             | 56             |
| 61-90 days                                      | 14             | 28             |
| 91+ days                                        | 260            | 412            |
| <b>Total provision for expected credit loss</b> | <b>357</b>     | <b>520</b>     |

The provision for expected credit losses for rent receivables as at the reporting date reconciles as follows:

|                                                                   | Expected credit losses |                |
|-------------------------------------------------------------------|------------------------|----------------|
|                                                                   | 2023<br>\$'000         | 2022<br>\$'000 |
| <b>Opening provision for expected credit losses</b>               | <b>520</b>             | —              |
| Provision recognised/(reversed) in profit or loss during the year | (163)                  | 520            |
| <b>Closing provision for expected credit losses</b>               | <b>357</b>             | <b>520</b>     |

During the period, rent receivable of \$57,000 was written off (2022: nil) and expensed in the Consolidated Statement of Comprehensive Income. The Group holds \$72,000 of security deposits and other collateral (2022: \$160,000).

# Notes to the Consolidated Financial Statements continued

## Note 13 Working capital (continued)

### c. Other current assets

|                                   | 2023         | 2022         |
|-----------------------------------|--------------|--------------|
|                                   | \$'000       | \$'000       |
| Other <sup>1</sup>                | 2,151        | 3,232        |
| Prepayments                       | 32           | 116          |
| <b>Total other current assets</b> | <b>2,183</b> | <b>3,348</b> |

1 Other current assets for the year ended 30 June 2023 reflects \$2,151,000 (2022: \$3,232,000) for land tax for properties owned in Queensland, Western Australia and South Australia that are utilised during the following period.

### d. Payables

|                             | 2023          | 2022         |
|-----------------------------|---------------|--------------|
|                             | \$'000        | \$'000       |
| Trade payables              | 757           | 794          |
| Prepaid income              | 4,127         | 2,311        |
| Accrued interest            | 1,368         | 855          |
| Accrued capital expenditure | 1,395         | 1,061        |
| Accrued other expenses      | 4,357         | 1,716        |
| <b>Total payables</b>       | <b>12,004</b> | <b>6,737</b> |

### e. Provisions

A provision is recognised when a current obligation exists as a result of a past event, and it is probable that a future outflow of cash or other benefit will be required to settle the obligation.

In accordance with the Trust Constitutions, the Group distributes its distributable income to security holders by cash or reinvestment. Distributions are provided for when they are approved by the Board of Directors and declared.

A provision for land tax has been recognised in accordance with the requirements of *AASB Interpretation 21 Levies* which requires a provision to be recognised for land tax obligations on properties owned in Queensland, Western Australia and South Australia that are due during the following period.

|                            | 2023         | 2022          |
|----------------------------|--------------|---------------|
|                            | \$'000       | \$'000        |
| Provision for distribution | 7,645        | 8,024         |
| Provision for land tax     | 2,151        | 3,232         |
| <b>Total provisions</b>    | <b>9,796</b> | <b>11,256</b> |

Movements in material provisions during the financial year are set out below:

|                                               | 2023         | 2022          |
|-----------------------------------------------|--------------|---------------|
|                                               | \$'000       | \$'000        |
| <b>Provisions</b>                             |              |               |
| Opening balance at the beginning of the year  | 11,256       | 6,758         |
| Additional provisions                         | 31,906       | 35,269        |
| Payments                                      | (33,366)     | (30,771)      |
| <b>Closing balance at the end of the year</b> | <b>9,796</b> | <b>11,256</b> |

A provision for distribution has been raised for the period ended 30 June 2023. This distribution is to be paid on 24 August 2023.

## Other disclosures

### In this section

This section includes other information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations.

### Note 14 Audit, taxation and transaction service fees

During the year, the Auditor and its related practices earned the following remuneration:

