

# Dexus Convenience Retail REIT (ASX:DXC)

## ASX release

8 August 2022

### 2022 Annual Report

Dexus Convenience Retail REIT (ASX: DXC) releases its 2022 Annual Report, which will be mailed to Security holders who have elected to receive a hard copy in mid-September 2022.

*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 2022, the fund's portfolio is valued at approximately \$850 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 estate 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

# Annual Report 2022

DXC

dexus

Dexus Convenience Retail REIT







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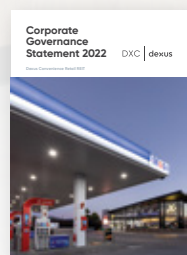
## Dexus Convenience Retail REIT 2022 Annual Reporting suite



Annual  
Report 2022



Annual Results  
Presentation 2022



Corporate  
Governance  
Statement 2022



Dexus Sustainability  
Report 2022

## About this report

The 2022 Annual Report is a consolidated summary of Dexus Convenience Retail REIT's (DXC) performance for the financial year ended 30 June 2022. It should be read in conjunction with the reports that comprise the 2022 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 2022. All dollar figures are expressed in Australian dollars unless otherwise stated. The Board acknowledges its responsibility for the 2022 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 2022 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)



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



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, present and emerging.

#### **Artwork**

Changing of the Land  
by Sharon Smith.



# FY22 highlights

Delivery of a solid financial result for the year in line with upgraded guidance, which demonstrates the resilience of the portfolio and the Fund's active approach to portfolio management.

## Financial

**23.1**cps

FFO per security  
FY21: 21.9cps

**23.1**cps

Distribution per security  
FY21: 21.9cps

**\$4.03**

NTA per security  
FY21: \$3.67

## Capital management

**34.7**%<sup>1</sup>

Gearing  
FY21: 28.2%

**4.2** yrs

Weighted average debt maturity  
FY21: 2.9yrs

**58**%

Hedged debt  
FY21: 67%

<sup>1</sup> Adjusted for cash. Reflects pro forma gearing for the sale of 2215 David Low Way, Peregrine Beach, which exchanged on 3 August 2022. Gearing at 30 June 2022 was 35.0%.



## Portfolio

**\$850<sub>m</sub>**

Total value  
FY21: \$633m

**99.7%**

Occupancy (by income)  
FY21: 99.6%

**10.8 yrs**

Weighted average lease expiry  
(by income)  
FY21: 11.9 yrs

## Sustainability

**Net zero**

Progress towards net zero emissions  
for managed portfolio

**3**

Sites offer electric vehicle  
charging stations

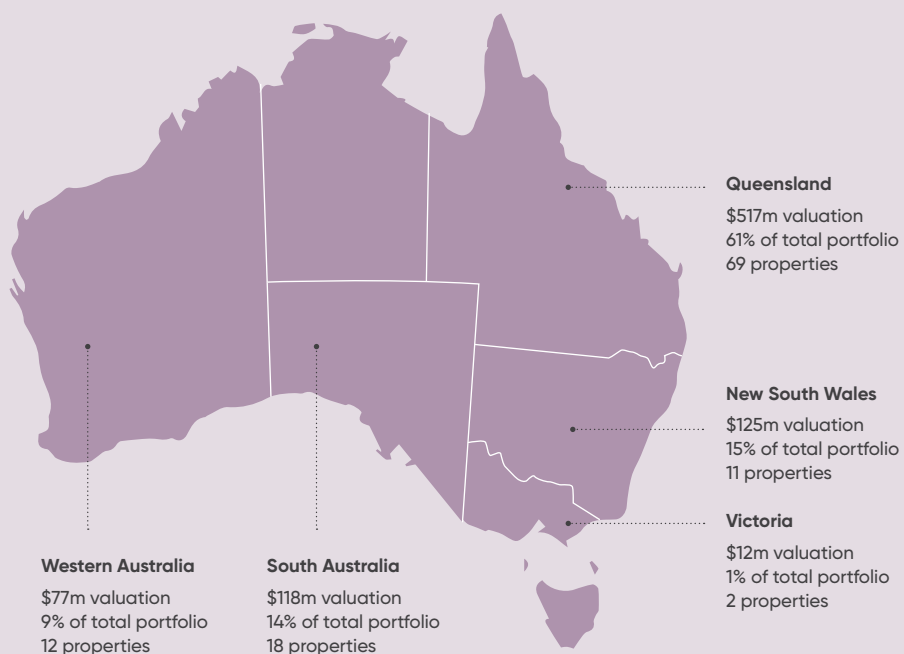
**29**

Plans to rollout solar at 29 DXC  
properties leased to Chevron





#### Group portfolio composition





# About Dexus Convenience Retail REIT

**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 2022, the Fund's portfolio is valued at \$850 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 a sustainable 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 estate groups.

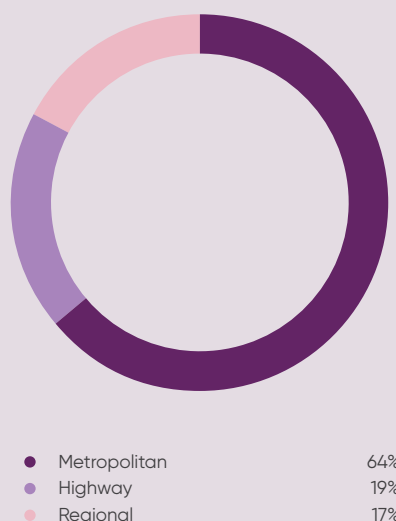
## Track record of value creation

Since IPO, DXC has provided investors with growing distributions each year, and has also grown its portfolio from \$287 million to \$850 million. Income and value growth has been supported by strong business fundamentals:

- Value-accretive acquisitions: acquired 54 assets valued at \$418 million since inception at an average yield of 6.0% and WALE of 12.1 years
- Capital management discipline: executed \$17 million of divestments since inception to enhance portfolio quality, ensuring gearing remains within the target range whilst 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 38% 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

|                           |                  |
|---------------------------|------------------|
| Portfolio value           | <b>\$850m</b>    |
| Properties                | <b>112</b>       |
| Occupancy (by income)     | <b>99.7%</b>     |
| WALE (by income)          | <b>10.8 yrs</b>  |
| Weighted average cap rate | <b>5.74%</b>     |
| NLA                       | <b>72,346sqm</b> |

**Portfolio value by classification**





# Strategy and investment mandate

## Strategy

to be leading convenience retail REIT delivering an attractive, defensive and growing income stream

## Mandate

to invest in high-quality convenience retail and non-discretionary retail properties

## Strategic objectives

### Executing transactions and managing capital

to deliver long-term value to all security holders

### Maintaining deep tenant engagement

to ensure their sites are well positioned for the long term (e.g. strong convenience offerings)

### Leveraging Dexus's leading ESG capabilities

to work closely with tenants to enhance the sustainability of their sites

## Investment criteria

### Well-located assets

with high traffic count, population density and proximity to other infrastructure (e.g. shopping centres)

### Strong lease quality

supported by well-capitalised tenants, long-dated leases and contracted rental growth

### Appealing site-specific attributes

including land size, zoning, topography, visibility from road, parking and amenities

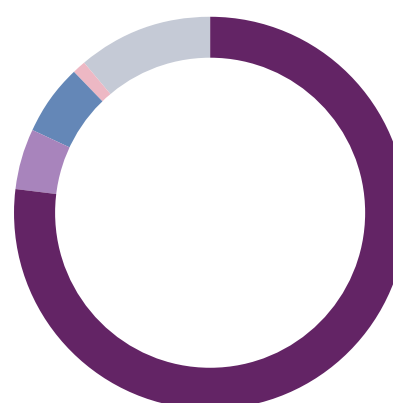
# Resilient and growing portfolio income stream

## Top tenants by income



Major tenants account for 89% of portfolio income

## Rent review type by income



Portfolio generates strong organic growth with average rent reviews of 3.1% per annum<sup>1</sup>

|                |     |                 |     |                                        |     |
|----------------|-----|-----------------|-----|----------------------------------------|-----|
| ● Chevron      | 38% | ● United        | 3%  | ● Fixed review                         | 77% |
| ● 7-Eleven     | 12% | ● Ampol         | 3%  | ● CPI linked review                    | 5%  |
| ● Viva Energy  | 11% | ● Coles Express | 2%  | ● Higher of agreed fixed amount or CPI | 6%  |
| ● EG Australia | 9%  | ● BP            | 2%  | ● CPI + fixed increase                 | 1%  |
| ● Mobil        | 5%  | ● Other         | 11% | ● CPI with 3 - 4% caps                 | 11% |
| ● OTR          | 4%  |                 |     |                                        |     |

<sup>1</sup> Assuming long-term average CPI of 3.0%.

# About Dexu

**Dexu is one of Australia's leading fully-integrated real estate groups, managing a high-quality Australian property portfolio valued at over \$45.3 billion<sup>1</sup>.**

Dexu is a top 50 entity by market capitalisation listed on the Australian Securities Exchange (ASX code: DXS) and is supported by more than 29,000 investors from 24 countries.

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

With more than 35 years of expertise in property investment, development and asset management, Dexu has a proven track record in managing capital and risk and delivering superior risk-adjusted returns for its investors. Dexu invests only in Australia, and directly owns \$18.3 billion<sup>1</sup> of office, industrial and healthcare properties and investments. Dexu manages a further \$27.0 billion<sup>1</sup> of office, retail, industrial and healthcare properties in the funds management business, which provides wholesale and retail investors with exposure to quality sector-specific and diversified real estate investment products.

The funds within this business have a strong track record of delivering outperformance and benefit from Dexu's capabilities. The group's \$17.8 billion<sup>1</sup> development pipeline provides the opportunity to grow both portfolios and enhance future returns.

## Dexu's Sustainability Approach

Dexu's approach to ESG incorporates the Principles for Responsible Investment (PRI) 'six principles' relating to responsible investment and active property management.

The approach is aligned with Dexu's strategy by supporting the long-term creation of sustained value through the integration of material ESG issues into the business model.

Dexu's Sustainability Approach is the lens used to effectively manage emerging ESG risks and opportunities and create long-term value.

It incorporates five objectives, which are Leading Cities, Future Enabled Customers, Thriving People and an Enriched Environment supporting the overarching goal of Sustained Value. These objectives, collectively, direct Dexu's focus towards addressing the issues considered to be most material for stakeholders.

<sup>1</sup> As at 31 December 2021.





# Fund Manager's letter

**It is a privilege to join Dexus Convenience Retail REIT as Fund Manager and have the opportunity to lead the Fund through the next phase of its life by leveraging the strength and capability of the Dexus management platform.**



During the 2022 financial year we emerged from the COVID-19 pandemic, with the progressive easing of restrictions having varied levels of impact across Australia and presenting new challenges in our operating environment.

Despite ongoing disruptions, Dexus Convenience Retail REIT continued to demonstrate property income resilience, supported by long-term leases to well capitalised tenants that provide essential services to the community. These attributes place the Fund in a position of relative strength as we enter a period of economic uncertainty marked by rising inflation and interest rates.

This year was our first as part of Dexus's fully integrated real estate platform, and we remained focused on progressing our strategy to be a leading convenience retail REIT delivering an attractive, defensive and growing income stream.

The financial results for the year reflect the resilience of the portfolio, which derives 89% of its income directly from major national and international tenants, generates 3.1% average rental growth per annum and has a long WALE of 10.8 years.

Statutory net profit after tax was \$82.6 million, representing an 11.9% increase on the prior year. Funds from Operations per security was 23.1 cents and distributions per security were 23.1 cents, representing 5.5% growth on the prior year and in line with guidance which was upgraded in December 2021. This was primarily driven by like-for-like income growth of 2.3%, as well as contributions from strategic acquisitions.

With a focus on delivering long-term value, we undertook \$181 million of transactions, including \$168 million of acquisitions. These transactions will provide sustainable sources of property income growth for DXC, while also enhancing the quality and diversification of the tenant base.

We divested four of our sites at an average premium to book value of 3.8%, including two assets post 30 June 2022, crystallising gains for Security holders. The pricing achieved on these sales reinforces the high-quality nature of the underlying portfolio and demonstrates that service station and convenience retail properties remain sought after as a stable and defensive asset class.

**Dexus Convenience Retail REIT delivered distributions per security of 23.1 cents, representing 5.5% growth on the prior year and in line with guidance which was upgraded in December 2021.**

An on-market securities buyback program was also launched to take advantage of market volatility, with 1.4 million securities bought back during the year at an average discount to NTA per security of 15%.

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 29 of their sites within our portfolio, with the works expected to commence later this year. We will continue to leverage Dexus's leading ESG capabilities to manage ESG risks and opportunities across the portfolio.

While market dynamics and industry trends will continue to change and evolve, the portfolio is well placed with long-dated leases to high-quality tenants who derive their income from non-discretionary retail spending, providing secure cash flows over the long term. During the year, we executed new long-term lease deals with 7-Eleven at Redbank Plains and Viva Energy at Lawnton, which included major capital investments from these tenants to upgrade the sites.

We strengthened our capital position, with pro forma gearing of 34.7%<sup>1</sup> and a weighted average debt facility maturity of 4.2 years. While interest rates are increasing, 58% of our FY22 debt was hedged and we have a weighted average hedge maturity of 3.8 years.

We maintain a disciplined approach to capital allocation, with increased focus on pursuing opportunities to optimise the portfolio through asset divestments, providing the Fund with optionality for redeployment, including the potential additional purchase of our securities on-market to capitalise on market volatility.

We expect FFO and distributions per security of 21.2 – 22.0 cents per security for the 12 months ended 30 June 2023, based on contracted rental growth, current interest rate expectations and barring unforeseen circumstances<sup>2</sup>.

Thank you again for your continued investment in Dexus Convenience Retail REIT. We look forward to delivering sustained performance for our Security holders.

**Jason Weate**

Fund Manager,  
Dexus Convenience Retail REIT

<sup>1</sup> Adjusted for cash. Reflects pro forma gearing for the sale of 2215 David Low Way, Peregrine Beach, which exchanged on 3 August 2022. Gearing at 30 June 2022 was 35.0%.

