Dexus Convenience Retail REIT (ASX:DXC) Appendix 4D

Results for announcement to the market

Dexus Convenience Retail REIT

ARSN 619 527 829

Financial reporting for the half year ended 31 December 2023

Dexus Convenience Retail REIT[1]			
	31 Dec 2023	**31 Dec 2022**	**%**
	$000	**$000**	**Change**
Revenue from ordinary activities	28,952	30,692	-5.7%
Net profitable attributable to security holders after tax	-1,719	3,101	-155.4%
Funds from operations (FFO)[2]	14,453	15,559	-7.1%
Distribution to securityholders	14,258	14,602	-2.4%
	Cents	**Cents**	
FFO per security[2]	10.49	11.29	-7.1%
Distribution per security for the period ending:			
30 September	5.175	5.30	-2.4%
31 December	5.175	5.30	-2.4%
Total distributions	10.35	10.60	-2.4%
Payout ratio (distribution per security as a % of FFO per security)	98.7%	93.9%	5.1%
Basic earnings per security	-1.24	2.25	-155.1%
Diluted earnings per security	-1.24	2.25	-155.1%
Franked distribution amount per security	-	-	-
	'000	**'000**	
Total assets	769,038	844,080	-8.9%
Total borrowings	248,152	282,802	-12.3%
Security holders equity	500,406	543,017	-7.8%
Market capitalisation	358,167	393,984	-9.1%
	$ per security	**$ per security**	
Net tangible assets	3.63	3.94	-7.9%
Securities price	2.60	2.86	-9.1%
Securities on issue	137,756,563	137,756,563	
Record date	29 Dec 2023	30 Dec 2022	
Payment date	22 Feb 2024	23 Feb 2023	

Distribution Reinvestment Plan (DRP)

The Group has a DRP in place. The DRP is not currently open.

1 For the purposes of statutory reporting, the stapled entity, known as DXC, must be accounted for as a consolidated group. Accordingly, one of the stapled entities must be the "deemed acquirer" of all other entities in the Group. Convenience Retail REIT No. 2 (Dexus Convenience Retail REIT) has been chosen as the deemed acquirer of the balance of the DXC stapled entities, comprising Convenience Retail REIT No.1 and Convenience Retail REIT No.3.

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

Authorised by the Board of Dexus Asset Management Limited

For further information please contact:

Investors
Jason Weate
Fund Manager
+61 409 188 228
jason.weate@dexus.com

Media
Luke O'Donnell
Senior Manager, Media and Communications
+61 412 023 111
luke.odonnell@dexus.com

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 31 December 2023, the fund's portfolio is valued at approximately $753 million, is predominantly located on Australia's eastern seaboard and leased to leading Australian and international convenience retail tenants. The portfolio has a long lease expiry profile and contracted annual rent increases, delivering the fund a sustainable and strong level of income security. The fund has a conservative approach to capital management with a target gearing range of 25 – 40%. Dexus Convenience Retail REIT is governed by a majority Independent Board and managed by Dexus (ASX code: DXS), one of Australia's leading fully integrated real asset groups, with over 35 years of expertise in property investment, funds management, asset management and development. www.dexus.com

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).

The registered office for the Responsible Entity is Level 30, 50 Bridge Street, Sydney NSW 2000 and its principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne VIC 3000.

Dexus Convenience Retail REIT
Interim Report
31 December 2023

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Dexus Convenience Retail REIT consists of three stapled entities, Convenience Retail REIT No. 2, Convenience Retail REIT No. 1 and Convenience Retail REIT No. 3, collectively referred to as DXC or the Group. Dexus Asset Management Limited (DXAM) is the Responsible Entity of all three stapled entities. DXAM oversees the management and strategic direction of the Group. Dexus Convenience Retail REIT stapled securities are listed on the Australian Securities Exchange under the "DXC" code.

The registered office of the Responsible Entity of the Group is Level 30, Quay Quarter Tower, 50 Bridge Street, Sydney, NSW 2000 and its principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne, VIC 3000.