|                                                                           | 2023<br>\$     | 2022<br>\$     |
|---------------------------------------------------------------------------|----------------|----------------|
| <b>Audit and review services</b>                                          |                |                |
| Auditors of the Group - PwC                                               |                |                |
| Financial statement audit and review services                             | 98,597         | 67,882         |
| <b>Audit and review fees paid to PwC</b>                                  | <b>98,597</b>  | <b>67,882</b>  |
| <b>Assurance services</b>                                                 |                |                |
| Auditors of the Group - PwC                                               |                |                |
| Outgoings audits                                                          | 28,700         | 53,254         |
| Compliance assurance services                                             | 15,174         | 14,589         |
| Sustainability assurance services                                         | —              | —              |
| Other assurance services                                                  | —              | —              |
| <b>Assurance fees paid to PwC</b>                                         | <b>43,874</b>  | <b>67,843</b>  |
| <b>Total audit, review and assurance fees paid to PwC</b>                 | <b>142,471</b> | <b>135,725</b> |
| <b>Other services</b>                                                     |                |                |
| Auditors of the Group - PwC                                               |                |                |
| Taxation services                                                         | 37,331         | —              |
| <b>Other services fees paid to PwC</b>                                    | <b>37,331</b>  | <b>—</b>       |
| <b>Total audit, review, assurance and other services fees paid to PwC</b> | <b>179,802</b> | <b>135,725</b> |

### Note 15 Cash flow information

#### a. Reconciliation of cash flows from operating activities

Reconciliation of net profit for the year to net cash flows from operating activities.

|                                                           | 2023<br>\$'000 | 2022<br>\$'000 |
|-----------------------------------------------------------|----------------|----------------|
| <b>Net (loss)/profit for the year</b>                     | <b>(8,380)</b> | 82,639         |
| <i>Add/(less) non-cash items:</i>                         |                |                |
| Straight line lease revenue recognition                   | (4,779)        | (5,166)        |
| (Reversal of impairment)/impairment of rental receivables | (163)          | 520            |
| Amortisation of borrowing costs                           | 451            | 402            |
| Debt modifications                                        | 734            | (3,510)        |
| Movement in lease incentives                              | (75)           | 138            |
| Net fair value (gain)/loss of derivatives                 | 1,041          | (13,136)       |
| Net fair value (gain)/loss of investment properties       | 41,283         | (30,836)       |
| <i>Change in operating assets and liabilities:</i>        |                |                |
| (Increase)/decrease in receivables                        | 326            | (1,088)        |
| (Increase)/decrease in other current assets               | (19)           | (3,326)        |
| (Increase)/decrease in derivatives                        | (347)          | (1,703)        |
| (Increase)/decrease in other non-current assets           | 236            | (312)          |
| Increase/(decrease) in payables                           | 4,125          | 2,634          |
| Increase/(decrease) in other current liabilities          | —              | 3,237          |
| Increase/(decrease) in interest bearing liabilities       | (27)           | (1,436)        |
| <b>Net cash inflow from operating activities</b>          | <b>34,406</b>  | <b>29,057</b>  |

# Notes to the Consolidated Financial Statements continued

## Note 15 Cash flow information (continued)

### b. Net debt reconciliation

|                                             | 2023      | 2022      |
|---------------------------------------------|-----------|-----------|
|                                             | \$'000    | \$'000    |
| Opening balance                             | 299,611   | 180,769   |
| <i>Changes from financing cash flows:</i>   |           |           |
| Proceeds from borrowings                    | 146,943   | 438,175   |
| Repayment of borrowings                     | (184,292) | (314,789) |
| Debt modifications                          | 734       | (3,510)   |
| Additional capitalised borrowing costs paid | (27)      | (1,436)   |
| <i>Non-cash changes:</i>                    |           |           |
| Amortisation of deferred borrowing costs    | 451       | 402       |
| Closing balance                             | 263,420   | 299,611   |

## Note 16 Related parties

### Transactions with key management personnel

The Group does not employ personnel in its own right. However, it is required to have a Responsible Entity to manage the activities of the Group. As such there are no staff costs (including fees paid to Directors of the Responsible Entity) included in the Consolidated Statement of Comprehensive Income.

### Transactions with the Responsible Entity and related body corporate

The Responsible Entity of the stapled entities that form DXC is DXAM. Dexus PG Limited (DXPG) (ACN 109 846 068), the immediate parent entity of DXAM and its controlled entities are wholly owned subsidiaries of Dexus. Convenience Retail Management Pty Limited is the appointed Fund Manager (the "Manager") to provide investment management services and property management services to the Group. The Manager is a related body corporate of DXAM and a wholly owned subsidiary of DXPG.