<sup>2</sup> Assumes average floating interest rates of 2.75 – 3.75% (90-day BBSW) and no further transactional activity.





For more information, please visit [dexusreit.com](https://www.dexusreit.com)





# ESG overview

## Dexus Convenience Retail REIT's approach to ESG aligns with Dexus's Sustainability Approach.

As stakeholder expectations continue to evolve, Dexus's ESG approach is regularly reviewed to ensure it reflects the group portfolio and operating environment. In its 2022 materiality review, Dexus engaged an external agency to review its material ESG issues which inform its ESG approach and reporting.

Dexus Convenience Retail REIT was involved in this materiality review to share the implications of these issues for our business. The materiality review confirmed that the current material issues are still relevant for the group. For more information on Dexus's approach to materiality, refer to the FY22 Dexus Sustainability Report.

To meet these growing stakeholder expectations, we are leveraging the strength of the Dexus ESG approach to better integrate ESG issues into our business and support long-term value creation for all our stakeholders.

### Sustainability governance

We have strong sustainability governance procedures in place for acquisitions, with an extensive environment-related due diligence process in place covering assessments of on-site energy efficiency and management controls, hazardous materials risk, onsite monitoring, and biodiversity.

We have further strengthened our ESG governance by aligning with the rigorous standards set out in Dexus group sustainability policies, including human rights, biodiversity and Modern Slavery Act reporting.





# Future Enabled Customers and Strong Communities

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

## Reconciling with Aboriginal and Torres Strait Islander peoples

As part of the Dexus group, Dexus Convenience Retail REIT contributes to the actions outlined in the Dexus 'Reflect' Reconciliation Action Plan (RAP), which was launched in March 2022 and endorsed by Reconciliation Australia at the 'Reflect' level. We look forward to working closely with our Aboriginal and Torres Strait Islander peoples and communities to achieve meaningful reconciliation.

Dexus Convenience Retail REIT contributes to the actions outlined in the Dexus 'Reflect' Reconciliation Action Plan (RAP), which was launched in March 2022 and endorsed by Reconciliation Australia.

## Supply chain monitoring and relationship management

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

We recognise that we can have a positive influence on our suppliers and contractors, and their employees, products, and services. This year, we engaged with 16 preferred suppliers as part of Dexus's supplier monitoring and relationship management program. Using annual supplier surveys with 360-degree feedback, the program increases visibility of our suppliers' environmental, social and governance performance.

Our preferred suppliers have been invited to register and complete the Informed 365 Property Council of Australia Modern Slavery due diligence questionnaire. We will further develop this approach in FY23 by inviting all preferred suppliers to register for our independent ESG measurement tool, EcoVadis.

To support these initiatives, we require all suppliers engaged for work on properties within our portfolio to complete an annual attestation of compliance with the Dexus Sustainable Procurement Policy and Supplier Code of Conduct.

This year, we engaged with 16 preferred suppliers as part of Dexus's supplier monitoring and relationship management program.

LEARN MORE

To find out more about Dexus's RAP, see Dexus's website



# 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

Recognising the importance of climate change and the need to decarbonise, Dexus Convenience Retail REIT is progressing carbon neutral certification across its managed portfolio to 30 June 2022. Dexus is in the final stages of quantifying DXC's greenhouse gas emissions over the financial year following the procurement of required renewable electricity and carbon offsets. Final certification is expected to be achieved post-reporting period.

We are already implementing several initiatives that contribute to this ambition. We facilitated an agreement for the installation of onsite solar at 29 properties leased to Chevron, with works to commence in FY23. We also have electric vehicle charging capability at three sites. However, where we can have the greatest impact is by working together with our customers on common ESG challenges. We will continue to engage with customers across our portfolio, seeking ways to work with them to reduce their emissions through solar PV installation, electric vehicle charging infrastructure, and energy efficiency measures.

**We facilitated an agreement for the installation of onsite solar at 29 properties leased to Chevron, with works to commence in FY23.**

## Improving how we collect environmental data

Dexus Convenience Retail REIT has integrated its environmental data with the Dexus group environmental data collection program. By adopting this single source of information, along with its embedded validation checks, we can reliably obtain the resource consumption and performance data of our managed operations. This approach fulfils data governance requirements and enables us to better monitor, measure and report on the sustainability performance of our assets.

## Developing our climate resilience strategy

The physical and transition risks associated with climate change present both risks and opportunities to Dexus Convenience Retail REIT.

Dexus Convenience Retail REIT understands the importance of managing climate-related risks and opportunities, and the role this plays in enabling us to continue delivering value for our business, shareholders, and the environment. We will work closely with the Dexus Sustainability Team to develop plans that will build on the work done to date and accelerate the implementation of processes to effectively manage climate risk.

**We will continue to engage with customers across our portfolio, seeking ways to work with them to reduce their emissions through solar PV installation, electric vehicle charging infrastructure, and energy efficiency measures.**

## Planning for climate risk assessments

This year, Dexus undertook site-specific climate risk assessments to better understand how climate change will impact its portfolio and to identify actions to manage these climate risks. Dexus Convenience Retail REIT plans to follow the group approach by commencing climate risk assessments on its portfolio to inform adaptation planning and resilience.

[LEARN MORE](#)

For further information on Dexus group sustainability performance, please refer to the FY22 Dexus Sustainability Report.





# Governance

**Dexus has implemented a corporate governance framework that applies to all funds including Dexus Convenience Retail REIT. Dexus Asset Management Limited (DXAM) acts as Responsible Entity of Dexus Convenience Retail REIT's Managed Investment Scheme.**

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

The framework adopted by Dexus 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 2022 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).

## 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</b>                                               | – Directorship experience with ASX-listed companies                                                                                                                                                |
|                                                                 | – CEO or Senior Executive experience                                                                                                                                                               |
| <b>Governance</b>                                               | – Experience in governing large and complex organisations                                                                                                                                          |
|                                                                 | – Experience in overseeing the successful execution of strategy                                                                                                                                    |
|                                                                 | – Ability to assess, and commitment to ensure, the effectiveness of governance structures                                                                                                          |
| <b>Strategy and innovation</b>                                  | – Ability to consider multiple scenarios to achieve the strategic direction                                                                                                                        |
|                                                                 | – Experience in identifying innovative ways of achieving an organisation's vision, purpose and strategy                                                                                            |
|                                                                 | – Experience in complex merger and acquisition activities                                                                                                                                          |
|                                                                 | – Deep understanding of financial drivers and alternative business models                                                                                                                          |
| <b>Capital and funds management</b>                             | – Senior investment banking experience (including capital raising)                                                                                                                                 |
|                                                                 | – Experience in the management of third-party funds (including strategy and growth)                                                                                                                |
| <b>Large scale property experience (including developments)</b> | – Deep experience and industry knowledge in the development and management of property                                                                                                             |
|                                                                 | – Relevant property sector expertise                                                                                                                                                               |
|                                                                 | – Understanding of industry trends (demographic and societal changes, and stakeholder needs)                                                                                                       |
| <b>Talent, remuneration and culture</b>                         | – Experience in attracting, engaging and retaining a highly talented and dynamic workforce                                                                                                         |
|                                                                 | – Experience with remuneration structures and incentives in large ASX-listed companies                                                                                                             |
|                                                                 | – Experience in the management of people and the influence of organisational culture                                                                                                               |
| <b>Sustainability</b>                                           | – Experience in identifying and embedding innovative sustainability policies and practices                                                                                                         |
|                                                                 | – Deep understanding of environmental and social issues relevant to the property sector                                                                                                            |
| <b>Finance and accounting</b>                                   | – Expertise in analysing and challenging accounting concepts and judgements                                                                                                                        |
|                                                                 | – Deep understanding of Australian Accounting Principles and their application in financial statements                                                                                             |
| <b>Risk management</b>                                          | – Experience in the oversight and management of material risks in large organisations including technology risks (cyber attacks and loss of customer, proprietary and other sensitive information) |
|                                                                 | – Extensive knowledge of risk and compliance frameworks governing workplace health and safety, environmental and community, and social responsibility issues                                       |



# 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.

Jennifer brings 25 years' experience across investment banking, financial communications and investor relations. She was formerly the Chief Operating Officer in Australia of the independent investment bank Greenhill & Co. She has extensive experience in enterprise management, including the supervision and management of compliance, human resources and financial management.

Jennifer is also a director of QV Equities (ASX: QVE), A2B Limited (ASX: A2B), Yarra Funds Management Limited and Yarra Investment Management Limited.



**Michael Johnstone**

**BTRP, LS, AMP (Harvard)  
Independent Director**

Michael has been a Director since 2009 and is also a Member of the Audit, Risk & Compliance Committee.

Michael has 45 years of global experience in chief executive and general management roles and more recently in company directorships. His two principal corporate executive engagements have been with Jennings Industries Ltd and the National Australia Banking Group (NAB). At Jennings, he was successively General Manager of AVJennings Homes, General Manager of Commercial Property, CEO of Jennings Properties Limited and President of Jennings USA. At NAB, he was Global Manager of Real Estate responsible for commercial property lending and corporate property investment. He has extensive experience in mergers and acquisitions, capital raising, property investment and funds management. In the not for profit sector, he has chaired the Cairnmillar Institute and been a Board member of the Salvation Army and Yarra Community Housing.

Michael is also a Non-Executive Director of Charter Hall Social Infrastructure REIT (CQE) and in the private sector, a Non-Executive Director of Dennis Family Holdings and Chairman of Dennis Family Homes.



**Howard Brenchley**

**BEC,  
Independent Director**

Howard has been a Director since 1998 and an Independent Director since March 2018.

Howard has a long history in the Australian property investment industry with over 35 years' experience analysing and investing in the sector. Howard joined APN Property Group in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN AREIT Fund and the APN Property for Income Fund, both market leading property securities funds in Australia.

Prior to joining APN Property Group, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property fund sector.

Howard is also a Director of National Storage Holdings Limited (since 2014) and National Storage Financial Services Limited (since 2015), both listed as National Storage REIT (ASX Code: NSR).

## Key management



**Jason Weate**  
Fund Manager



**Selina Poyner**  
Assistant Fund  
Manager



**Emily Smith**

**BCom, GAICD**  
**Independent Director**

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

Emily 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 REITs, building materials, steel, diversified industrials and telecommunications both domestically and globally.

Emily is a Senior M&A Advisor and Director at Grant Samuel. She is also a Council Member of the Kambala Girls School and a member of their Finance and Audit Committee, Investment Committee and Nominations Committee. She is also a member of Chief Executive Women.



**Deborah Coakley**

**BBus, GAICD**  
**Executive Director**

Deborah was appointed an Executive Director in 2021.

Deborah Coakley is Executive General Manager, Funds Management at Dexu where she has responsibility for managing the funds management business which comprises a number of wholesale pooled funds, capital partnerships and listed REITs.

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

Deborah is an Executive Director of Dexu Wholesale Funds Limited, Dexu Asset Management Limited and the Dexu Asset Management Board. She is also a Director of the Property Council of Australia and President of their Capital Markets Division, an ambassador for the Sydney Children's Hospital Foundation and a Non-Executive Director of the Children's Cancer Institute. 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

Brett Cameron is General Counsel and Company Secretary at Dexu and is responsible for the legal function, company secretarial services and compliance, risk 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.



**Tim Slattery**  
Head of Listed Funds  
and Private Capital



**Joseph De Rango**  
Head of Finance,  
Real Estate Funds



**Chantal Churchill**  
Company Secretary





# Financial report

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# Directors' Report

The Directors of Dexus Asset Management Limited (DXAM, previously known as APN Funds Management Limited) 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 2022.

On 5 October 2021, the Responsible Entity approved the change of name for the Group from APN Convenience Retail REIT to Dexus Convenience Retail REIT and the ticker code changed from "AQR" to "DXC". The Trust, together with Convenience Retail REIT No. 1 (CRR1) and Convenience Retail REIT No. 3 (CRR3) form the DXC stapled entity.

## 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        |
|-------------------------------------------------------------------------------------------------|------------------|
| Geoff Brunsdon AM, BCom, CA, F Fin, FAICD <sup>1</sup>                                          | 19 October 2009  |
| Howard Brenchley, BEc                                                                           | 16 March 1998    |
| Deborah Coakley, BBus, GAICD <sup>2</sup>                                                       | 19 August 2021   |
| Jennifer Horrigan, BBus, GradDipMgt, GradDippAppFin, MAICD <sup>3</sup>                         | 30 April 2012    |
| Michael Johnstone, BTRP, LS, AMP (Harvard)                                                      | 25 November 2009 |
| Emily Smith, BCom, GAICD <sup>4</sup>                                                           | 19 April 2022    |
| Joseph De Rango, BCom, BBIS (IBL), MAICD – Alternate Director for Howard Brenchley <sup>5</sup> | 2 September 2019 |
| Brett D Cameron, LLB/BA, GAICD, FGIA – Alternate Director for Deborah Coakley <sup>6</sup>      | 1 March 2022     |

1 Mr Brunsdon resigned from the DXAM Board effective 28 February 2022.

2 Ms Coakley was appointed as Executive Director on 19 August 2021.

3 Ms Horrigan was appointed as the Chair of the DXAM Board effective 1 March 2022.

4 Ms Smith was appointed as a Non-Executive Director on 19 April 2022.

5 Mr De Rango resigned as Alternate Director for Mr Brenchley effective 1 March 2022.

6 Mr Cameron was appointed as Alternate Director for Ms Coakley effective 1 March 2022.

### Company Secretaries

The names and details of the Company secretaries of DXAM as at 30 June 2022 are as follows:

#### Chantal Churchill BSc (Psych), DipHRM, GIA(Cert)

Appointed: December 2016

Chantal is the Company Secretary and Senior Manager, Governance at Dexus.

Chantal has over 17 years' professional experience in company administration, corporate governance, risk and compliance having been involved with several listed and unlisted public companies. Prior to joining DXAM in 2015, Chantal held various risk and compliance roles predominantly in financial services and funds management including seven years at Arena Investment Management.

Chantal is a member of the Governance Institute of Australia.