HY24 Operating and Financial Review

Strategy

Dexus Convenience Retail REIT (DXC) has taken an active and disciplined approach to investing in strategically located assets to provide investors a defensive income stream generated from a $753 million property portfolio. The business assesses opportunities across the broader commercial real estate landscape, with a focus on convenience retail and other assets with a non-discretionary focus, including fuel service stations. Currently, 85% of the portfolio by value is weighted towards high-quality metropolitan and highway service stations which provide long-term opportunities for capturing increased convenience retail spend and potentially alternate uses beyond fuel retailing, with regional properties comprising the remainder. DXC's portfolio is underpinned by strong income visibility, with a weighted average lease expiry of 9.3 years and occupancy of 99.6%. DXC's assets are supported by a strong tenant base, with 95% of income derived from major national and international tenants.

DXC delivers its investment proposition to investors by:

- Generating defensive income with embedded rental growth
- Maintaining a prudent capital structure
- Taking an active approach to portfolio optimisation
- Leveraging Dexus's leading real asset capabilities

Review of operations

The results of DXC's operations are disclosed in the Consolidated Statement of Comprehensive Income. A summary of results for the six months to 31 December 2023 is as follows:

Key financial performance metrics	31 December 2023	31 December 2022	Change
Net profit/(loss) after tax ($'000)	**(1,719)**	3,101	(155.4)%
Funds From Operations (FFO) ($'000)	**14,453**	15,559	(7.1)%
FFO per security (cents)	**10.5**	11.3	(7.1)%
Distribution per security (cents)	**10.4**	10.6	(2.4)%

	31 December 2023	30 June 2023	Change
Net tangible asset backing per security ($)	**3.63**	3.75	(3.2)%
Gearing (%)	**32.6%**	31.8%[a]	0.8ppt

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

Profit & loss	31 December 2023 $'000	31 December 2022 $'000	Change
Net rental income	**24,440**	26,815	(8.9)%
Interest income	**37**	22	68.2%
Total revenue	**24,477**	**26,837**	**(8.8)%**
Management fees	**(2,509)**	(2,725)	(7.9)%
Finance costs	**(5,923)**	(5,459)	8.5%
Corporate costs	**(542)**	(547)	(0.9)%
Total expenses	**(8,974)**	**(8,731)**	**2.8%**
Net operating income	**15,503**	**18,106**	**(14.4)%**
Fair value gain/(loss) on derivatives	**(4,575)**	(113)	3,948.7%
Fair value gain/(loss) on investment properties	**(12,647)**	(14,892)	(15.1)%
Statutory net profit/(loss) after tax	**(1,719)**	**3,101**	**(155.4)%**

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

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

FFO reconciliation	31 December 2023 $'000	31 December 2022 $'000
Profit/(loss) after tax for the period	**(1,719)**	**3,101**
Net fair value (gain)/loss on investment properties	**12,647**	14,892
Net fair value (gain)/loss on derivatives	**4,575**	113
Incentive amortisation and straight-line rent	**(1,820)**	(2,514)
Debt modification	**688**	367
Rental guarantees, coupon income and other	**82**	(400)
FFO	**14,453**	**15,559**

FFO composition	31 December 2023 $'000	31 December 2022 $'000	Change
Property FFO	**22,702**	23,901	(5.0)%
Management fees	**(2,509)**	(2,725)	(7.9)%
Net finance costs	**(5,198)**	(5,070)	2.5%
Other net expenses	**(542)**	(547)	(0.9)%
FFO	**14,453**	**15,559**	**(7.1)%**

Financial result

The statutory result reflected a net loss after tax of $1.7 million, impacted by net fair value losses on investment properties and derivatives.

FFO of $14.5 million or 10.5 cents per security reflected a decline of 7.1%, as the impact of a higher cost of debt reflecting higher interest rates and reduced property income from divestments more than offset solid like-for-like property income growth.