Accordingly, transactions with entities related to DXPG are disclosed below:

|                                          | 2023         |              | 2022         |            |
|------------------------------------------|--------------|--------------|--------------|------------|
|                                          | Paid         | Payable      | Paid         | Payable    |
|                                          | \$'000       | \$'000       | \$'000       | \$'000     |
| Management fees <sup>1</sup>             | 4,888        | 1,232        | 4,643        | 313        |
| Custody fees                             | 156          | 13           | 131          | 27         |
| Reimbursement of costs paid <sup>2</sup> | —            | 64           | —            | —          |
| <b>Total</b>                             | <b>5,044</b> | <b>1,309</b> | <b>4,774</b> | <b>340</b> |

1 Management fees includes investment (base) management fees as well as property management fees and leasing fees which are included within property expenses in the Consolidated Statement of Comprehensive Income. DXAM is entitled to a base management fee of 0.65% per annum of the Gross Asset Value of the Group (reducing to 0.60% p.a. of Gross Asset Value between \$0.5 billion and \$1.0 billion, 0.55% p.a. of Gross Asset Value between \$1.0 billion and \$1.5 billion and 0.50% of Gross Asset Value in excess of \$1.5 billion). In addition, the Manager has been appointed, on a non-exclusive basis, to provide property management, financial management, leasing and rent review and project supervision services.

2 The Manager/Responsible Entity is entitled to be reimbursed for all reasonable expenses properly incurred in the performance of services.

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## Note 16 Related parties (continued)

### Security holdings and associated transactions with related parties

The below table shows the number of DXC securities held by related parties (including other managed investment schemes for which DXAM is the Responsible Entity or Investment Manager) and the distributions received, or receivable are set out as follows:

|                                     | 2023                 |                  | 2022                 |                  |
|-------------------------------------|----------------------|------------------|----------------------|------------------|
|                                     | Number of securities | Distributions \$ | Number of securities | Distributions \$ |
| Dexus Asset Management Limited      | 2,402,816            | 519,008          | 2,402,816            | 555,051          |
| APD Trust                           | 10,011,224           | 2,162,424        | 10,011,224           | 2,312,593        |
| Dexus AREIT Fund                    | 7,110,327            | 1,703,406        | 8,417,135            | 1,921,458        |
| Dexus Property for Income Fund      | 570,261              | 130,247          | 721,261              | 164,436          |
| Dexus Property for Income Fund No.2 | 174,166              | 39,447           | 219,166              | 50,112           |
| CFS Dexus AREIT Mandate             | 993,128              | 224,026          | 1,121,159            | 255,553          |
| Jennifer Horrigan                   | 33,500               | 7,236            | —                    | —                |
| Howard Brenchley <sup>1</sup>       | —                    | 5,282            | 99,668               | 23,023           |
| Geoff Brunsdon AM <sup>2</sup>      | —                    | —                | —                    | 10,247           |
| Joseph De Rango <sup>3</sup>        | —                    | —                | —                    | 2,765            |
| Danielle Carter <sup>4</sup>        | 8,946                | 984              | —                    | —                |
| Jonathan Sweeney <sup>4</sup>       | 15,000               | 1,650            | —                    | —                |
| <b>Total</b>                        | <b>21,319,368</b>    | <b>4,793,710</b> | <b>22,992,429</b>    | <b>5,295,238</b> |

1 Resigned, effective 17 October 2022.

2 Resigned, effective 28 February 2022.

3 Resigned, effective 1 March 2022.

4 Appointed, effective 17 October 2022.

As at 30 June 2023, 15.48% (2022: 16.69%) of DXC's stapled securities were held by related parties.

## Note 17 Controlled entities

|                                  | Country of incorporation | Percentage owned % |          |
|----------------------------------|--------------------------|--------------------|----------|
|                                  |                          | 2023               | 2022     |
| <b>Parent entity</b>             |                          |                    |          |
| Convenience Retail REIT No. 2    | Australia                | —                  | —        |
| <b>Non-controlling interests</b> |                          |                    |          |
| Convenience Retail REIT No. 1    | Australia                | —                  | —        |
| Convenience Retail REIT No. 3    | Australia                | —                  | —        |
| <b>Total</b>                     |                          | <b>—</b>           | <b>—</b> |

Convenience Retail REIT No. 1 and Convenience Retail REIT No. 3 were acquired through a stapling arrangement, and therefore no ownership has been obtained. The financial results and financial position attributable to these entities are disclosed as non-controlling interests in the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements continued

## Note 18 Parent entity disclosures

The financial information for the parent entity of Convenience Retail REIT No. 2 has been prepared on the same basis as the Consolidated Financial Statements.

### Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

|                                                       | 2023<br>\$'000 | 2022<br>\$'000 |
|-------------------------------------------------------|----------------|----------------|
| <b>Financial position</b>                             |                |                |
| Total current assets                                  | 94,051         | 5,864          |
| Total non-current assets                              | 315,678        | 394,602        |
| <b>Total assets</b>                                   | <b>409,729</b> | <b>400,466</b> |
| Total current liabilities                             | 9,663          | 3,680          |
| Total non-current liabilities                         | 174,081        | 157,572        |
| <b>Total liabilities</b>                              | <b>183,744</b> | <b>161,252</b> |
| <b>Net assets</b>                                     | <b>225,985</b> | <b>239,214</b> |
| <b>Equity</b>                                         |                |                |
| Contributed equity                                    | 190,503        | 190,503        |
| Retained profits                                      | 35,482         | 48,711         |
| <b>Total equity</b>                                   | <b>225,985</b> | <b>239,214</b> |
| <b>Financial performance</b>                          |                |                |
| Net (loss)/profit for the year                        | (1,826)        | 30,499         |
| <b>Total comprehensive (loss)/income for the year</b> | <b>(1,826)</b> | <b>30,499</b>  |

### b. Guarantees entered into by the parent entity

At 30 June 2023, the parent entity had not provided guarantees (2022: nil).

### c. Contingent liabilities

At 30 June 2023, the parent entity had no had no contingent liabilities (2022: nil).

### d. Capital commitments

The following amounts represent capital expenditure of the parent entity on investment properties contracted at the end of the reporting period but not recognised as liabilities payable:

|                                  | 2023<br>\$'000 | 2022<br>\$'000 |
|----------------------------------|----------------|----------------|
| Investment properties            | 14             | 7              |
| <b>Total capital commitments</b> | <b>14</b>      | <b>7</b>       |

## Note 19 Subsequent events

On 21 July 2023, contracts were exchanged for the disposal of 264 Browns Plains Road, Browns Plains QLD.

On 31 July 2023, an extension of the existing Tranche 11 Series debt facility was approved, extending the maturity date to July 2028.

On 2 August 2023, unconditional contracts were exchanged for the disposal of 323 North East Road, Hampstead Gardens SA.

The Group has communicated with its panel of independent real estate valuation firms to understand whether any changes subsequent to the balance date would have changed their view regarding the 30 June 2023 real estate valuations. In particular, the Group considered the economic environment, including but not limited to inflation, interest rates and capital flows. The independent valuation firms have not provided information to indicate that the independent valuations at 30 June 2023 are not appropriate.

Since the end of the year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in the Consolidated Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial periods.

# Directors' Declaration

The Directors of Dexus Asset Management Limited as Responsible Entity of Dexus Convenience Retail REIT declare that the Consolidated Financial Statements and Notes set out on pages 34 to 60:

- i. Comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- ii. Give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the Directors' opinion:

- a. The Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*; and
- b. There are reasonable grounds to believe that the Group will be able to pay their debts as and when they become due and payable.

The Consolidated Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Fund Manager, who performs the Chief Executive Officer function, and the Head of Finance, who performs the Chief Financial Officer function, required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



**Jennifer Horrigan**  
Chair  
7 August 2023



## Independent auditor's report

To the stapled security holders of Convenience Retail REIT No. 2

### Report on the audit of the financial report

#### Our opinion

In our opinion:

The accompanying financial report of Convenience Retail REIT No. 2 (the Trust) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

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

#### What we have audited

For the purposes of consolidation accounting, the Trust is the deemed parent entity and acquirer of Convenience Retail REIT No. 1 (CRR1) and Convenience Retail REIT No. 3 (CRR3). The financial report represents the consolidated financial results of the Trust, CRR1 and CRR3.

The Group financial report comprises:

- the Consolidated Statement of Financial Position as at 30 June 2023
- the Consolidated Statement of Comprehensive Income for the year then ended
- the Consolidated Statement of Changes in Equity for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Notes to the Consolidated Financial Statements, which include significant accounting policies and other explanatory information
- the Directors' Declaration.

#### 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 report* 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 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 report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is 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 report.