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

Appointed: 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 24 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.

## 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 15 times during the year. DXAM is assisted by the Dexus Board Nomination Committee and the Dexus Board People and Remuneration Committee, meeting details are provided in the Directors Report in the Dexus 2022 Annual Report.

|                   | DXAM Board |          | Audit, Risk and Compliance Committee |          |
|-------------------|------------|----------|--------------------------------------|----------|
|                   | Held       | Attended | Held                                 | Attended |
| Geoff Brunsdon    | 11         | 11       | 5                                    | 4        |
| Howard Brenchley  | 15         | 14       | N/A                                  | N/A      |
| Deborah Coakley   | 12         | 10       | N/A                                  | N/A      |
| Jennifer Horrigan | 15         | 15       | 6                                    | 6        |
| Michael Johnstone | 15         | 15       | 6                                    | 6        |
| Emily Smith       | 2          | 2        | 1                                    | 1        |
| Joseph De Rango   | -          | -        | N/A                                  | N/A      |
| Brett D Cameron   | 1          | 1        | N/A                                  | N/A      |

## 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 |
|-------------------|-------------------|
| Howard Brenchley  | 99,668            |
| Deborah Coakley   | -                 |
| Jennifer Horrigan | -                 |
| Michael Johnstone | -                 |
| Emily Smith       | -                 |
| Brett D Cameron   | -                 |

## Operating and financial review

### Strategy

DXC has taken an active and disciplined approach to investing in strategically located assets to provide investors with a defensive income stream. Since IPO in 2017, DXC has successfully grown its portfolio from \$287 million to \$850 million. The business assesses opportunities across the broader retail landscape, with a focus on convenience retail and other assets with a non-discretionary focus, including fuel service stations. Currently, 83% of the portfolio is weighted towards high-quality metropolitan and highway service stations which provide opportunities for alternate uses beyond fuel retailing. DXC's portfolio is underpinned by strong income visibility, with a weighted average lease expiry of 10.8 years and contracted annual weighted average rent reviews of 3.1%<sup>1</sup>. DXC's assets are supported by a strong tenant base, with 89% of income derived from major fuel tenants.

In the year ahead, DXC will continue to enhance the resilience of the portfolio through pursuing value-accretive transactions and engaging with tenants to deliver innovative agreements that improve their convenience offerings and the sustainability of their operations. DXC will maintain a disciplined approach to capital allocation including adhering to strict investment criteria for potential acquisitions while remaining opportunistic regarding property sale opportunities and capital recycling. DXC will also leverage Dexus's capabilities across transactions, development, leasing and customer relationships to deliver long term value to Security holders.

<sup>1</sup> Assuming long term average CPI of 3.0%.



## 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 2022 is as follows:

|                                                  | 30 Jun 2022 | 30 Jun 2021 | Change |
|--------------------------------------------------|-------------|-------------|--------|
| <b>Key financial performance metrics:</b>        |             |             |        |
| FFO per security (cents)                         | 23.1        | 21.9        | 5.5%   |
| Distributions per security (cents)               | 23.1        | 21.9        | 5.5%   |
| Payout ratio (%)                                 | 100%        | 100%        | -      |
| NTA per security (\$)                            | 4.03        | 3.67        | 9.6%   |
| Statutory earnings per security (cents)          | 60.6        | 62.4        | (2.8%) |
| Weighted average securities on issue (thousands) | 136,329     | 118,335     | 15.2%  |
| Securities on issue (thousands)                  | 137,757     | 123,430     | 11.6%  |
| Distributions declared (thousands)               | 32,037      | 26,372      | 21.5%  |

|                         | 30 Jun 2022<br>\$'000 | 30 Jun 2021<br>\$'000 | Change       |
|-------------------------|-----------------------|-----------------------|--------------|
| <b>FFO composition:</b> |                       |                       |              |
| Property FFO            | 43,782                | 33,739                | 29.8%        |
| Management fees         | (4,956)               | (3,457)               | 43.4%        |
| Net finance costs       | (6,359)               | (3,816)               | 66.6%        |
| Other net expenses      | (970)                 | (538)                 | 80.3%        |
| <b>FFO</b>              | <b>31,497</b>         | <b>25,928</b>         | <b>21.5%</b> |

|                                          | 30 Jun 2022<br>\$'000 | 30 Jun 2021<br>\$'000 | Change       |
|------------------------------------------|-----------------------|-----------------------|--------------|
| Net rental income                        | 42,678                | 33,232                | 28.4%        |
| Straight line rental income              | 5,166                 | 4,492                 | 15.0%        |
| Interest income                          | 147                   | 136                   | 8.1%         |
| Other income                             | -                     | 350                   | n.m.         |
| <b>Total revenue</b>                     | <b>47,991</b>         | <b>38,210</b>         | <b>25.6%</b> |
| Management fees                          | (4,956)               | (3,457)               | 43.4%        |
| Finance costs                            | (3,398)               | (4,218)               | (19.4%)      |
| Corporate costs                          | (970)                 | (538)                 | 80.3%        |
| <b>Total expenses</b>                    | <b>(9,324)</b>        | <b>(8,213)</b>        | <b>13.5%</b> |
| <b>Net operating income (EBIT)</b>       | <b>38,667</b>         | <b>29,997</b>         | <b>28.9%</b> |
| Fair value gain on derivatives           | 13,136                | 1,603                 | 719.5%       |
| Fair value gain on investment properties | 30,836                | 42,218                | (27.0%)      |
| <b>Statutory net profit</b>              | <b>82,639</b>         | <b>73,818</b>         | <b>11.9%</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 profit 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 in interest bearing liabilities, amortisation of borrowing costs, 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, rental guarantees and coupon income.

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

|                                                       | 30 Jun 2022<br>\$'000 | 30 Jun 2021<br>\$'000 |
|-------------------------------------------------------|-----------------------|-----------------------|
| <b>Profit after tax for the period</b>                | <b>82,639</b>         | 73,818                |
| Adjusted for:                                         |                       |                       |
| Net fair value (gain) / loss on investment properties | (30,836)              | (42,218)              |
| Net fair value (gain) / loss on derivatives           | (13,136)              | (1,603)               |
| Incentive amortisation and rent straight line         | (5,042)               | (4,335)               |
| Rental guarantees, coupon income and other            | 980                   | -                     |
| Debt modification gain                                | (3,510)               | -                     |
| Amortisation of borrowing costs                       | 402                   | 266                   |
| <b>FFO</b>                                            | <b>31,497</b>         | 25,928                |

## Financial result

During the 2022 financial year we emerged from the COVID-19 pandemic, with the progressive easing of restrictions having varied levels of impact across Australia and presenting new challenges in our operating environment. Despite ongoing disruptions, DXC continued to demonstrate property income resilience, supported by long term leases to well capitalised tenants that provide essential services to the community. These attributes place the Fund in a position of relative strength as we enter a period of economic uncertainty marked by rising inflation and interest rates.

DXC reported a statutory net profit of \$82.6 million for the full year ended 30 June 2022, up \$8.8 million, or 11.9%, on the prior year, driven by higher rental income from acquisitions and fair value gains on interest rate derivatives.

In relation to guidance, FFO and distributions per security of 23.1 cents was in line with upgraded guidance provided in December 2021.

FFO increased 21.5% to \$31.5 million, supported by 2.3% like-for-like net operating income growth and contributions from recently acquired assets. On a per security basis, FFO increased 5.5% to 23.1 cents, reflecting the issuance of new securities to fund acquisitions during the period.

## Net tangible assets and asset valuations

81 of DXC's investment properties were independently valued in the 12 months to 30 June 2022, with the remainder subject to internal valuations. Total valuation gains for the year were \$30.8 million. The valuations of metropolitan assets increased 4.6% on prior book values, while highway assets remained flat and regional assets increased 4.8%. Property portfolio valuation gains and fair value gains on interest rate derivatives contributed to the 36 cents, or 9.6%, increase in NTA per security to \$4.03 as at 30 June 2022.

## Property portfolio and asset management

DXC's property portfolio includes 112 assets valued at \$850 million. The portfolio is diversified by geography, tenant and site type.

The portfolio is 83% 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 weighted average capitalisation rate for the portfolio is 5.74%, tightening 28 basis points over the past 12 months.

Following significant transactional activity including 15 acquisitions and four recent divestments<sup>1</sup>, DXC's income exposure to non-fuel tenants increased from 6% to 11%, with recent acquisitions focused on new-build assets reflecting an average age of 3.8 years. The portfolio has a weighted average lease expiry of 10.8 years with limited lease expiry risk prior to FY30, providing strong income visibility.

<sup>1</sup> Includes the sale of 656 Bruce Highway, Woree which exchanged on 19 July 2022 (settlement expected July 2024), as well as the sale of 2215 David Low Way, Peregrine Beach which exchanged on 3 August 2022.

The portfolio generates strong organic growth with average rent reviews of 3.1% per annum<sup>1</sup>. 77% of rental income is subject to fixed increases, while 23% is linked to CPI escalations with half of these subject to caps of 3 – 4%.

The portfolio remains 99.7% occupied by income and is underpinned by reliable and experienced national and global tenants, with 89% of rental income derived from major tenants.

During the year, three new long term lease deals were completed, including the introduction of a car wash operator on a 15-year lease at Redbank Plains, as well as extending the lease expiry for 7-Eleven at Redbank Plains from FY30 to FY37. DXC also secured Liberty, who are wholly-owned by Viva Energy Australia, on a 15-year lease at the Lawnton site, extending the lease expiry at this site from FY22 to FY37.

## Developments

During the year, DXC completed two fund-through development projects at Hillcrest, South Australia, and the Dubbo Service Centre (Stage 1), NSW which includes a strong retail offering in a Carl's Jr restaurant.

DXC also acquired Glasshouse Mountains Dual Service Centre in March 2022, which includes the potential for a fund-through development project to reposition the existing service stations and expand the retail offerings.

## Transactions

15 acquisitions were settled during the year for a total consideration of \$168 million, delivering enhanced portfolio quality with a long weighted average lease expiry of 10.3 years and average annual rent reviews of 3.3%<sup>1</sup>.

Key acquisition included:

- Glass House Mountains Dual Service Centre, QLD, which comprises two well established properties across 24,769 square metres and redevelopment opportunity to reposition the existing service stations and expand the retail offerings
- United Gordonvale, QLD, a 9,150 square metre highway site anchored by United, McDonald's and Subway
- Warrego Highway Travel Centre, QLD, a 6,317 square metre highway site constructed in 2019 anchored by Ampol and Carl's Jr
- Puma Chandler, QLD, a 5,730 square metre metropolitan site constructed in 2019 anchored by Puma and supported by three additional speciality retail tenancies
- 7-Eleven Kingston, a 3,205 square metre metropolitan site anchored by 7-Eleven and Zambrero
- BP Brendale, a 4,121 square metre metropolitan site constructed in 2021 comprising a BP petrol station and Wild Bean branded convenience store
- Dubbo Service Centre, NSW, a fund-through development that recently completed comprising a Mobil service station and a Carl's Jr restaurant with drive-thru

Four divestments were announced for a total consideration of \$13 million, reflecting an average premium to book value of 3.8%.

Divestments included:

- 10 Takalvan Street, Bundaberg West, QLD, at a 6.2% premium to book value
- 273-279 Gympie Road, Kedron, QLD, at a 3.9% premium to book value
- 656 Bruce Highway, Woree, QLD, at a 7.6% premium to book value (exchanged 19 July 2022 with settlement expected in July 2024)
- 2215 David Low Way, Peregrin Beach, QLD, at a 0.7% premium to book value (exchanged 3 August 2022)

## Environmental, social and governance (ESG)

DXC's portfolio is well positioned to ensure it remains resilient over the long term. Approximately 11% of the portfolio's income is derived from non-fuel tenants, while three sites across the portfolio offer electric vehicle charging stations.

DXC is progressing carbon neutral certification across its managed properties for the 12 months to 30 June 2022. Final certification is expected to be achieved post-reporting period as Dexu is in the final stages of quantifying DXC's greenhouse gas emissions over the financial year following the procurement of required renewable electricity and carbon offsets.

DXC supports its tenants' ESG aspirations and their continued investment in sustainability initiatives across the portfolio. During the year, DXC facilitated an agreement to rollout onsite solar at 29 Chevron sites in DXC's portfolio with works expected to begin in FY23.

DXC will continue to leverage and align with Dexu's Sustainability Approach to support long term value creation, including through increased environmental auditing of all sites to better track sustainability performance.

<sup>1</sup> Assuming long term average CPI of 3.0%.



## Financial position

DXC's net assets increased \$101 million primarily due to \$168 million of acquisitions.

|                                    | 30 Jun 2022      | 30 Jun 2021      |
|------------------------------------|------------------|------------------|
| Cash and cash equivalents (\$'000) | 5,178            | 786              |
| Investment properties (\$'000)     | 850,050          | 632,651          |
| Other assets (\$'000)              | 17,894           | 13,357           |
| <b>Total assets (\$'000)</b>       | <b>873,122</b>   | <b>646,794</b>   |
| Borrowings (\$'000)                | (299,611)        | (180,769)        |
| Provisions (\$'000)                | (11,256)         | (6,758)          |
| Other liabilities (\$'000)         | (7,737)          | (5,996)          |
| <b>Total liabilities (\$'000)</b>  | <b>(318,604)</b> | <b>(193,523)</b> |
| <b>Net assets (\$'000)</b>         | <b>554,518</b>   | <b>453,271</b>   |
| Stapled securities on issue ('000) | 137,757          | 123,430          |
| <b>NTA per security (\$)</b>       | <b>\$4.03</b>    | <b>\$3.67</b>    |

## Capital management

DXC raised a total of \$56.3 million of new equity during the year, comprising \$45.0 million via an institutional placement in August 2021, \$10.5 million via a Securities Purchase Plan in September 2021 and \$0.8 million via the Distribution Reinvestment Plan (DRP). The DRP is not currently in operation. The proceeds have assisted in funding acquisitions and have ensured that gearing remains within the 25 - 40% target range at 34.7%<sup>1</sup>.