Portfolio like-for-like net operating income growth of 2.8% reflected a blend of fixed and CPI-linked rental escalators embedded within the portfolio.

Net tangible assets and asset valuations

DXC had 45 of its 101 investment properties independently valued during the half, with the remainder subject to internal valuations. The external and internal valuations resulted in a moderate decline of 1.7% on prior book values, with contracted rental growth partly offsetting the impact of capitalisation rate expansion. The valuations of metropolitan assets decreased 1.3% on prior book values, while highway assets decreased 2.8% and regional assets decreased 1.7%.

The combination of asset revaluations and net valuation declines on derivatives contributed to the reduction in NTA per security of 12 cents or 3.2%, to $3.63.

Property portfolio and asset management

DXC's property portfolio includes 101 assets valued at $753 million. The portfolio is diversified by geography, tenant and site type, with 12% of income generated from convenience retail tenancies.

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

The portfolio weighted average capitalisation rate has expanded by 20 basis points over the past six months to 6.30%, reflecting price discovery across relatively robust transaction market volumes in the current interest rate environment.

Portfolio occupancy increased to 99.6% and is underpinned by experienced national and global tenants, with 95% of rental income derived from major tenants. The portfolio offers strong income security and visibility with a weighted average lease expiry of 9.3 years and 89% of income expiring in FY30 or beyond.

The portfolio consistently generates organic rental growth with average rent reviews of 3.5% achieved for the half. The portfolio generates 75% of income from fixed rental increases, while 25% is from CPI escalations with approximately half of these subject to caps of 3 - 4%.

Developments

The Glass House Mountains project presents an opportunity to utilise excess land and significantly enhance the convenience retail offering across the 87,660 square metre dual highway site. The potential redevelopment comprises two stages with total project costs expected to be circa $45 million.

DXC is well positioned to commence the $20 million redevelopment of the Northbound site in Q3 FY24, subject to finalisation of Agreements for Leases. The project is expected to generate a yield on cost within a range of 5.5 – 6.0% and deliver strong development returns for DXC, while also providing a balanced tenancy mix with 45% of income expected to be derived from high-quality retail tenancies including McDonalds, Guzman y Gomez and KFC, which in aggregate will deliver a 15-year average lease term.

Transactions

Four divestments settled during the half for $18.6 million, reflecting an average discount to book value of 2.9%. Divestments included:

- 656 Bruce Highway, Woree, QLD, which settled on 18 August 2023
- 1182 Chapman Road, Glenfield, WA, which settled on 31 August 2023
- 323 North East Roast, Hampstead Gardens, SA, which settled on 3 October 2023
- 264 Browns Plains Road, Browns Plains, QLD, which settled on 19 October 2023

Post 31 December 2023, DXC exchanged contracts on the sale of 52 Aldershot Road, Lonsdale, SA, for $4.73 million. The sale is priced in line with the property's book value as at 31 December 2023 and settlement is expected in March 2024.

Financial position

DXC's net assets decreased $16.0 million (or 12 cents per security to an NTA of $3.63) primarily due to $12.6 million of property devaluations reflecting the higher interest rate environment.

Balance sheet ($'000)	31 December 2023	30 June 2023
Cash and cash equivalents	**4,920**	5,454
Investment properties	**753,402**	781,220
Other assets	**10,716**	16,189
Total assets	**769,038**	**802,863**
Borrowings	**(248,152)**	(263,420)
Provisions	**(7,457)**	(9,796)
Other liabilities	**(13,023)**	(13,264)
Total liabilities	**(268,632)**	**(286,480)**
Net assets	**500,406**	**516,383**
Stapled securities on issue ('000)	**137,757**	137,757
NTA per security ($)	**3.63**	**3.75**

Capital management

Gearing of 32.6% remains conservative, reflecting the mid-point of the 25 – 40% target range, despite asset devaluation pressures over the past 18 months. The sale of 52 Aldershot Road, Lonsdale, SA, for $4.73 million post 31 December 2023 is expected to reduce gearing by circa 40 basis points.