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



| Materiality                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Audit scope                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Key audit matter                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$1.49 million, which represents approximately 5% of the Group's adjusted profit before tax (Funds from Operations or FFO).</li> <li>We applied this threshold, 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.</li> <li>We chose FFO because, in our view, it is the key performance measure of the Group. An explanation of what is included in FFO is outlined in Note 1, Operating Segment.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul> | <ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>The Trust, together with CRR1 and CRR3, form the Dexus Convenience Retail REIT stapled security with operations in Australia. In a stapled security the securities of two or more entities are 'stapled' together and cannot be traded separately.</li> </ul> | <ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matter to the Audit, Risk &amp; Compliance Committee: <ul style="list-style-type: none"> <li>Valuation of investment properties</li> </ul> </li> <li>This is further described in the <i>Key audit matters</i> section of our report.</li> </ul> |



### Key audit matters

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

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Valuation of investment properties</b><br/>(Refer to Note 7)</p> <p>The Group's investment property portfolio comprises:</p> <ul style="list-style-type: none"> <li>Directly held properties included in the Consolidated Statement of Financial Position as investment properties, valued at \$774.2 million as at 30 June 2023 (2022: \$850.0 million).</li> </ul> <p>Investment properties are carried at fair value at reporting date using the Group's policy as described in Note 7. The value of investment properties is dependent on the valuation methodology adopted and the inputs and assumptions in the valuation models.</p> <p>Significant assumptions in establishing fair value include the:</p> <ul style="list-style-type: none"> <li>Capitalisation rate, and</li> <li>Net market rental.</li> </ul> <p>At each reporting period, the Group determines the fair value of its investment property portfolio in line with the Group's valuation policy, which requires all properties to be independently valued by a member of the Australian Property Institute of Valuers at least once every three years.</p> <p>We considered the valuation of investment properties to be a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>Financial significance of investment properties in the Consolidated Statement of Financial Position.</li> <li>Potential for changes in the fair value of investment properties to have a significant effect on the Consolidated Statement of Comprehensive Income.</li> <li>The inherently subjective nature of the significant assumptions that underpin the valuations.</li> </ul> | <p>To assess the valuation of investment properties, the following procedures were performed, amongst others:</p> <ul style="list-style-type: none"> <li>Comparing the valuation methodology adopted by the Group with commonly accepted valuation approaches used in the real estate industry for investment properties, and with the Group's valuation policy.</li> <li>Obtaining a selection of recent property market reports to develop an understanding of the prevailing market conditions and their expected impact on the Group's investment properties.</li> <li>Assessing the design and testing the operating effectiveness of certain controls supporting the Group's investment property valuation process.</li> <li>Agreeing the adopted investment property fair values in the Group's accounting records to their respective valuation models.</li> <li>For selected data inputs to the valuation models, on a sample basis we agreed relevant details to supporting documentation.</li> <li>For a sample of properties that were assessed as being at greater risk of material misstatement, performing the following procedures, amongst others, to assess the appropriateness of certain assumptions used in the Group's assessment of fair value: <ul style="list-style-type: none"> <li>Discussing with management the specifics of the selected individual properties, including, where relevant, any new leases signed during the year, lease expiries and capital expenditure.</li> <li>Assessing the appropriateness of the capitalisation rate adopted in the valuations, by reference to market data for comparable properties.</li> <li>Testing the mathematical accuracy of the relevant valuation calculations.</li> </ul> </li> </ul> |



#### Key audit matter

#### How our audit addressed the key audit matter

- As the Group engaged valuation firms to assist in the determination of the fair value of certain investment properties, we considered the independence, experience and competency of the independent valuation firms, as well as the results of their work.
- Inquiring with a selection of valuation firms used by the Group to develop an understanding of their processes, judgements and observations.
- Assessing the reasonableness of the disclosures in the financial report against the requirements of Australian Accounting Standards.

#### Other information

The Directors of Dexus Asset Management Limited, the Responsible Entity of the Trust (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 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

#### Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Group 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 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 report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 report.

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

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

The PricewaterhouseCoopers logo, written in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Samantha Johnson'.

Samantha Johnson  
Partner

Sydney  
7 August 2023

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Dexus Convenience  
Retail REIT recognises the  
importance of effective  
communication with existing  
and potential institutional  
investors, sell-side analysts,  
financial adviser groups  
and retail investors.

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485 Balfour Street, Southern River WA

Management and the Investor Relations team maintain a strong rapport with the investment community through proactive and regular engagement initiatives. We are committed to delivering high levels of transparency and disclosure by:

- Releasing accurate and relevant information to all investors to ensure they can make informed investment decisions
- Providing regular access to senior management through a variety of forums depending on investor type including one-on-one meetings, presentations, property tours, conferences, dedicated investor roadshows, conference calls and webcasts

We adopt strong governance practices including a policy that ensures a minimum of two Dexus representatives participate in any institutional investor or sell-side broker meetings and that a record of the meeting is maintained on an internal customer relationship management database.