DXC's weighted average debt facility maturity was 4.2 years and its weighted average cost of debt remained favourable at 2.6% with 58% of DXC's debt hedged across FY22 and a weighted average hedge maturity of 3.8 years.

During the year, an on-market securities buyback program was launched to take advantage of market volatility, with 1.4 million securities repurchased at an average discount to NTA per security of 15%.

|                                                      | 30 Jun 2022 | 30 Jun 2021          |
|------------------------------------------------------|-------------|----------------------|
| Gearing <sup>a</sup>                                 | 34.7%       | 28.2%                |
| Cost of debt <sup>b</sup>                            | 2.6%        | 3.0%                 |
| Weighted average debt facility maturity <sup>c</sup> | 4.2 years   | 2.9 years            |
| Hedged debt (including caps) <sup>d</sup>            | 58%         | 67%                  |
| Headroom <sup>e</sup>                                | \$75.4m     | \$74.3m <sup>f</sup> |

a) Adjusted for cash. Reflects pro forma gearing for the sale of 2215 David Low Way, Peregrine Beach which exchanged on 3 August 2022. Gearing as at 30 June 2022 was 35.0%.

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

c) Weighted average maturity of total facility limits.

d) Average for the period.

e) Undrawn facilities plus cash.

f) Excludes a \$20 million at-call accordion facility which was exercised in August 2021.

<sup>1</sup> Adjusted for cash. Reflects pro forma gearing for the sale of 2215 David Low Way, Peregrine Beach which exchanged on 3 August 2022. Gearing as at 30 June 2022 was 35.0%.

## 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 2021 yields were 5.5% on average, screening favourably compared to other asset classes in an environment where investors are increasingly seeking higher yielding investment opportunities.

## Summary and guidance

While the macroeconomic environment is uncertain, DXC is well placed to continue to deliver strong relative performance. The portfolio comprises high-quality assets that offer sustainable sources of income growth, underpinned by long term leases to major tenants with 3.1% average annual rental increases<sup>1</sup>. We expect strong investment appeal for real estate assets providing certainty of income.

Solid momentum has been achieved into FY23 and DXC will continue to actively pursue capital recycling initiatives to optimise the portfolio, repay debt and provide value-accretive redeployment optionality including potential further securities buyback activity.

DXC provides FY23 guidance of FFO and distributions ranging between 21.2 – 22.0 cents per security, based on property income growth supported by contracted rental increases, current interest rate expectations and barring unforeseen circumstances<sup>2</sup>.

<sup>1</sup> Assuming long term average CPI of 3.0%.

<sup>2</sup> Assumes average floating interest rates of 2.75% – 3.75% (90-day BBSW) and no further transactional activity.

## Key risks

| Risk                                                                                                                                                                                                                                             | Potential impacts                                                                                                                                                                                                                                                                                                                                                                                                                       | Mitigants                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Health, safety and wellbeing</b><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>– Reputational damage</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> </ul> | <ul style="list-style-type: none"> <li>– Ongoing monitoring and testing at existing assets and regular training provided to service providers</li> <li>– We engage external consultants to identify and remediate health and safety issues relating to the fabric of properties across the portfolio, including facades</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>Ability to meet market guidance, achieve the Group's strategic objectives, generate value and deliver superior risk-adjusted performance                                                           | <ul style="list-style-type: none"> <li>– Reduced investor sentiment</li> <li>– Loss of broader community confidence</li> <li>– Reduced availability of debt financing</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>– The Investment Committee is responsible for the consideration, approval or endorsement, subject to delegated authority, of material investment decisions</li> <li>– Detailed 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>Development</b><br>Achieving strategic development objectives that provides 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> </ul>                                                                                                                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>– Leverage Dexus's strong development capability with a proven track record of delivering projects with a focus on quality, sustainability and returns that satisfy the evolving needs of customers</li> <li>– Partnering with trusted and high-quality development managers to execute fund-through projects</li> </ul>                                                                                                                                                                           |
| <b>Capital management</b><br>Positioning the capital structure of the business 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>– Reduced investor sentiment</li> <li>– Reduced availability of debt financing</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> </ul>                                                                   |
| <b>Cyber security</b><br>Awareness of and preparedness for potential security breaches, and capability to respond                                                                                                                                | <ul style="list-style-type: none"> <li>– Reputational damage</li> <li>– Inability to sustainably perform or deliver objectives</li> </ul>                                                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>– Enhancing cyber and information security risk controls</li> <li>– Engagement with key service providers to ensure risk of data breaches is minimised</li> </ul>                                                                                                                                                                                                                                                                                                                                  |



## Remuneration of key management personnel

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    |
|-------------------|---------------------------------------------|-------------------|
| Geoff Brunsdon    | Sims Limited                                | 20 November 2009  |
| Howard Brenchley  | National Storage Holdings Ltd               | 21 November 2014  |
|                   | National Storage Financial Services Limited | 8 September 2015  |
| Deborah Coakley   | -                                           | -                 |
| Jennifer Horrigan | QV Equities Limited                         | 26 April 2016     |
|                   | A2B                                         | 11 September 2020 |
| Michael Johnstone | Charter Hall Social Infrastructure Trust    | 22 December 2004  |
| Emily Smith       | -                                           | -                 |
| Joseph De Rango   | -                                           | -                 |
| Brett D Cameron   | -                                           | -                 |

## 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 Dexus 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 Trust assets

The total value of the assets of the Group as at 30 June 2022 was \$873,122,000 (2021: \$646,794,000). 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 the following significant changes in its state of affairs:

1. On 13 August 2021, Dexus PG Limited (DXPG, previously APN Property Group Limited or APN), the ultimate and immediate parent entity of DXAM was acquired by Dexus Nominees Pty Limited (an entity controlled by Dexus, listed on the ASX under code DXS). Accordingly, DXPG and its controlled entities are now wholly owned subsidiaries of Dexus. APN Convenience Retail REIT was rebranded to Dexus Convenience Retail REIT and the ticker changed to "DXC" effective 5 October 2021.
2. DXC raised a total of \$55,500,000 from a fully underwritten institutional placement (Placement) and security purchase plan (SPP) announced on 17 August 2021 and 25 August 2021 respectively. All new stapled securities issued under the Placement and SPP rank equally with the Group's existing securities.

## Matters subsequent to the end of the financial year

On 19 July 2022, contracts were exchanged for the disposal of 656 Bruce Highway, Woree QLD for \$1,850,000 excluding transaction costs.

On 3 August 2022, contracts were exchanged for the disposal of 2215 David Low Way, Peregrine Beach QLD for \$4,200,000 excluding transaction costs.

Since the end of the year, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or 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 2022 were 23.10 cents per security which amounted to \$32,037,000 (2021: 21.90 cents per security, \$26,372,000) 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 2022 are detailed in note 11 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 22,992,429 securities (2021: 22,521,412 securities).

The Group did not have any options on issue as at 30 June 2022 (2021: 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 and submitted its 2021 report to the Greenhouse and Energy Data Officer on 31 October 2021 and will submit its 2022 report by 31 October 2022. During the 12 months period ending 30 June 2022, 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 immediate parent entity, Dexus 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 Dexus Specific Terms of Business agreed for all engagements with PwC, to the extent that the Group inappropriately uses or discloses a 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

Effective from 23 November 2021, PricewaterhouseCoopers have been appointed as the Auditor of DXC in accordance with section 327 of the *Corporations Act 2001*. This appointment follows the resignation of Deloitte Touche Tohmatsu and ASIC's consent to the same.

The Board of DXAM, the Responsible Entity of the Group, changed the auditor to align with the wider Dexus platform.

### 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 13 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 25 and forms part of this Directors' Report.

## Corporate governance

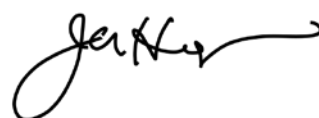
DXAM's Corporate Governance Statement is available at: [www.dexus.com/investorcentre/listedfunds/dexusconvenience/retailreit/corporategovernance](http://www.dexus.com/investorcentre/listedfunds/dexusconvenience/retailreit/corporategovernance)

## 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 8 August 2022.



**Jennifer Horrigan**

Chair  
8 August 2022



# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Convenience Retail REIT No. 2 for the year ended 30 June 2022, 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, reading 'Samantha Johnson'.

Samantha Johnson  
Partner  
PricewaterhouseCoopers

Sydney  
8 August 2022

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Liability limited by a scheme approved under Professional Standards Legislation.

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

|                                                                                                                              | Note | 2022<br>\$'000  | 2021<br>\$'000  |
|------------------------------------------------------------------------------------------------------------------------------|------|-----------------|-----------------|
| <b>Revenue from ordinary activities</b>                                                                                      |      |                 |                 |
| Property revenue                                                                                                             | 2    | 50,258          | 36,698          |
| Straight line rental income recognition                                                                                      |      | 5,166           | 4,492           |
| <b>Total revenue from ordinary activities</b>                                                                                |      | <b>55,424</b>   | <b>41,190</b>   |
| <b>Other Income</b>                                                                                                          |      |                 |                 |
| Interest revenue                                                                                                             |      | 147             | 136             |
| Net fair value gain of investment properties                                                                                 | 7    | 30,836          | 42,218          |
| Net fair value gain of derivatives                                                                                           | 8(c) | 13,136          | 1,603           |
| Other income                                                                                                                 |      | -               | 350             |
| <b>Total other income</b>                                                                                                    |      | <b>44,119</b>   | <b>44,307</b>   |
| <b>Total income</b>                                                                                                          |      | <b>99,543</b>   | <b>85,497</b>   |
| <b>Expenses</b>                                                                                                              |      |                 |                 |
| Property expenses                                                                                                            | 2    | (7,580)         | (3,466)         |
| Finance costs                                                                                                                | 3    | (3,398)         | (4,218)         |
| Management fee expense                                                                                                       |      | (4,956)         | (3,457)         |
| Other expenses                                                                                                               |      | (970)           | (538)           |
| <b>Total expenses</b>                                                                                                        |      | <b>(16,904)</b> | <b>(11,679)</b> |
| <b>Profit/(loss) for the year</b>                                                                                            |      | <b>82,639</b>   | <b>73,818</b>   |
| <b>Profit/(loss) for the year attributable to:</b>                                                                           |      |                 |                 |
| Security holders of the parent entity                                                                                        |      | 30,499          | 27,078          |
| Security holders of other stapled entities (non-controlling interests) <sup>1</sup>                                          |      | 52,140          | 46,740          |
| <b>Profit/(loss) for the year</b>                                                                                            |      | <b>82,639</b>   | <b>73,818</b>   |
| Other comprehensive income for the year                                                                                      |      | -               | -               |
| <b>Total comprehensive income/(loss) for the year</b>                                                                        |      | <b>82,639</b>   | <b>73,818</b>   |
| <b>Total comprehensive income/(loss) for the year attributable to:</b>                                                       |      |                 |                 |
| Security holders of the parent entity                                                                                        |      | 30,499          | 27,078          |
| Security holders of other stapled entities (non-controlling interests) <sup>1</sup>                                          |      | 52,140          | 46,740          |
| <b>Total comprehensive income/(loss) for the year</b>                                                                        |      | <b>82,639</b>   | <b>73,818</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    | 22.37           | 22.88           |
| Diluted earnings per security                                                                                                | 5    | 22.37           | 22.88           |
| <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    | 38.25           | 39.50           |
| Diluted earnings per security                                                                                                | 5    | 38.25           | 39.50           |

<sup>1</sup> Non-controlling interest represents the profit and total comprehensive income for the period attributable to Convenience Retail REIT No. 1 and Convenience Retail REIT No. 3.

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 2022

|                                                                                                                  | Note  | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>Current assets</b>                                                                                            |       |                |                |
| Cash and cash equivalents                                                                                        |       | 5,178          | 786            |
| Receivables                                                                                                      | 12(b) | 1,288          | 720            |
| Derivative financial instruments                                                                                 | 8(c)  | 240            | -              |
| Other current assets                                                                                             | 12(c) | 3,348          | 6,674          |
| <b>Total current assets</b>                                                                                      |       | <b>10,054</b>  | <b>8,180</b>   |
| <b>Non-current assets</b>                                                                                        |       |                |                |
| Investment properties                                                                                            | 7     | 850,050        | 632,651        |
| Derivative financial instruments                                                                                 | 8(c)  | 12,706         | -              |
| Loans and receivables                                                                                            |       | -              | 5,963          |
| Other non-current assets                                                                                         |       | 312            | -              |
| <b>Total non-current assets</b>                                                                                  |       | <b>863,068</b> | <b>638,614</b> |
| <b>Total assets</b>                                                                                              |       | <b>873,122</b> | <b>646,794</b> |
| <b>Current liabilities</b>                                                                                       |       |                |                |
| Payables                                                                                                         | 12(d) | 6,737          | 4,103          |
| Provisions                                                                                                       | 12(e) | 11,256         | 6,758          |
| <b>Total current liabilities</b>                                                                                 |       | <b>17,993</b>  | <b>10,861</b>  |
| <b>Non-current liabilities</b>                                                                                   |       |                |                |
| Derivative financial instruments                                                                                 | 8(c)  | -              | 1,893          |
| Interest bearing liabilities                                                                                     | 9     | 299,611        | 180,769        |
| Other non-current liabilities                                                                                    |       | 1,000          | -              |
| <b>Total non-current liabilities</b>                                                                             |       | <b>300,611</b> | <b>182,662</b> |
| <b>Total liabilities</b>                                                                                         |       | <b>318,604</b> | <b>193,523</b> |
| <b>Net assets</b>                                                                                                |       | <b>554,518</b> | <b>453,271</b> |
| <b>Equity</b>                                                                                                    |       |                |                |
| <b>Equity attributable to security holders of the Trust (parent entity)</b>                                      |       |                |                |
| Contributed equity                                                                                               | 11    | 190,503        | 170,572        |
| Retained profits                                                                                                 |       | 48,711         | 31,666         |
| <b>Parent entity security holders' interest</b>                                                                  |       | <b>239,214</b> | <b>202,238</b> |
| <b>Equity attributable to security holders of other stapled entities (non-controlling interests)<sup>1</sup></b> |       |                |                |
| Contributed equity                                                                                               | 11    | 216,760        | 186,046        |
| Retained profits                                                                                                 |       | 98,544         | 64,987         |
| <b>Other stapled security holders' interest</b>                                                                  |       | <b>315,304</b> | <b>251,033</b> |
| <b>Total equity</b>                                                                                              |       | <b>554,518</b> | <b>453,271</b> |

1 Non-controlling interest represents the net assets attributable to Convenience Retail REIT No. 1 and Convenience Retail REIT No. 3.