Hedged debt for the half averaged 81% and the weighted average maturity of hedges is 3.3 years. During the half, a $30 million facility was cancelled to reduce excess debt headroom and optimise overall debt costs. The weighted average debt maturity is 3.8 years with no debt expiries until FY26.

Key metrics	31 December 2023	30 June 2023
Gearing[a]	**32.6%**	31.8%[b]
Cost of debt[c]	**4.0%**	3.7%
Average maturity of debt	**3.8 years**	4.2 years[d]
Average hedged debt (including caps)	**81%**	64%
Average maturity of hedges	**3.3 years**	4.1 years
Headroom[e]	**$66.0m**	$80.5m[d]

a) Adjusted for cash.

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

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

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

e) Undrawn facilities plus cash.

Environmental, Social and Governance (ESG)

DXC is committed to delivering meaningful sustainability outcomes and aligns to the Dexus sustainability strategy, including an aspiration to unlock the potential of real assets to create lasting positive impact and a more sustainable tomorrow. This also includes delivering against the sustainability priority areas of Customer Prosperity, Climate Action and Enhancing Communities.

Recognising the importance of climate action, 100% renewable electricity is sourced for assets where DXC has operational control. DXC also maintained a carbon neutral position across its business operations and controlled building portfolio for FY23 as part of the Dexus group submission under the Climate Active Standard[1].

DXC supports its tenants' ESG aspirations and their varied approaches to the shift in the energy mix. During the half, a solar supplier was selected for the rollout of onsite solar at 20 Chevron sites in DXC's portfolio with works expected to begin in late 2024.

For the Glass House Mountains redevelopment, sustainability initiatives have been embedded into the project design including plans for six electric vehicle charging stations, rooftop solar, rainwater harvesting, grey water reuse and new fuel tank technology.

Market outlook

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

Over CY23, fuel and convenience property transaction volumes were down circa 43%, however volumes remained robust overall with 53 individual transactions recorded despite the challenging interest rate environment. This transaction activity reflects the repricing of assert values and capitalisation rates in line with the broader interest rate environment. Fuel and convenience property transaction volumes have been supported by investors taking a long-term view on underlying land value growth and tenant lease renewal potential.

Summary and guidance

DXC is well placed to deliver defensive and growing property income and will retain its focus on:

- enhancing portfolio attributes that deliver certainty of income
- preserving balance sheet strength (including exploring additional asset sales to provide value-enhancing redeployment opportunities)
- executing portfolio optimisation initiatives (including the potential redevelopment of Glass House Mountains)
- benefiting from Dexus's capabilities across transactions, leasing, development and asset management.

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

DXC updated its FY24 guidance range to FFO and distributions of 20.8 – 21.1 cents per security from 20.7 – 21.1 cents previously, reflecting an attractive distribution yield of circa 8%[2]. Guidance has been provided based on property income growth supported by contracted rental increases, current interest rate expectations and barring unforeseen circumstances (assuming average floating interest rates (90-day BBSW) of circa 4.5% and no further transactional activity).

1 Final Climate Active certification expected to be achieved post-reporting period. Covers scope 1, 2 and some scope 3 emissions. Refer to Sustainability Data Pack available on Dexus website for scope 3 inclusions.
2 Based on closing security price as at 2 February 2024.