# Investor information continued

## Distribution payments

Distributions are paid quarterly for the three-month periods to 30 September, 31 December, 31 March and 30 June each year. Distribution statements are available in print and electronic formats and distributions are paid only by direct credit into nominated bank accounts for all Australian Security holders and by cheque for other international Security holders. To update the method of receiving distributions, please visit the investor login facility at [www.dexus.com/convenience](http://www.dexus.com/convenience).

## Unclaimed distribution income

Unpresented cheques or unclaimed distribution income can be claimed by contacting the DXC Infoline on +61 1800 819 675. For monies outstanding greater than seven years, please contact the NSW Office of State Revenue on +61 1300 366 016, 8.30am–5.00pm Monday to Friday or use their search facility available at [www.revenue.nsw.gov.au/unclaimed-money](http://www.revenue.nsw.gov.au/unclaimed-money) or email [unclaimedmoney@revenue.nsw.gov.au](mailto:unclaimedmoney@revenue.nsw.gov.au).

## AMMA Statement

An Attribution Managed Investment Trust Member Annual Statement (AMMA) is sent to investors in August each year. The statement summarises distributions provided during the financial year and includes information required to complete your tax return. AMMA statements are also available online at [www.dexus.com/convenience](http://www.dexus.com/convenience).

### Reporting calendar<sup>1</sup>

|                        |                 |
|------------------------|-----------------|
| 2024 Half year results | 5 February 2024 |
| 2024 Annual results    | 5 August 2024   |

### Reporting calendar<sup>1</sup>

|                      |                   |                  |               |              |
|----------------------|-------------------|------------------|---------------|--------------|
| Period end           | 30 September 2023 | 31 December 2023 | 31 March 2024 | 30 June 2024 |
| Ex-distribution date | 28 September 2023 | 28 December 2023 | 28 March 2024 | 27 June 2024 |
| Record date          | 29 September 2023 | 29 December 2023 | 29 March 2024 | 28 June 2024 |
| Payment date         | November 2023     | February 2024    | May 2024      | August 2024  |

1. Please note that these dates are indicative and are subject to change without prior notice. Any changes in our key dates will be published on our website at [www.dexus.com/convenience](http://www.dexus.com/convenience).

## Go electronic for convenience and speed

Did you know that you can receive all or part of your Security holder communications electronically? You can change your communication preferences at any time by logging in at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or by contacting Link Market Services on +61 1800 819 675.

## Investor communications

We are committed to ensuring all investors have equal access to information. In line with our commitment to long term integration of sustainable business practices, investor communications are provided via various electronic methods including:

### DXC's website

[www.dexus.com/convenience](http://www.dexus.com/convenience)

### Online enquiry

[www.dexus.com/get-in-touch](http://www.dexus.com/get-in-touch)

Scroll down to the investor section to get in touch with us.

### Investor login

<https://www.linkmarketservices.com.au>

Enables investors to update their details and download statements.

### Subscribe for news

<https://www.dexus.com/investor-centre/listed-funds/dexus-convenience-retail-reit/asx-announcements>

Click Subscribe to receive our ASX announcements as they are released.

### Key dates

Notifies investors on key events and reporting dates.

## Complaints handling process

Dexus Asset Management Limited has a complaints handling policy to ensure that all Security holders are dealt with fairly, promptly and consistently. A Complaints Guide is available at <https://www.dexus.com/complaints-management>. Any Security holder wishing to lodge a complaint can do so verbally by calling the Dexus Infoline on +612 1800 819 675 or by email to [dexus@linkmarketservices.com.au](mailto:dexus@linkmarketservices.com.au). Should you wish to contact us directly please use the details below:

### Complaints Officer

#### Dexus Asset Management Limited

PO Box R1822  
Royal Exchange NSW 1225

Phone: +612 9017 1100

Email: [complaints@dexus.com.au](mailto:complaints@dexus.com.au)

Dexus Asset Management Limited is a member of the Australian Financial Complaints Authority (AFCA), an independent dispute resolution scheme which may be contacted at:

#### Australian Financial Complaints Authority Limited

GPO Box 3  
Melbourne VIC 3001

Phone: +61 1800 931 678  
(free call within Australia)

Fax: +61 3 9613 6399

Email: [info@afca.org.au](mailto:info@afca.org.au)

Website: [www.afca.org.au](http://www.afca.org.au)

## Making contact

If you have any questions regarding your Security holding or wish to update your personal or distribution payment details, please contact the Registry by calling the DXC Infoline on +61 1800 819 675.