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



## Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

|                                                              | 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 2020</b>                     |      | 149,718                                                       | 16,215                  | 165,933        | 160,403                                                                 | 32,992                  | 193,395        | 359,328             |
| Net profit for the year                                      |      | -                                                             | 27,078                  | 27,078         | -                                                                       | 46,740                  | 46,740         | 73,818              |
| Other comprehensive income/(loss) for the year               |      | -                                                             | -                       | -              | -                                                                       | -                       | -              | -                   |
| Total comprehensive income for the year                      |      | -                                                             | 27,078                  | 27,078         | -                                                                       | 46,740                  | 46,740         | 73,818              |
| Transactions with owners in their capacity as owners:        |      |                                                               |                         |                |                                                                         |                         |                |                     |
| Issue of contributed equity                                  | 11   | 20,149                                                        | -                       | 20,149         | 24,850                                                                  | -                       | 24,850         | 44,999              |
| Securities issued under distribution reinvestment plan (DRP) | 11   | 1,115                                                         | -                       | 1,115          | 1,299                                                                   | -                       | 1,299          | 2,414               |
| Equity issuance costs                                        | 11   | (410)                                                         | -                       | (410)          | (506)                                                                   | -                       | (506)          | (916)               |
| Distributions paid or payable                                | 6    | -                                                             | (11,626)                | (11,626)       | -                                                                       | (14,746)                | (14,746)       | (26,372)            |
| Total transactions with owners in their capacity as owners   |      | 20,854                                                        | (11,626)                | 9,228          | 25,643                                                                  | (14,746)                | 10,897         | 20,125              |
| <b>Closing balance as at 30 June 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>      |
| <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 profit for the year                                      |      | -                                                             | 30,499                  | 30,499         | -                                                                       | 52,140                  | 52,140         | 82,639              |
| Other comprehensive income/(loss) for the year               |      | -                                                             | -                       | -              | -                                                                       | -                       | -              | -                   |
| Total comprehensive income for the year                      |      | -                                                             | 30,499                  | 30,499         | -                                                                       | 52,140                  | 52,140         | 82,639              |
| Transactions with owners in their capacity as owners:        |      |                                                               |                         |                |                                                                         |                         |                |                     |
| Issue of contributed equity                                  | 11   | 21,953                                                        | -                       | 21,953         | 33,547                                                                  | -                       | 33,547         | 55,500              |
| Securities issued under distribution reinvestment plan (DRP) | 11   | 344                                                           | -                       | 344            | 451                                                                     | -                       | 451            | 795                 |
| Buy-back of contributed equity                               | 11   | (1,913)                                                       | -                       | (1,913)        | (2,596)                                                                 | -                       | (2,596)        | (4,509)             |
| Equity issuance and buy-back costs                           | 11   | (453)                                                         | -                       | (453)          | (688)                                                                   | -                       | (688)          | (1,141)             |
| Distributions paid or payable                                | 6    | -                                                             | (13,455)                | (13,455)       | -                                                                       | (18,582)                | (18,582)       | (32,037)            |
| Total transactions with owners in their capacity as owners   |      | 19,931                                                        | (13,455)                | 6,476          | 30,714                                                                  | (18,582)                | 12,132         | 18,608              |
| <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>      |

1 Non-controlling interest represents the equity attributable to Convenience Retail REIT No. 1 and Convenience Retail REIT No. 3.

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

## Consolidated Statement of Cash Flows

For the year ended 30 June 2022

|                                                             | Note | 2022<br>\$'000   | 2021<br>\$'000 |
|-------------------------------------------------------------|------|------------------|----------------|
| <b>Cash flows from operating activities</b>                 |      |                  |                |
| Receipts in the course of operations (inclusive of GST)     |      | 53,994           | 32,626         |
| Payments in the course of operations (inclusive of GST)     |      | (15,386)         | (4,201)        |
| Interest received                                           |      | 147              | 138            |
| Finance costs paid                                          |      | (9,698)          | (4,165)        |
| <b>Net cash inflow/(outflow) from operating activities</b>  | 14   | <b>29,057</b>    | 24,398         |
| <b>Cash flows from investing activities</b>                 |      |                  |                |
| Proceeds from sale of investment properties                 |      | 6,880            | 551            |
| Payments for acquisition of investment properties           |      | (162,599)        | (134,875)      |
| Payments for capital expenditure on investment properties   |      | (12,205)         | (5,116)        |
| Advances to purchase investment properties                  |      | -                | (12,309)       |
| <b>Net cash inflow/(outflow) from investing activities</b>  |      | <b>(167,924)</b> | (151,749)      |
| <b>Cash flows from financing activities</b>                 |      |                  |                |
| Proceeds from borrowings                                    |      | 438,175          | 144,876        |
| Repayment of borrowings                                     |      | (314,789)        | (39,985)       |
| Proceeds from issue of contributed equity                   |      | 55,500           | 44,999         |
| Payments for buy-back of contributed equity                 |      | (4,509)          | -              |
| Equity issuance and buy-back costs paid                     |      | (1,141)          | (906)          |
| Distributions paid to security holders                      |      | (29,977)         | (23,178)       |
| <b>Net cash inflow/(outflow) from financing activities</b>  |      | <b>143,259</b>   | 125,806        |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>4,392</b>     | (1,545)        |
| Cash and cash equivalents at the beginning of the year      |      | 786              | 2,331          |
| <b>Cash and cash equivalents at the end of the year</b>     |      | <b>5,178</b>     | 786            |

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

# 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

The Consolidated Financial Statements are general purpose financial reports which have been prepared in accordance with the requirements of the Constitutions of the entities within the Group, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards adopted by the International Accounting Standard 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 investment properties and derivative financial instruments which are stated at their fair value.

DXC stapled securities are quoted on the Australian Securities Exchange under the "DXC" code and comprise one unit in each of CRR2, CRR1 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 CRR2, CRR1 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 interest 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. Dexus Asset Management Limited (DXAM) as Responsible Entity for CRR2, CRR1 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 2022, the Group had a net current asset deficiency of \$7,939,000 (2021: deficiency of \$2,681,000). This is primarily due to the distributions payable to stapled security holders of \$8,024,000 (2021: \$6,758,000). The Group has in place external funding arrangements to support the cash flow requirements of the Group, including undrawn facilities of \$70,169,000 (2021: \$93,555,000). 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.

## COVID-19

The economic impacts resulting from the Government imposed restrictions in response to the COVID-19 pandemic have the potential to impact various financial statement line items including: Investment properties, Property revenue and expenses.

The financial year saw the continuation of COVID-19 lockdowns in Sydney and Melbourne, which impacted the economy and the ability for business to trade normally. Despite this, the vaccine was successfully rolled out across Australia enabling the easing of restrictions before Christmas. Subsequently, the Omicron variant of COVID-19 continues to impact confidence, creating challenges in supply chains which has persisted for the second half of the financial year.

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates in relation to continued COVID-19 related uncertainties. Additionally, management has considered the current economic environment noting recent inflationary impacts and a rising interest rate climate. Other than these and the estimates and assumptions used for the measurement of items held at fair value such as derivative financial instruments and investment properties, no key assumptions concerning the future or other estimation of 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 as it considers the impact of climate change risks in preparing the Consolidated Financial Statements. Refer to specific considerations relating to Investment properties within note 7 to the Consolidated Financial Statements.

In March 2022, the International Sustainability Standards Board (ISSB) released their first two exposure drafts. When the exposure drafts are issued as standards, these will be available for voluntary adoption and will not become mandatory until aligned standards are adopted in Australia. The Group will assess the potential impact of these new standards on the consolidated financial statements once they have been issued by the ISSB and will continue to monitor developments in Australia.

**Principles of consolidation**

These Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2022.

**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

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  | 8. Capital and financial risk management                  | 13. Audit, taxation and transaction service fees |
| 2. Property revenue and expenses  |                           | 9. Interest bearing liabilities                           | 14. Cash flow information                        |
| 3. Finance costs                  |                           | 10. Commitments and contingencies                         | 15. Related parties                              |
| 4. Taxation                       |                           | 11. Contributed equity                                    | 16. Controlled entities                          |
| 5. Earnings per security          |                           | 12. Working capital                                       | 17. Parent entity disclosures                    |
| 6. Distributions paid and payable |                           |                                                           | 18. 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

DXC 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 PCA definition of FFO to be a measure that reflects the underlying performance of the Group. A reconciliation of DXC's FFO to profit for the year is tabled below:

|                                                     | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------------------------|----------------|----------------|
| <b>Segment performance measures</b>                 |                |                |
| Property revenue                                    | 55,424         | 41,190         |
| Property expenses                                   | (7,580)        | (3,466)        |
| Management fee and other expenses                   | (5,926)        | (3,995)        |
| Interest income                                     | 147            | 136            |
| Finance costs                                       | (6,908)        | (4,218)        |
| Incentive amortisation and rent straight line       | (5,042)        | (4,335)        |
| Rental guarantees, coupon income and other          | 980            | 350            |
| Amortisation of borrowing costs                     | 402            | 266            |
| <b>Funds From Operations (FFO)</b>                  | <b>31,497</b>  | <b>25,928</b>  |
| Net fair value gain/(loss) of investment properties | 30,836         | 42,218         |
| Net fair value gain/(loss) of derivatives           | 13,136         | 1,603          |
| Incentive amortisation and rent straight line       | 5,042          | 4,335          |
| Rental guarantees, coupon income and other          | (980)          | -              |
| Debt modification gain                              | 3,510          | -              |
| Amortisation of borrowing costs                     | (402)          | (266)          |
| <b>Profit for the year</b>                          | <b>82,639</b>  | <b>73,818</b>  |

## 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.

|                                 | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------|----------------|----------------|
| Rental income                   | 45,547         | 34,132         |
| Outgoings and direct recoveries | 3,895          | 2,198          |
| Services revenue                | 911            | 447            |
| Incentive amortisation          | (95)           | (79)           |
| <b>Total property revenue</b>   | <b>50,258</b>  | <b>36,698</b>  |



## Note 2 Property revenue and expenses (continued)

### Impact of COVID-19 on Property revenue

The rent relief measures outlined in the Australian Government National Code of Conduct (Code of Conduct) and given effect to by State based legislation and regulations operated over the following periods during the year ended 30 June 2022:

- NSW – For the period 13 July 2021 to 13 March 2022
- VIC – For the period 28 July 2021 to 15 March 2022

Rent relief provided to tenants that have been impacted by the COVID-19 pandemic comprised short term waivers related to future occupancy and are treated as lease modifications. Such modifications are recognised on a straight line basis over the non-cancellable term of the modified lease. As at the reporting date, all waivers provided were on a short term basis and in aggregate were insignificant to the Group's total property revenue.

### 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.

|                                             | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| Recoverable outgoings and direct recoveries | 4,970          | 2,641          |
| Other non-recoverable property expenses     | 2,610          | 825            |
| <b>Total property expenses</b>              | <b>7,580</b>   | <b>3,466</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.

|                                            | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| Interest paid/payable                      | 3,074          | 1,635          |
| Line fees                                  | 2,165          | 1,060          |
| Amortisation of borrowing costs            | 402            | 266            |
| Debt modifications                         | (3,510)        | -              |
| Realised loss of interest rate derivatives | 1,220          | 1,243          |
| Other finance costs                        | 47             | 14             |
| <b>Total finance costs</b>                 | <b>3,398</b>   | <b>4,218</b>   |

## 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 2022, there were no unrecognised carried forward losses (2021: nil).

## Note 5 Earnings per security

Earnings per security are determined by dividing the net profit 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.

|                                                                                         | 2022         | 2021    |
|-----------------------------------------------------------------------------------------|--------------|---------|
| Profit after tax (\$'000) attributable to security holders of the Trust (parent entity) | 30,499       | 27,078  |
| Weighted average number of securities outstanding (thousands)                           | 136,329      | 118,335 |
| <b>Basic and diluted earnings (cents per security)</b>                                  | <b>22.37</b> | 22.88   |
| Profit after tax (\$'000) attributable to security holders of other stapled entities    | 52,140       | 46,740  |
| Weighted average number of securities outstanding (thousands)                           | 136,329      | 118,335 |
| <b>Basic and diluted earnings (cents per security)</b>                                  | <b>38.25</b> | 39.50   |

No dilutive securities were issued or on issue during the current year (2021: nil).

## Note 6 Distributions paid and payable

Distributions are recognised when declared.