Key risks

Risk	Potential impacts	How DXC is responding
Health, safety and wellbeing 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	– Death or injury at DXC properties – Loss of broader community confidence – Costs or sanctions associated with regulatory response – Costs associated with remediation and/or restoration, and criminal or civil proceedings – Inability to sustainably perform or deliver objectives – Business disruption	– Dexus implements an ISO 45001 accredited WHS Management system to communicate and manage WHS risks, including: • Contractor management procedures facilitating safe systems of work • WHS risk management program that is being rolled out to identify and assess risks associated with DXC owned assets and operations, and to monitor controls are effectively implemented – Maintain a business continuity management framework to mitigate safety threats, including the adoption of plans relating to crisis management, business continuity and emergency management
Strategic performance Ability to deliver DXC's strategic objectives, generate value and deliver superior performance	– Sustained inflation and recessionary pressures on the economy which could impact strategic outcomes – Loss of broader community confidence – Reputational damage – Inability to meet guidance – Inability to sustainably perform or deliver investment objectives	– Processes in place to monitor and manage performance and risks that may impact strategic outcomes and risks – DXC's strategy and risk appetite are approved annually by the Board and reviewed throughout the year by management – Progress against strategy is subject to regular review and reporting to the Board
Investment and financial performance Ability to meet market guidance and deliver DXC's investment proposition to provide defensive income with embedded growth for investors	– Reduced investor sentiment (equity and debt) – Reduced credit ratings and availability of debt financing – Sustained inflation and recessionary pressures on the economy which could impact financial performance – Inability to meet guidance – Inability to sustainably perform or deliver investment objectives – Decline in asset valuations – Reputational damage	– Processes in place to monitor and manage performance and risks that may impact on performance – Investments, divestments and developments must be approved by the Investment Committee and the Dexus Asset Management Limited (DXAM) Board in accordance with the terms of reference and operating limits – Due diligence is undertaken for all investment and divestment proposals, developments and major capital expenditure before approval or endorsement of each investment decision
Capital management Positioning the capital structure of the Fund to withstand unexpected changes in equity and debt markets	– Constrained capacity to execute strategy – Increased cost of funding (equity and debt) – Fluctuations in interest rates which could impact the cost of debt – Fluctuations in foreign exchange rates which could impact profitability – Reduced investor sentiment – Reduced availability of debt financing – Breach of financial covenants leading to default	– 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 – Ongoing monitoring of capital management is undertaken to ensure metrics are within risk appetite thresholds benchmarks and/or limits outlined within the Treasury Policy – Reporting and oversight by the Capital Markets Committee and the DXAM Board

Risk	Potential impacts	How DXC is responding
Environmental and social sustainability Ability to meet societal and investor expectations of corporate and social responsibilities	– Impacts to the community including human health and wellbeing – Increased costs associated with global and domestic energy crisis – Increased difficulty in leasing assets due to heightened risk of climate change impact – Increased costs associated with physical risks (e.g. asset damage from extreme weather) – Increased costs associated with transition risks (e.g. carbon regulation, requirements for building efficiency) – Inability to maintain access to capital due to reputational damage – Increased reputational risk for not supporting the community and social causes – Inability to address shift in customer preferences due to change in market demand for fuel, electric vehicles and alternative fuel vehicles	– Dexus implements an ISO 14001 accredited Environment Management system to communicate and manage Environment risks, including: • Environment risk management program that is being rolled out to identify and assess risks associated with DXC owned assets and operations, and to monitor that controls are effectively implemented – Dexus use scenario analysis to understand the broad range of climate-related issues that may impact the business and focus on enhancing the resilience of properties while implementing energy efficiency initiatives and renewable energy projects – DXC are committed to ensuring its operations provide quality jobs with the right conditions and collaborate with its suppliers to understand how it can contribute to upholding human rights across the supply chain, including addressing modern slavery
Compliance and regulatory Maintain appropriate governance and compliance practices to support oversight of, and compliance with, applicable laws and regulations	– Reputational damage – Conflicts of interest resulting in loss or reduced performance – Fines and sanctions impacting on business operations – Reduced investor sentiment (equity and debt) – Loss of broader community confidence – Increased compliance costs	– DXC's compliance monitoring program supports its comprehensive compliance policies and procedures that are regularly updated to ensure the business operates in accordance with regulatory expectations – Dexus employees and DXC service providers receive training on their compliance obligations and are encouraged to raise concerns where appropriate – Maintain grievance, complaints and whistleblower mechanisms for Dexus employees and DXC stakeholders to raise concerns safely, confidently and anonymously – Risk-based Internal Audit program – Independent industry experts are appointed to undertake reviews where appropriate
Development Providing the opportunity to grow DXC's portfolio and enhance future returns	– Reputational damage – Leasing outcomes impacting on completion valuations – Fluctuations in construction costs and project delays, including due to liquidation of third-party contractors, resulting in sub-optimal returns – Financial loss	– Partnering with trusted and high-quality development managers to execute fund-through projects
Performance of manager Services and activities provided by the manager e.g. cyber and data security, people and culture	– Disruption to business impacting key stakeholder groups – Financial loss – Reputation damage – Breach of laws/regulations resulting in sanctions and fines – Decrease in business performance, agility and resilience	– Regular Board Reporting including key risk, incident and breach updates – Regular monitoring of key metrics – Engagement with management to ensure visibility and oversight of key business activities and processes – Regular review and oversight of applicable business policies