This service is available from 8.30am to 5.30pm (Sydney time) on all business days. All correspondence should be addressed to:

### Dexus Convenience Retail REIT

C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

Phone: +61 1800 819 675

Email: [dexus@linkmarketservices.com.au](mailto:dexus@linkmarketservices.com.au)

We are committed to delivering a high level of service to all investors. If you feel we could improve our service or you would like to make a suggestion or a complaint, your feedback is appreciated.

Our contact details are:

### Investor Relations

Dexus Convenience Retail REIT  
PO Box R1822  
Royal Exchange NSW 1225

Email: [ir@dexus.com](mailto:ir@dexus.com)

## Additional information

### Top 20 Security holders as at 28 July 2023

| Rank                        | Name                                                            | No. of stapled securities | % of issued capital |
|-----------------------------|-----------------------------------------------------------------|---------------------------|---------------------|
| 1                           | HSBC Custody Nominees (Australia) Limited                       | 16,427,807                | 11.93               |
| 2                           | Citicorp Nominees Pty Ltd                                       | 12,548,787                | 9.11                |
| 3                           | National Nominees Limited                                       | 10,990,352                | 7.98                |
| 4                           | Perpetual Corporate Trust Ltd <APD A/C>                         | 10,011,224                | 7.27                |
| 5                           | JP Morgan Nominees Australia Pty Limited                        | 8,220,129                 | 5.97                |
| 6                           | BNP Paribas Noms Pty Ltd <DRP>                                  | 5,008,366                 | 3.64                |
| 7                           | BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C> | 3,000,151                 | 2.18                |
| 8                           | APN Funds Management Ltd                                        | 2,402,816                 | 1.74                |
| 9                           | BNP Paribas Noms(NZ) Ltd <DRP>                                  | 1,689,273                 | 1.23                |
| 10                          | SCJ Pty Limited <Jermyn Family A/C>                             | 1,447,566                 | 1.05                |
| 11                          | HSBC Custody Nominees (Australia) Limited - A/C 2               | 1,075,000                 | 0.78                |
| 12                          | Mr Stephen Craig Jermyn <Jermyn Family S/Fund A/C>              | 1,009,538                 | 0.73                |
| 13                          | The CASS Foundation Limited                                     | 1,000,000                 | 0.73                |
| 14                          | Lauren Investments Pty Ltd <The Aylward Super Fund A/C>         | 956,500                   | 0.69                |
| 15                          | Strategic Value Pty Ltd <TAL Super A/C>                         | 663,324                   | 0.48                |
| 16                          | Jan Holdings Pty Ltd                                            | 650,000                   | 0.47                |
| 17                          | Mr Michael Kenneth Hansen & Mrs Alison Betty Hansen <MAKAH A/C> | 576,500                   | 0.42                |
| 18                          | Exldata Pty Ltd                                                 | 543,226                   | 0.39                |
| 19                          | GEAT Incorporated <GEAT-Preservation Fund A/C>                  | 509,473                   | 0.37                |
| 20                          | BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>      | 501,576                   | 0.36                |
| <b>Total Top 20</b>         |                                                                 | <b>79,231,608</b>         | <b>57.52</b>        |
| Balance of register         |                                                                 | 58,524,955                | 42.48               |
| <b>Total issued capital</b> |                                                                 | <b>137,756,563</b>        | <b>100</b>          |

### Spread of securities at 28 July 2023

| Range                | Securities         | No. of holders | %          |
|----------------------|--------------------|----------------|------------|
| 100,001 and over     | 89,903,394         | 78             | 65.26      |
| 10,001 to 100,000    | 36,251,096         | 1,516          | 26.32      |
| 5,001 to 10,000      | 7,999,178          | 1,077          | 5.81       |
| 1,001 to 5,000       | 3,454,948          | 1,116          | 2.51       |
| 1 to 1,000           | 147,947            | 422            | 0.11       |
| <b>Total</b>         | <b>137,756,563</b> | <b>4,209</b>   | <b>100</b> |
| Unmarketable parcels | 9,951              | 178            | n.a.       |

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## Substantial Holder Notices as at 28 July 2023