### Distribution to security holders

|                                               | 2022          | 2021   |
|-----------------------------------------------|---------------|--------|
|                                               | \$'000        | \$'000 |
| 30 September (paid 5 November 2021)           | 7,966         | 6,191  |
| 31 December (paid 4 February 2022)            | 7,967         | 6,667  |
| 31 March (paid 13 May 2022)                   | 8,080         | 6,756  |
| 30 June (payable 23 August 2022)              | 8,024         | 6,758  |
| <b>Total distribution to security holders</b> | <b>32,037</b> | 26,372 |

### Distribution rate

|                                     | 2022               | 2021               |
|-------------------------------------|--------------------|--------------------|
|                                     | Cents per security | Cents per security |
| 30 September (paid 5 November 2021) | 5.725              | 5.475              |
| 31 December (paid 4 February 2022)  | 5.725              | 5.475              |
| 31 March (paid 13 May 2022)         | 5.825              | 5.475              |
| 30 June (payable 23 August 2022)    | 5.825              | 5.475              |
| <b>Total distribution rate</b>      | <b>23.100</b>      | 21.900             |

# Property portfolio assets

## In this section

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

| 30 June 2022          | Note | 2022<br>\$'000 |
|-----------------------|------|----------------|
| Investment properties | 7    | 850,050        |
| <b>Total</b>          |      | <b>850,050</b> |

Property portfolio assets are used to generate the Group's performance and are considered to be the most relevant to the understanding of the operating performance of the Group. The assets are detailed in the following note:

- **Investment properties:** relates to investment properties, both stabilised and under development

## 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.

|                           | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>Non-current</b>        |                |                |
| Convenience retail        | 850,050        | 627,878        |
| Land held for development | -              | 4,773          |
| <b>Total</b>              | <b>850,050</b> | <b>632,651</b> |

## Note 7 Investment properties (continued)

### a. Reconciliation

|                                                                        | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------------------------------------------|----------------|----------------|
| Opening balance at the beginning of the year                           | 632,651        | 448,159        |
| Additions <sup>1</sup>                                                 | 10,782         | 2,717          |
| Acquisitions                                                           | 176,164        | 134,875        |
| Lease incentives                                                       | 1,469          | 898            |
| Amortisation of lease incentives                                       | (138)          | (157)          |
| Rent straightlining                                                    | 5,166          | 4,492          |
| Disposals                                                              | (6,880)        | (732)          |
| Net fair value gain/(loss) of investment properties <sup>2, 3, 4</sup> | 30,836         | 42,399         |
| <b>Closing balance at the end of the year</b>                          | <b>850,050</b> | <b>632,651</b> |

1 Includes \$956,000 (2021: \$885,000) of maintenance capital expenditure incurred during the year.

2 Includes the fair value gain recognised on the compulsory acquisition of a small portion of land at 225 Womma Road, Edinburgh North by the South Australian government in the year ending 30 June 2021.

3 Includes the fair value loss recognised on the contracted disposal of unused land held for development at 473-477 North East Road & 37 Ramsay Avenue, Hillcrest following completion of subdivision in the year ending 30 June 2021.

4 The net fair value gain/(loss) of investment properties is unrealised and has been recognised as "net fair value gain of investment properties" in the Consolidated Statement of Comprehensive Income.

### Acquisitions

On 9 August 2021, settlement occurred for the acquisition of 1-3 Juers Street, Kingston QLD for \$10,193,000 excluding acquisition costs.

On 17 August 2021, settlement occurred for the acquisition of 591 Grand Junction Road, Gepps Cross SA for \$7,470,000 excluding acquisition costs.

On 19 August 2021, settlement occurred for the acquisition of 105-115 Cairns Road, Gordonvale QLD for \$18,400,000 excluding acquisition costs.

On 31 August 2021, settlement occurred for the acquisition of:

- 1 Pub Lane, Greenbank QLD for \$6,550,000 excluding acquisition costs
- 1 Tesch Road, Griffin QLD for \$16,600,000 excluding acquisition costs
- 1 Cawdor Road, Highfields QLD for \$6,200,000 excluding acquisition costs
- 324-326 Logan River Road, Holmview QLD for \$12,000,000 excluding acquisition costs
- 43 Stapylton Street, North Lakes QLD for \$10,750,000 excluding acquisition costs
- 5/1 Brygon Creek Drive, Upper Coomera QLD for \$6,900,000 excluding acquisition costs

On 28 September 2021, settlement occurred for the acquisition of:

- 219 Westphalen Drive, Riverview QLD for \$16,000,000 excluding acquisition costs
- Dubbo Service Centre, 235 Cobra Close, Dubbo NSW for \$4,000,000 excluding acquisition costs

On 13 October 2021, settlement occurred for the acquisition of 193-195 Jubilee Highway East, Mt Gambier SA for \$6,624,000 excluding acquisition costs.

On 5 November 2021, settlement occurred for the acquisition of 3201 Old Cleveland Road, Capalaba QLD for \$11,650,000 excluding acquisition costs.

On 4 February 2022, settlement occurred for the acquisition of 187 South Pine Road, Brendale QLD for \$9,100,000 excluding acquisition costs.

On 15 March 2022, settlement occurred for the acquisition of Glass House Mountains Dual Service Centre, Coochin Creek QLD for \$21,250,000<sup>1</sup> excluding acquisition costs.

1 Gross acquisition price of \$25,000,000 adjusted for \$3,750,000 which includes prepaid rent and other adjustments.

### Disposals

Settlement occurred on 6 May 2022 and 20 May 2022 respectively for the disposal of:

- 10 Takalvan Street, Bundaberg West QLD for \$2,570,000 excluding transaction costs
- 273-279 Gympie Road, Kedron QLD for \$4,310,000 excluding transaction costs



## Note 7 Investment properties (continued)

### 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 every six months for approximately one third of its portfolio. 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. Over the 12 months to 30 June 2022, 81 out of 112 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 has an internal valuations team and 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 the *RICS Valuation - Global 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.

### d. Fair value measurement and valuation 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 |                 |
|--------------------|----------------------|-------------------------------------|------------------------------|-----------------|
|                    |                      |                                     | 2022                         | 2021            |
| Convenience retail | Level 3              | Adopted capitalisation rate         | 4.50% - 8.50%                | 4.50% - 8.50%   |
|                    |                      | Current net market rental (per sqm) | \$226 - \$4,745              | \$217 - \$4,432 |

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

Judgement is required in determining the following key assumptions:

- **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

## Note 7 Investment properties (continued)

### e. Impact of COVID-19 on fair value of investment properties

Whilst there remains to be uncertainty in relation to the ultimate impact of COVID-19, the impact to the Group has been limited. As a result, the independent valuations did not identify specific COVID-19 related impacts to assumptions in determining appropriate fair values for investment properties as at 30 June 2022. Since the end of the year, the Group considered the current economic environment, noting recent inflationary impacts and a rising interest rate climate. The Group considers that the assumptions used in the valuations are appropriate for the purposes of determining fair value of investment properties at 30 June 2022.

### f. Sensitivity information

Significant movement in any one of the valuation inputs 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: | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| A decrease of 25 basis points in the adopted capitalisation rate                                                                   | 37,920         | 30,792         |
| An increase of 25 basis points in the adopted capitalisation rate                                                                  | (36,870)       | (22,308)       |
| A decrease of 5% in the net market rental (per sqm)                                                                                | (43,580)       | (28,398)       |
| An increase of 5% in the net market rental (per sqm)                                                                               | 41,310         | 34,672         |

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.

# 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 8 *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 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 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 9 and *Commitments and contingencies* in note 10
- **Equity:** *Contributed equity* in note 11

Note 12 provides a breakdown of the working capital balances held in the Consolidated Statement of Financial Position.

## Note 8 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 the 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 Group Management Committee and the Board.

The Capital Markets Committee 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 2022, the Group's gearing ratio is 35.0% (2021: 28.2%).

The Group is required to comply with certain financial covenants in respect of its interest bearing liabilities. During the 2022 and 2021 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.

## Note 8 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 exposes 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 2022, 57% (2021: 55%) of the Group's debt was hedged. The average hedged percentage for the financial year was 58% (2021: 67%).

Interest rate derivatives require settlement of net interest receivable or payable generally each 30 or 90 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 2023 | June 2024 | June 2025 | June 2026 | June 2027 |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
|                               | \$'000    | \$'000    | \$'000    | \$'000    | \$'000    |
| A\$ interest rate derivatives | 177,917   | 174,167   | 133,333   | 97,083    | 69,583    |
| <b>Hedge rate (%)</b>         | 1.09%     | 1.46%     | 1.52%     | 1.72%     | 2.99%     |

#### 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.

|                              | 2022         | 2021       |
|------------------------------|--------------|------------|
|                              | \$'000       | \$'000     |
| +/- 1.00% (100 basis points) | 1,127        | 428        |
| <b>Total</b>                 | <b>1,127</b> | <b>428</b> |

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



## Note 8 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 Consolidated Statement of Comprehensive Income.

|                              | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------|----------------|----------------|
| +/- 1.00% (100 basis points) | 5,232          | 2,473          |
| <b>Total</b>                 | <b>5,232</b>   | <b>2,473</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 undrawn 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 interest-bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

## Note 8 Capital and financial risk management (continued)

### b. Financial risk management (continued)

#### ii. Liquidity risk (continued)

| Refinancing risk<br>(continued) | Within one<br>year<br>\$'000 | Between one<br>and two<br>years<br>\$'000 | Between two<br>and<br>five years<br>\$'000 | After five<br>years<br>\$'000 | Total<br>contractual<br>cash flows<br>\$'000 | Carrying<br>amounts<br>\$'000 |
|---------------------------------|------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------|----------------------------------------------|-------------------------------|
| <b>2022</b>                     |                              |                                           |                                            |                               |                                              |                               |
| <b>Liabilities</b>              |                              |                                           |                                            |                               |                                              |                               |
| Payables                        | 6,737                        | -                                         | -                                          | -                             | 6,737                                        | 6,737                         |
| Distribution payable            | 8,024                        | -                                         | -                                          | -                             | 8,024                                        | 8,024                         |
| Provisions                      | 3,232                        | -                                         | -                                          | -                             | 3,232                                        | 3,232                         |
| Interest bearing liabilities    | 17,313                       | 29,128                                    | 260,829                                    | 117,572                       | 424,842                                      | 301,321                       |
| <b>Total liabilities</b>        | <b>35,306</b>                | <b>29,128</b>                             | <b>260,829</b>                             | <b>117,572</b>                | <b>442,835</b>                               | <b>319,314</b>                |
| <b>2021</b>                     |                              |                                           |                                            |                               |                                              |                               |
| <b>Liabilities</b>              |                              |                                           |                                            |                               |                                              |                               |
| Payables                        | 4,103                        | -                                         | -                                          | -                             | 4,103                                        | 4,103                         |
| Distribution payable            | 6,758                        | -                                         | -                                          | -                             | 6,758                                        | 6,758                         |
| Interest bearing liabilities    | 3,835                        | 85,493                                    | 106,624                                    | -                             | 195,952                                      | 181,445                       |
| Interest rate contracts         | 1,492                        | 1,253                                     | 513                                        | -                             | 3,258                                        | 1,893                         |
| <b>Total liabilities</b>        | <b>16,188</b>                | <b>86,746</b>                             | <b>107,137</b>                             | <b>-</b>                      | <b>210,071</b>                               | <b>194,199</b>                |

#### 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 2022 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position.

## Note 8 Capital and financial risk management (continued)

### b. Financial risk management (continued)

#### iii. Credit risk (continued)

The Group is also 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 2022 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.

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 risk associated with 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 derivative instruments for speculative purposes.

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 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.

## Note 8 Capital and financial risk management (continued)

### c. Derivative financial instruments (continued)

#### Interest rate contracts (continued)

|                                                                         | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------------------------------------|----------------|----------------|
| <b>Current assets</b>                                                   |                |                |
| Interest rate derivative contracts                                      | 240            | -              |
| <b>Total current assets – derivative financial instruments</b>          | <b>240</b>     | <b>-</b>       |
| <b>Non-current assets</b>                                               |                |                |
| Interest rate derivative contracts                                      | 12,706         | -              |
| <b>Total non-current assets – derivative financial instruments</b>      | <b>12,706</b>  | <b>-</b>       |
| <b>Non-current liabilities</b>                                          |                |                |
| Interest rate derivative contracts                                      | -              | 1,893          |
| <b>Total non-current liabilities – derivative financial instruments</b> | <b>-</b>       | <b>1,893</b>   |
| <b>Net derivative financial instruments</b>                             | <b>12,946</b>  | <b>(1,893)</b> |

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

|                                                        | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| <b>Net fair value gain of derivatives</b>              |                |                |
| Interest rate derivative contracts                     | 13,136         | 1,603          |
| <b>Total net fair value gain/(loss) of derivatives</b> | <b>13,136</b>  | <b>1,603</b>   |

## Note 9 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 note 8 *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.

|                                                                     | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------------------------------------|----------------|----------------|
| <b>Non-current</b>                                                  |                |                |
| <b>Secured</b>                                                      |                |                |
| Bank loans (net of debt modification)                               | 301,321        | 181,445        |
| Capitalised borrowing cost                                          | (1,710)        | (676)          |
| <b>Total secured</b>                                                | <b>299,611</b> | <b>180,769</b> |
| <b>Total non-current liabilities – interest bearing liabilities</b> | <b>299,611</b> | <b>180,769</b> |
| <b>Total interest bearing liabilities</b>                           | <b>299,611</b> | <b>180,769</b> |



## Note 9 Interest bearing liabilities (continued)

### Financing arrangements

DXC has \$375,000,000 of revolving credit facilities with four banks.

|                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Loan facility limit                   | 375,000        | 275,000        |
| Amount drawn at balance date          | (304,831)      | (181,445)      |
| <b>Amount undrawn at balance date</b> | <b>70,169</b>  | <b>93,555</b>  |

As at 30 June 2022, 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        | 29,500             | 52,500                   |
| Tranche 2 Series  | Feb-24        | 9,000              | 12,500                   |
| Tranche 3 Series  | Jul-27        | 26,500             | 31,250                   |
| Tranche 4 Series  | Mar-26        | 21,250             | 21,250                   |
| Tranche 5 Series  | Mar-27        | -                  | 7,500                    |
| Tranche 6 Series  | Mar-27        | 16,500             | 30,000                   |
| Tranche 7 Series  | Sep-27        | -                  | 17,500                   |
| Tranche 8 Series  | Mar-27        | 20,000             | 20,000                   |
| Tranche 9 Series  | Mar-29        | 20,000             | 20,000                   |
| Tranche 10 Series | Mar-29        | 20,000             | 20,000                   |
| Tranche 11 Series | Sep-24        | 20,000             | 20,000                   |
| Tranche 12 Series | Mar-28        | 15,000             | 15,000                   |
| Tranche 13 Series | Jul-24        | 30,000             | 30,000                   |
| Tranche 14 Series | Jul-25        | 30,000             | 30,000                   |
| Tranche 15 Series | Sep-26        | 29,600             | 30,000                   |
| Tranche 16 Series | Sep-27        | 17,481             | 17,500                   |

The revolving cash advance facilities are secured and cross collateralised over the DXC's investment properties (by first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement). DXC is in the process of finalising the mortgage lodgements of five of the properties acquired during the year. During the year, DXC renegotiated the pricing and extended the term of some existing tranches as well as introduced new tranches, resulting in an overall facility limit increase of \$100,000,000.