Directors' Report

The Directors of Dexus Asset Management Limited (DXAM) as Responsible Entity of Convenience Retail REIT No. 2 (CRR2 or the Trust and deemed parent entity) and its controlled entities (together DXC or the Group) present their Directors' Report together with the Interim Consolidated Financial Statements for the half year ended 31 December 2023. The Interim Consolidated Financial Statements represent CRR2 and its controlled entities, which are referred to as the Group (the Group).

Directors

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

Directors	Appointed
Jennifer Horrigan, BBus, GradDipMgt, GradDipAppFin, MAICD	30 April 2012
Danielle Carter, BA/BCom, GradDipAppFin, CA, GAICD	17 October 2022
Deborah Coakley, BBus, GAICD	19 August 2021
Emily Smith, BCom, GAICD	19 April 2022
Jonathan Sweeney, BCom, LLB, CFA, GAICD	17 October 2022
Brett Cameron, LLB/BA, GAICD, FGIA – Alternate Director for Deborah Coakley	1 March 2022

Review of results and operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Operating and Financial Review on pages 2 to 7 of this Interim Report and forms part of this Directors' Report.

Significant changes in the state of affairs

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

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 9 and forms part of this Directors' Report.

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 Interim Consolidated Financial Statements to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Interim 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 Interim Consolidated Financial Statements were authorised for issue by the Directors on 5 February 2024.

Jennifer Horrigan
Chair
5 February 2024

Auditor's Independence Declaration

As lead auditor for the review of Convenience Retail REIT No. 2 for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

This declaration is in respect of Convenience Retail REIT No. 2 and the entities it controlled during the period.

Samantha Johnson
Partner
PricewaterhouseCoopers

Sydney
5 February 2024

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2023

	Note	31 Dec 2023 $'000	31 Dec 2022 $'000
Revenue from ordinary activities			
Property revenue	2	**28,952**	30,692
Total revenue from ordinary activities		**28,952**	**30,692**
Other income			
Interest revenue		**37**	22
Total other income		**37**	**22**
Total income		**28,989**	**30,714**
Expenses			
Property expenses	2	**(4,512)**	(3,877)
Finance costs	3	**(5,923)**	(5,459)
Management fee expense		**(2,509)**	(2,725)
Net fair value loss of investment properties	5	**(12,647)**	(14,892)
Net fair value loss of derivatives		**(4,575)**	(113)
Other expenses		**(542)**	(547)
Total expenses		**(30,708)**	**(27,613)**
(Loss)/profit for the period		**(1,719)**	**3,101**
(Loss)/profit for the period attributable to:			
Security holders of the parent entity		**(2,154)**	1,543
Security holders of other stapled entities (non-controlling interests)[1]		**435**	1,558
(Loss)/profit for the period		**(1,719)**	**3,101**
Other comprehensive income for the period		**–**	–
Total comprehensive (loss)/income for the period		**(1,719)**	**3,101**
Total comprehensive (loss)/income for the period attributable to:			
Security holders of the parent entity		**(2,154)**	1,543
Security holders of other stapled entities (non-controlling interests)[1]		**435**	1,558
Total comprehensive (loss)/income for the period		**(1,719)**	**3,101**
		Cents	**Cents**
Earnings per stapled security on profit/(loss) attributable to security holders of the Trust (parent entity)			
Basic earnings per security		**(1.56)**	1.12
Diluted earnings per security		**(1.56)**	1.12
Earnings per stapled security on profit/(loss) attributable to security holders of other stapled entities[1]			
Basic earnings per security		**0.32**	1.13
Diluted earnings per security		**0.32**	1.13