The names of substantial holders, at 28 July 2023 that have notified the Responsible Entity in accordance with section 671B of the Corporations Act 2001, are:

| Date      | Name                                                                                                        | Number of securities | % voting |
|-----------|-------------------------------------------------------------------------------------------------------------|----------------------|----------|
| 12-May-23 | Dexus Nominees Pty Limited and Dexus Funds Management Ltd as responsible entity for Dexus Diversified Trust | 21,261,922           | 15.43    |
| 2-Sept-21 | MA Financial Group and related entities (Moelis)                                                            | 7,697,840            | 5.65     |
| 11-Dec-20 | B&I Capital AG                                                                                              | 7,939,231            | 6.52     |

## On-market buy back

Dexus Convenience Retail REIT announced an on-market securities buy-back program on 8 February 2022 for up to 5% of securities. On 2 February 2023, the buy-back was extended for 12 months. As at the date of this report the buy-back program is still open.

## Cost base apportionment

For capital gains tax purposes, the cost base apportionment details for DXC's securities for the 12 months ended 30 June 2023 are:

| Date                      | Convenience Retail REIT No. 1 | Convenience Retail REIT No. 2 | Convenience Retail REIT No. 3 |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|
| 1 Jul 2022 to 31 Dec 2022 | 31.51%                        | 43.39%                        | 25.10%                        |
| 1 Jan 2023 to 30 Jun 2023 | 30.71%                        | 43.77%                        | 25.52%                        |

Historical cost base details are available at [www.dexus.com/convenience](http://www.dexus.com/convenience).

## Class of securities

DXC has one class of stapled security trading on the ASX with Security holders holding stapled securities at 28 July 2023.

## Voting rights

At meetings of the Security holders of Convenience Retail REIT No. 1, Convenience Retail REIT No. 2 and Convenience Retail REIT No. 3, together being the trusts that comprise the stapled group Dexus Convenience Retail REIT, on a poll each Security holder has one vote for each Security held.

There are no stapled securities that are restricted or subject to voluntary escrow.

# Directory

## Dexus Convenience Retail REIT

Convenience Retail REIT No. 1 ARSN 101 227 614  
Convenience Retail REIT No. 2 ARSN 619 527 829  
Convenience Retail REIT No. 3 ARSN 619 527 856

## Responsible Entity

Dexus Asset Management Limited  
ACN 080 674 479  
AFSL No: 237500

## Directors of the Responsible Entity

Jennifer Horrigan, Independent Chair  
Emily Smith, Independent Director  
Danielle Carter, Independent Director  
Jonathan Sweeney, Independent Director  
Deborah Coakley, Executive Director  
Brett Cameron, Alternate Director for Deborah Coakley

## Secretaries of the Responsible Entity

Brett Cameron  
Scott Mahony

## Manager

Convenience Retail Management Pty Ltd

## Registered Office

Level 30, 50 Bridge Street  
Sydney NSW 2000

T: +61 2 9017 1100

E: [ir@dexus.com](mailto:ir@dexus.com)

W: [www.dexus.com](http://www.dexus.com)

## Auditors

PricewaterhouseCoopers  
Chartered Accountants  
One International Towers Sydney  
Watermans Quay  
Barangaroo NSW 2000

## Investor Enquiries

Registry Infoline: +61 1800 819 675  
Investor Relations: +612 9017 1330  
Email: [dexus@linkmarketservices.com.au](mailto:dexus@linkmarketservices.com.au)

## Security Registry

Link Market Services Limited  
Level 12, 680 George Street  
Locked Bag A14  
Sydney South NSW 1235

T: +61 1800 819 675 (free call)

F: +61 2 9287 0303

E [dexus@linkmarketservices.com.au](mailto:dexus@linkmarketservices.com.au)

Open Monday to Friday between 8.30am and 5.30pm (Sydney time). For enquiries regarding security holdings, contact the security registry, or access security holding details at [www.dexus.com/convenience](http://www.dexus.com/convenience)

## Stock Exchange Listing

Dexus Convenience Retail REIT stapled securities are listed on the Australian Securities Exchange (ASX: DXC)

Information in this report is current as at the date of publication (unless specified otherwise). This report has been prepared without taking account of any particular reader's financial situation, objectives or needs and does not constitute investment, legal, tax or other advice. Any investment is subject to investment risk, including possible delays in repayment and loss of income and principal invested, and there is no guarantee on the performance of the fund or the return of any capital. Accordingly, readers should seek independent legal, tax and financial advice before making any investment decision.

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