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:

|                              |                                                      | 2022      | 2021      |
|------------------------------|------------------------------------------------------|-----------|-----------|
| Loan to Value Ratio ("LVR")  | At all times, LVR does not exceed 50%                | 38.8%     | 32.2%     |
| Interest Cover Ratio ("ICR") | On 30 June each year, ICR is not less than 2.0 times | 5.2 times | 7.1 times |

## Note 10 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.

During the year, repair works on the underground tanks for three investment properties (i.e. 2948 Old Cleveland Rd, Capalaba QLD, 17-25 Toombul Rd, Northgate QLD and 550-560 Samford Rd, Mitchelton QLD) have been completed. As at the reporting date, there were no requirements and forecast capital expenditure to replace underground tanks at any other sites (30 June 2021: \$1,200,000). Other capital commitments as at the reporting date totalled \$348,000 (2021: nil).

## Note 10 Commitments and contingencies (continued)

### a. Commitments

#### 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:

|                                                 | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| Within one year                                 | 49,774         | 38,641         |
| More than one year but not more than five years | 209,941        | 120,655        |
| More than five years                            | 367,705        | 388,672        |
| <b>Total lease receivable commitments</b>       | <b>627,420</b> | <b>547,968</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 11 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 (net of tax). 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

|                                                        | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------------------------|----------------|----------------|
| At the beginning of the year                           | 356,618        | 310,121        |
| Issue of contributed equity                            | 55,500         | 44,999         |
| Securities issued under distribution reinvestment plan | 795            | 2,414          |
| Buy-back of contributed equity                         | (4,509)        | -              |
| Equity issuance and buy-back cost                      | (1,141)        | (916)          |
| <b>At the end of the year</b>                          | <b>407,263</b> | <b>356,618</b> |

#### Attributable to:

|                                            |                |                |
|--------------------------------------------|----------------|----------------|
| Security holders of the parent entity      | 190,503        | 170,572        |
| Security holders of other stapled entities | 216,760        | 186,046        |
| <b>At the end of the year</b>              | <b>407,263</b> | <b>356,618</b> |

## Note 11 Contributed equity (continued)

### Number of securities on issue

|                                                        | 2022<br>No.        | 2021<br>No.        |
|--------------------------------------------------------|--------------------|--------------------|
| At the beginning of the year                           | 123,429,770        | 109,684,567        |
| Issue of contributed equity <sup>1</sup>               | 15,499,599         | 13,060,360         |
| Securities issued under distribution reinvestment plan | 218,613            | 684,843            |
| Buy-back of contributed equity <sup>2</sup>            | (1,391,419)        | -                  |
| <b>At the end of the year</b>                          | <b>137,756,563</b> | <b>123,429,770</b> |

- 1 During the year, DXC successfully completed two equity raisings, issuing 15.5 million stapled securities for approximately \$55,500,000 at a fixed issue price per stapled security, comprising:
- 12.5 million stapled securities issued at \$3.60 per stapled security, totalling \$45,000,000 via an institutional placement
  - 3 million stapled securities issued at \$3.50 per stapled security, totalling \$10,500,000 via a security purchase plan
- 2 On 3 December 2021, DXC announced plans to initiate an on-market securities buy-back of up to 5% of DXC stapled securities on issue over the next 12 months, as part of its active approach to capital management. During the period to 30 June 2022, DXC acquired and cancelled 1.4 million stapled securities representing 1.01% of DXC stapled securities on issue.

## Note 12 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.

|                                            | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| Rent receivable <sup>1</sup>               | 1,528          | -              |
| Less: provision for expected credit losses | (520)          | -              |
| <b>Total receivables</b>                   | <b>1,008</b>   | <b>-</b>       |
| Other receivables                          | 280            | 720            |
| <b>Total other receivables</b>             | <b>280</b>     | <b>720</b>     |
| <b>Total receivables</b>                   | <b>1,288</b>   | <b>720</b>     |

- 1 Rent receivable includes outgoings recoveries.

## Note 12 Working capital (continued)

### b. Receivables (continued)

The provision for expected credit losses for rent receivables (which includes outgoings recoveries) as at 30 June 2022 was determined as follows:

|                                                 | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| <b>Days outstanding</b>                         |                |                |
| 0-30 days                                       | 24             | -              |
| 31-60 days                                      | 56             | -              |
| 61-90 days                                      | 28             | -              |
| 91+ days                                        | 412            | -              |
| <b>Total provision for expected credit loss</b> | <b>520</b>     | <b>-</b>       |

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

|                                                                    | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------------------------------------------------------------|----------------|----------------|
| <b>Opening provision for expected credit losses</b>                | <b>-</b>       | <b>-</b>       |
| Increase in provision recognised in profit or loss during the year | 520            | -              |
| <b>Closing provision for expected credit losses</b>                | <b>520</b>     | <b>-</b>       |

As at 30 June 2022, rent receivable of nil was written off (2021: \$51,000) and expensed in the Consolidated Statement of Comprehensive Income. The Group holds \$160,000 of security deposits and other collateral (2021: \$18,000).

### c. Other current assets

|                                   | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Other <sup>1</sup>                | 3,232          | 6,602          |
| Prepayments                       | 116            | 72             |
| <b>Total other current assets</b> | <b>3,348</b>   | <b>6,674</b>   |

<sup>1</sup> Other current assets for the year ended 30 June 2022 includes \$3,232,000 for land tax for properties owned in Queensland, Western Australia and South Australia that are due during the following period.

### d. Payables

|                             | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------|----------------|----------------|
| Trade payables              | 794            | 507            |
| Prepaid income              | 2,311          | 1,799          |
| Accrued interest            | 855            | 960            |
| Accrued capital expenditure | 1,061          | -              |
| Accrued other expenses      | 1,716          | 837            |
| <b>Total payables</b>       | <b>6,737</b>   | <b>4,103</b>   |

### e. Provisions

A provision is recognised when an 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.

Distributions are provided for when they are approved by the Board of Directors and declared.

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 obligation on properties owned in Queensland, Western Australia and South Australia that are due during the following period.



## Note 12 Working capital (continued)

### e. Provisions (continued)

|                            | 2022<br>\$'000 | 2021<br>\$'000 |
|----------------------------|----------------|----------------|
| Provision for distribution | 8,024          | 6,758          |
| Provision for land tax     | 3,232          | -              |
| <b>Total provisions</b>    | <b>11,256</b>  | <b>6,758</b>   |

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

|                                               | 2022<br>\$'000 | 2021<br>\$'000 |
|-----------------------------------------------|----------------|----------------|
| <b>Provision for distribution</b>             |                |                |
| Opening balance at the beginning of the year  | 6,758          | 5,978          |
| Additional provisions                         | 32,037         | 26,372         |
| Payment of distributions                      | (30,771)       | (25,592)       |
| <b>Closing balance at the end of the year</b> | <b>8,024</b>   | <b>6,758</b>   |

A provision for distribution has been raised for the period ended 30 June 2022. This distribution will be paid on 23 August 2022.

## Other disclosures

### In this section

This section includes information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the *Corporations Regulations*, but which are not considered critical in understanding the financial performance or position of the Group.

### Note 13 Audit, taxation and transaction service fees

Effective from 23 November 2021, PwC have been appointed as the Auditor of the Fund in accordance with section 327 of the *Corporations Act 2001*. This appointment follows the resignation of Deloitte Touche Tohmatsu and ASIC's consent to the same.

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

|                                                              | 2022<br>\$     | 2021<br>\$    |
|--------------------------------------------------------------|----------------|---------------|
| <b>Audit and review services</b>                             |                |               |
| Auditors of the Group - PwC (2021: Deloitte Touche Tohmatsu) |                |               |
| Financial statement audit and review services                | 67,882         | 74,272        |
| <b>Audit and review fees paid</b>                            | <b>67,882</b>  | <b>74,272</b> |
| <b>Assurance services</b>                                    |                |               |
| Auditors of the Group - PwC (2021: Deloitte Touche Tohmatsu) |                |               |
| Compliance assurance services                                | 14,589         | 10,200        |
| Outgoings audits                                             | 53,254         | -             |
| <b>Assurance fees paid</b>                                   | <b>67,843</b>  | <b>10,200</b> |
| <b>Total audit, review and assurance fees paid</b>           | <b>135,725</b> | <b>84,472</b> |

### Note 14 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:

|                                                            | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------------------------------------|----------------|----------------|
| <b>Net profit/(loss) for the year</b>                      | <b>82,639</b>  | <b>73,818</b>  |
| <i>Add/(less) non-cash items:</i>                          |                |                |
| Straight line lease revenue recognition                    | (5,166)        | (4,492)        |
| Impairment of rental receivables                           | 520            | 51             |
| Amortisation of borrowing costs                            | 402            | 266            |
| Gain from debt modifications                               | (3,510)        | -              |
| Movement in lease incentives                               | 138            | (740)          |
| Net fair value (gain)/loss of derivatives                  | (13,136)       | (1,603)        |
| Net fair value (gain)/loss of investment properties        | (30,836)       | (42,218)       |
| <i>Change in operating assets and liabilities:</i>         |                |                |
| (Increase)/decrease in receivables                         | (1,088)        | 79             |
| (Increase)/decrease in other current assets                | (3,326)        | (53)           |
| (Increase)/decrease in derivatives                         | (1,703)        | -              |
| (Increase)/decrease in other non-current assets            | (312)          | -              |
| Increase/(decrease) in payables                            | 2,634          | (496)          |
| Increase/(decrease) in other current liability             | 3,237          | -              |
| Increase/(decrease) in interest bearing liabilities        | (1,436)        | (214)          |
| <b>Net cash inflow/(outflow) from operating activities</b> | <b>29,057</b>  | <b>24,398</b>  |

## Note 14 Cash flow information (continued)

### b. Net debt reconciliation

|                                             | 2022<br>\$'000 | 2021<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| Opening balance                             | 180,769        | 75,826         |
| Changes from financing cash flows:          |                |                |
| Proceeds from borrowings                    | 438,175        | 144,876        |
| Repayment of borrowings                     | (314,789)      | (39,985)       |
| Gain from debt modifications                | (3,510)        | -              |
| Additional capitalised borrowing costs paid | (1,436)        | (214)          |
| Non-cash changes:                           |                |                |
| Amortisation of deferred borrowing costs    | 402            | 266            |
| Closing balance                             | 299,611        | 180,769        |

## Note 15 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. On 13 August 2021, DXPG (ACN 109 846 068), the immediate parent entity of DXAM was acquired by Dexu Nominee Pty Limited (an entity controlled by Dexu). Effective from that date, DXPG and its controlled entities are wholly owned subsidiaries of Dexu. Convenience Retail Management Pty Limited has been appointed as the 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:

|                                          | 2022           |                   | 2021           |                   |
|------------------------------------------|----------------|-------------------|----------------|-------------------|
|                                          | Paid<br>\$'000 | Payable<br>\$'000 | Paid<br>\$'000 | Payable<br>\$'000 |
| Management fees <sup>1</sup>             | 4,643          | 313               | 3,118          | 339               |
| Custody fees                             | 131            | 27                | 110            | 11                |
| Reimbursement of costs paid <sup>2</sup> | -              | -                 | (26)           | -                 |
| <b>Total</b>                             | <b>4,774</b>   | <b>340</b>        | <b>3,202</b>   | <b>350</b>        |

<sup>1</sup> 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 \$500,000,000 and \$1,000,000,000, 0.55% p.a. of Gross Asset Value between \$1,000,000,000 and \$1,500,000,000 and 0.50% of Gross Asset Value in excess of \$1,500,000,000). 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.

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

## Note 15 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:

|                                                                        | 2022                 |                  | 2021                 |                  |
|------------------------------------------------------------------------|----------------------|------------------|----------------------|------------------|
|                                                                        | Number of securities | Distributions \$ | Number of securities | Distributions \$ |
| Dexus PG Limited (formerly APN Property Group Limited)                 | -                    | -                | -                    | 438              |
| Dexus Asset Management Limited (formerly APN Funds Management Limited) | 2,402,816            | 555,051          | 2,402,816            | 526,217          |
| APD Trust                                                              | 10,011,224           | 2,312,593        | 10,011,224           | 2,098,175        |
| APN AREIT Fund                                                         | 8,417,135            | 1,921,458        | 6,869,334            | 1,373,034        |
| APN Property for Income Fund                                           | 721,261              | 164,436          | 597,220              | 121,049          |
| APN Property for Income Fund No.2                                      | 219,166              | 50,112           | 188,097              | 38,269           |
| CFS AREIT Mandate                                                      | 1,121,159            | 255,553          | 1,022,899            | 224,616          |
| Howard Brenchley                                                       | 99,668               | 17,218           | 89,914               | 18,322           |
| Geoff Brunsdon AM <sup>1</sup>                                         | -                    | 11,647           | 72,350               | 15,106           |
| Chris Aylward <sup>2</sup>                                             | -                    | -                | 1,259,690            | 264,305          |
| Tim Slattery <sup>2</sup>                                              | -                    | 149              | 860                  | 188              |
| Joseph De Rango <sup>3</sup>                                           | -                    | 1,627            | 7,008                | 1,517            |
| <b>Total</b>                                                           | <b>22,992,429</b>    | <b>5,289,844</b> | <b>22,521,412</b>    | <b>4,681,236</b> |

1 Mr Brenchley, Mr Aylward and Mr Slattery resigned as Directors of Dexus PG Limited on 13 August 2021.

2 Mr Brunsdon resigned as Director of DXAM on 28 February 2022.

3 Mr De Rango resigned as Alternate Director of DXAM for Mr Brenchley effective 1 March 2022.

As at 30 June 2022, 16.69% (2021: 18.25%) of DXC's stapled securities were held by related parties.