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

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

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets			
Cash and cash equivalents		**4,920**	5,454
Receivables		**1,566**	1,422
Non-current assets classified as held for sale	6	**–**	7,050
Derivative financial instruments	8	**3,826**	4,996
Other current assets		**896**	2,183
Total current assets		**11,208**	**21,105**
Non-current assets			
Investment properties	5	**753,402**	774,170
Derivative financial instruments	8	**4,388**	7,516
Other non-current assets		**40**	72
Total non-current assets		**757,830**	**781,758**
Total assets		**769,038**	**802,863**
Current liabilities			
Derivative financial instruments	8	**18**	–
Payables		**11,487**	12,004
Provisions		**7,457**	9,796
Other current liabilities		**1,000**	–
Total current liabilities		**19,962**	**21,800**
Non-current liabilities			
Derivative financial instruments	8	**518**	260
Interest bearing liabilities	7	**248,152**	263,420
Other non-current liabilities		**–**	1,000
Total non-current liabilities		**248,670**	**264,680**
Total liabilities		**268,632**	**286,480**
Net assets		**500,406**	**516,383**
Equity			
Equity attributable to security holders of the Trust (parent entity)			
Contributed equity	10	**190,503**	190,503
Retained profits		**29,404**	35,482
Parent entity security holders' interest		**219,907**	**225,985**
Equity attributable to security holders of other stapled entities (non-controlling interests)[1]			
Contributed equity	10	**216,760**	216,760
Retained profits		**63,739**	73,638
Other stapled security holders' interest		**280,499**	**290,398**
Total equity		**500,406**	**516,383**

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

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2023

	Note	Attributable to security holders of the Trust (parent entity)			Attributable to security holders of other stapled entities[1]			
		Contributed equity $'000	Retained profits $'000	Total $'000	Contributed equity $'000	Retained profits $'000	Total $'000	Total equity $'000
Opening balance as at 1 July 2022		**190,503**	**48,711**	**239,214**	**216,760**	**98,544**	**315,304**	**554,518**
Net (loss)/profit for the period		–	1,543	1,543	–	1,558	1,558	3,101
Other comprehensive income/(loss) for the period		–	–	–	–	–	–	–
Total comprehensive income/(loss) for the period		**–**	**1,543**	**1,543**	**–**	**1,558**	**1,558**	**3,101**
Transactions with owners in their capacity as owners								
Distributions paid or payable	4	–	(5,146)	(5,146)	–	(9,456)	(9,456)	(14,602)
Total transactions with owners in their capacity as owners		**–**	**(5,146)**	**(5,146)**	**–**	**(9,456)**	**(9,456)**	**(14,602)**
Closing balance as at 31 December 2022		**190,503**	**45,108**	**235,611**	**216,760**	**90,646**	**307,406**	**543,017**
Opening balance as at 1 July 2023		**190,503**	**35,482**	**225,985**	**216,760**	**73,638**	**290,398**	**516,383**
Net (loss)/profit for the period		**–**	**(2,154)**	**(2,154)**	**–**	**435**	**435**	**(1,719)**
Other comprehensive income/(loss) for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period		**–**	**(2,154)**	**(2,154)**	**–**	**435**	**435**	**(1,719)**
Transactions with owners in their capacity as owners								
Distributions paid or payable	4	–	(3,924)	(3,924)	–	(10,334)	(10,334)	(14,258)
Total transactions with owners in their capacity as owners		**–**	**(3,924)**	**(3,924)**	**–**	**(10,334)**	**(10,334)**	**(14,258)**
Closing balance as at 31 December 2023		**190,503**	**29,404**	**219,907**	**216,760**	**63,739**	**280,499**	**500,406**