## Note 16 Controlled entities

|                                  | Country of incorporation | Percentage owned % |      |
|----------------------------------|--------------------------|--------------------|------|
|                                  |                          | 2022               | 2021 |
| <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>                     |                          | -                  | -    |

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.



## Note 17 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:

|                                                       | 2022<br>\$'000 | 2021<br>\$'000 |
|-------------------------------------------------------|----------------|----------------|
| <b>Financial position</b>                             |                |                |
| Total current assets                                  | 4,530          | 6,052          |
| Total non-current assets                              | 395,936        | 245,380        |
| <b>Total assets</b>                                   | <b>400,466</b> | <b>251,432</b> |
| Total current liabilities                             | 3,680          | 5,456          |
| Total non-current liabilities                         | 157,572        | 43,737         |
| <b>Total liabilities</b>                              | <b>161,252</b> | <b>49,193</b>  |
| <b>Net assets</b>                                     | <b>239,214</b> | <b>202,239</b> |
| <b>Equity</b>                                         |                |                |
| Contributed equity                                    | 190,503        | 170,572        |
| Retained profits                                      | 48,711         | 31,667         |
| <b>Total equity</b>                                   | <b>239,214</b> | <b>202,239</b> |
| <b>Financial performance</b>                          |                |                |
| Net profit/(loss) for the year                        | 30,499         | 27,078         |
| <b>Total comprehensive income/(loss) for the year</b> | <b>30,499</b>  | <b>27,078</b>  |

At 30 June 2022, the parent entity had not provided guarantees (2021: nil), had no contingent liabilities (2021: nil), and had \$6,500 other commitments or contingencies in effect (2021: nil).

## Note 18 Subsequent events

On 19 July 2022, contracts were exchanged for the disposal of 656 Bruce Highway, Woree QLD for \$1,850,000 excluding transaction costs.

On 3 August 2022, contracts were exchanged for the disposal of 2215 David Low Way, Peregian Beach QLD for \$4,200,000 excluding transaction costs.

Since the end of the year, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or 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 26 to 54:

- 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 consolidated financial position as at 30 June 2022 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

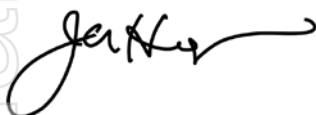
In the Directors' opinion:

- 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 and its consolidated entities 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  
8 August 2022

# Independent Auditor's Report



## Independent auditor's report

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

### Report on the audit of the Group financial report

#### Our opinion

In our opinion:

The accompanying Group financial report of Convenience Retail REIT No. 2 (the Trust) and its stapled entities, Convenience Retail REIT No. 1 (CRR1) and Convenience Retail REIT No. 3 (CRR3) (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 2022 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 CRR1 and CRR3.

The Group financial report comprises:

- the Consolidated Statement of Financial Position as at 30 June 2022
- 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 Group 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.

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Liability limited by a scheme approved under Professional Standards Legislation.



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

### Our audit approach

An audit is designed to provide reasonable assurance about whether the Group 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 Group 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 Group 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 matters                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>For the purpose of our audit we used overall materiality of \$1.6 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 Group financial report as a whole.</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 Group is a stapled entity with operations in Australia. In a stapled group the securities of two or more entities are 'stapled' together and cannot be traded separately. In the case of the Group, the stapled entity includes the Trust, CRR1 and CRR3.</li> </ul> | <ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matter to the Audit, Risk and Compliance Committee:             <ul style="list-style-type: none"> <li>Valuation of investment properties</li> </ul> </li> <li>These are further described in the <i>Key audit matters</i> section of our report.</li> </ul> |





- 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.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
- We audited each of the individual stapled trusts that form the Group as well as the consolidation of the Group.

As part of our audit, we also considered the potential impact of climate change on our risk assessment. We made enquiries of management to develop an understanding of the process that they adopted to assess the extent of the potential impact of climate change risk on the Group financial report. We considered management's progress in developing its assessment, and in particular the assessment of the impact on the fair value of investment properties.

### Key audit matters

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

##### Valuation of investment properties (Refer to Note 7)

The Group's investment property portfolio comprises directly held properties included in the Consolidated Statement of Financial Position as Investment Properties valued at \$850 million as at 30 June 2022.

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. The following significant assumptions are used in establishing fair value:

- Capitalisation rate
- Net market rental

To assess the valuation of investment properties we performed the following procedures amongst others:

- We compared 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 stated valuation policy.
- We obtained recent independent property market reports to develop an understanding of the prevailing market conditions in which the Group invests. We leveraged this knowledge to assess the reasonableness of movements in significant assumptions used in the investment property valuations,



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. It has been the Group's practice to have independent valuations performed every six months for approximately one third of its portfolio of investment properties. The remaining properties are internally valued every six months.

We considered the valuation of investment properties to be a key audit matter due to the:

- Financial significance of investment properties in the Consolidated Statement of Financial Position.
- Potential for changes in the fair value of investment properties to have a significant effect on the Consolidated Statement of Comprehensive Income.
- The inherently subjective nature of the assumptions that underpin the valuations, including the capitalisation rate.

including capitalisation rates and net market rental.

- We assessed the design and tested the operating effectiveness of certain controls supporting the Group's investment property valuation process, including controls relating to the review and approval of the valuations adopted.
- We agreed the adopted fair values of all properties to the valuation models.
- For selected data inputs to the valuations, on a sample basis we agreed relevant details to supporting documentation.
- We performed a risk-based assessment of the investment property portfolio to determine those properties at greater risk of being carried at amounts other than fair value. Our risk-based selection criteria included qualitative considerations and quantitative measures which were informed by our knowledge of each property, its asset class and our understanding of the current market conditions.
- For those properties which met our selection criteria, we performed procedures to assess the appropriateness of selected assumptions used in the valuations. These procedures included, amongst others:
  - Discussions held with management on the specifics of the selected individual properties including, where relevant, any new leases signed during the year, lease expiries, incentives, capital expenditure and vacancy rates.
  - Assessing the capitalisation rate and net market rental used in the valuations by reference to market analysis published by industry experts and recent market transactions.
  - Testing the mathematical accuracy of the valuation calculations.
- As the Group engaged independent valuation firms to assist in the determination of the fair value of investment properties, we considered the independence, experience and competency of the



independent valuation firms as well as the results of their work.

- We met with a selection of independent valuation firms used by the Group to develop an understanding of their processes, judgements and observations.
- We assessed the reasonableness of the Group's disclosures in the financial report against the requirements of Australian Accounting Standards.

#### Other information

The Directors of Dexus Asset Management Limited as 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 2022, but does not include the Group financial report and our auditor's report thereon.

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

In connection with our audit of the Group financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group 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 Group financial report

The Directors are responsible for the preparation of the Group 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 Group financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Group 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.

#### Auditor's responsibilities for the audit of the Group financial report

Our objectives are to obtain reasonable assurance about whether the Group 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 Group financial report.

A further description of our responsibilities for the audit of the Group 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.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Samantha Johnson*

Samantha Johnson  
Partner

Sydney  
8 August 2022





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# Investor information

**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.**

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 investors to ensure they can make informed investment decisions
- Providing regular access to senior management through 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.

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

|                        |                 |
|------------------------|-----------------|
| 2023 Half year results | 6 February 2023 |
| 2023 Annual results    | 7 August 2023   |

### Distribution calendar<sup>1</sup>

|                      |                   |                  |               |              |
|----------------------|-------------------|------------------|---------------|--------------|
| Period end           | 30 September 2022 | 31 December 2022 | 31 March 2023 | 30 June 2023 |
| Ex-distribution date | 29 September 2022 | 29 December 2022 | 30 March 2023 | 29 June 2023 |
| Record date          | 30 September 2022 | 30 December 2022 | 31 March 2023 | 30 June 2023 |
| Payment date         | November 2022     | February 2023    | May 2023      | August 2023  |

### 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's 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)

<sup>1</sup> 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).



## 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's 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)

## 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 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**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)  
Enables investors to update their details and download statements.

### **Key dates**

Notifies investors on key events and reporting dates.

### **LinkedIn**

We engage with our followers on LinkedIn at [www.linkedin.com/showcase/dexus-convenience-retail-reit](http://www.linkedin.com/showcase/dexus-convenience-retail-reit) and click follow us.

## 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. Any Security holder wishing to lodge a complaint, can do so verbally by calling the Dexus Infoline on +612 1800 819 675 or in writing to:

### **Dispute Resolutions Officer Dexus Asset Management Limited**

PO Box R1822  
Royal Exchange NSW 1225  
Email to [ir@dexus.com](mailto:ir@dexus.com)

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)

# Additional information

## Top 20 Security holders at 29 July 2022

| Rank                           | Name                                                                  | Number of stapled securities | % of issued capital |
|--------------------------------|-----------------------------------------------------------------------|------------------------------|---------------------|
| 1                              | J P Morgan Nominees Australia Pty Limited                             | 14,937,053                   | 10.84               |
| 2                              | National Nominees Limited                                             | 11,271,502                   | 8.18                |
| 3                              | Citicorp Nominees Pty Ltd                                             | 11,192,189                   | 8.12                |
| 4                              | Perpetual Corporate Trust Ltd <APD A/C>                               | 10,011,224                   | 7.27                |
| 5                              | HSBC Custody Nominees (Australia) Limited                             | 6,622,193                    | 4.81                |
| 6                              | BNP Paribus Noms Pty Ltd <DRP>                                        | 4,296,226                    | 3.12                |
| 7                              | CS Fourth Nominees Pty Limited<br><HSBC CUST NOM AU LTD 11 A/C>       | 3,569,282                    | 2.59                |
| 8                              | Alceon Group No75 Pty Ltd<br><AHC CO-INVESTMENT NO2 A/C>              | 3,040,000                    | 2.21                |
| 9                              | One Managed Investment Funds Ltd<br><Charter Hall Maxim Property Sec> | 2,800,000                    | 2.03                |
| 10                             | APN Funds Management Ltd                                              | 2,402,816                    | 1.74                |
| 11                             | SCJ Pty Limited <Jermyn Family A/C>                                   | 1,447,566                    | 1.05                |
| 12                             | BNP Paribus Nominees Pty Ltd HUB24<br>Custodial Serv Ltd <DRP A/C>    | 1,418,528                    | 1.03                |
| 13                             | Mr Stephen Craig Jermyn<br><Jermyn Family S/FUND A/C>                 | 1,009,538                    | 0.73                |
| 14                             | The Cass Foundation Limited                                           | 1,000,000                    | 0.73                |
| 15                             | Lauren Investments Pty Ltd<br><The Aylward Super Fund A/C>            | 956,500                      | 0.69                |
| 16                             | Netwealth Investments Limited<br><WRAP Services A/C>                  | 889,975                      | 0.65                |
| 17                             | Strategic Value Pty Ltd <TAL Super A/C>                               | 663,324                      | 0.48                |
| 18                             | Jan Holdings Pty Ltd                                                  | 650,000                      | 0.47                |
| 19                             | Mr Michael Kenneth Hansen &<br>Mrs Alison Betty Hansen <MAKAH A/C>    | 576,500                      | 0.42                |
| 20                             | Exldata Pty Ltd                                                       | 554,726                      | 0.40                |
| Sub total                      |                                                                       | <b>79,309,142</b>            | <b>57.57</b>        |
| Balance of register            |                                                                       | <b>58,447,421</b>            | <b>42.43</b>        |
| <b>Total of issued capital</b> |                                                                       | <b>137,756,563</b>           | <b>100.00</b>       |

## Spread of securities at 29 July 2022

| Range                | Securities  | Number of holders | % of issued capital |
|----------------------|-------------|-------------------|---------------------|
| 100,001 and over     | 88,452,745  | 68                | 64.21               |
| 10,001 to 100,000    | 37,433,393  | 1,582             | 27.17               |
| 5,001 to 10,000      | 8,307,752   | 1,130             | 6.03                |
| 1,001 to 5,000       | 3,445,415   | 1,112             | 2.50                |
| 1 to 1,000           | 117,258     | 360               | 0.09                |
| Total                | 137,756,563 | 4,252             | 100.00              |
| Unmarketable parcels | 4,129       | 144               | n.a                 |



### Substantial Holder Notices as at 29 July 2022

The names of Substantial Holders, at 29 July 2022 that have notified the Responsible Entity in accordance with section 671B of the Corporations Act 2001, are:

| Date       | Name                                                                                                        | Number of Securities | % voting |
|------------|-------------------------------------------------------------------------------------------------------------|----------------------|----------|
| 02-Sept-21 | MA Financial Group and related entities (Moelis)                                                            | 7,697,840            | 5.65     |
| 13-Aug-21  | Dexus Nominees Pty Limited and Dexus Funds Management Ltd as responsible entity for Dexus Diversified Trust | 21,091,590           | 17.06    |
| 11-Dec-20  | B&I Capital AG                                                                                              | 7,939,231            | 6.52     |

Note: DXC issued capital changed from 123,429,770 securities at 30 June 2021 to 137,756,563 securities at 30 June 2022 as a result of an equity raising announced to the ASX on 17 August 2021 and an on-market securities buy-back facility that was announced to the ASX on 8 February 2022.

### 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. Throughout the year, DXC has acquired 1,391,419 securities for \$4,508,520.72 million at an average price of \$3.24 under the buy-back program.

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 2022 are:

| Date                      | Convenience Retail REIT No. 1 | Convenience Retail REIT No. 2 | Convenience Retail REIT No. 3 |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|
| 1 Jul 2021 to 31 Dec 2021 | 31.62%                        | 42.83%                        | 25.55%                        |
| 1 Jan 2022 to 30 Jun 2022 | 31.78%                        | 43.14%                        | 25.08%                        |

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 29 July 2022.

# 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  
Howard Brenchley, Independent Director  
Michael Johnstone, Independent Director  
Emily Smith, Independent Director  
Deborah Coakley, Executive Director  
Brett Cameron, Alternate Director for  
Deborah Coakley

## Secretaries of the Responsible Entity

Brett Cameron  
Chantal Churchill

## Manager

Convenience Retail Management Pty Ltd

## Registered Office

Australia Square  
Level 25, 264-278 George 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  
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)

## Social media

DXC engages with its followers via LinkedIn



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