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

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2023

	Note	31 Dec 2023 $'000	31 Dec 2022 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**29,990**	33,524
Payments in the course of operations (inclusive of GST)		**(11,299)**	(11,476)
Interest received		**37**	22
Finance costs paid		**(5,674)**	(4,204)
Net cash inflow/(outflow) from operating activities		**13,054**	**17,866**
Cash flows from investing activities			
Proceeds from sale of investment properties		**18,217**	15,379
Payments for capital expenditure on investment properties		**(951)**	(55)
Net cash inflow/(outflow) from investing activities		**17,266**	**15,324**
Cash flows from financing activities			
Proceeds from borrowings		**82,000**	63,750
Repayment of borrowings		**(98,080)**	(81,100)
Distributions paid to security holders		**(14,774)**	(15,325)
Net cash inflow/(outflow) from financing activities		**(30,854)**	**(32,675)**
Net increase/(decrease) in cash and cash equivalents		**(534)**	515
Cash and cash equivalents at the beginning of the period		**5,454**	5,178
Cash and cash equivalents at the end of the period		**4,920**	**5,693**

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

Notes to the Interim Consolidated Financial Statements

In this section

This section sets out the basis upon which the Group's Interim Consolidated Financial Statements are prepared.

Basis of preparation

These Interim Consolidated Financial Statements have been prepared in accordance with the requirements of the Constitutions of the entities within the Group, the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* issued by the Australian Accounting Standards Board.

These Interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these Interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2023 and any public announcements made by the Group during the half year, and up to the date of issuance of this Interim Report, in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Unless otherwise stated, the Interim 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 period's presentation.

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

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

Refer to the specific accounting policies within the Notes to the annual Consolidated Financial Statements for the year ended 30 June 2023 for the basis of valuation of assets and liabilities measured at fair value.

Net current asset deficiency

As at 31 December 2023, the Group had a net current asset deficiency of $8,754,000 (30 June 2023: deficiency of $695,000). This is primarily due to the distributions payable to stapled security holders of $7,129,000 (30 June 2023: $7,645,000). The Group has in place external funding arrangements to support the cash flow requirements of the Group, including undrawn facilities of $61,100,000 (30 June 2023: $75,019,000). In determining the basis of preparation of the Interim 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 Interim Consolidated Financial Statements have been prepared on that basis.

Critical accounting estimates

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

In the process of applying the Group's accounting policies, management has considered the current economic environment including the impacts of persistent inflation and elevated interest rates and the estimates and assumptions used for the measurement of items such as:

- Investment properties; and
- Derivative financial instruments.

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

Climate change

On 26 June 2023, the International Sustainability Standards Board (ISSB) released new sustainability standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures.* Subsequently, the Australian Accounting Standards Board (AASB) issued Exposure Draft "*Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*" and the Australian Treasury released related Exposure Draft legislation with their respective consultation periods ending on 1 March 2024 and 9 February 2024. The Group is continuing to develop its assessment of the impact of climate change in line with emerging industry and regulatory guidance on its Consolidated Financial Statements.

Notes to the Interim Consolidated Financial Statements

The Notes include information which is required to understand the Interim 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	Other disclosures
1. Operating segment	5. Investment properties	7. Interest bearing liabilities	11. Related parties
2. Property revenue and expenses	6. Non-current assets classified as held for sale	8. Fair value measurement	12. Subsequent events
3. Finance costs		9. Commitments and contingencies	
4. Distributions paid and payable		10. Contributed equity	

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 Interim 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 and distributions paid and payable.

Note 1 Operating segment

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

	31 Dec 2023 $'000	31 Dec 2022 $'000
Segment performance measures		
Property revenue	28,952	30,692
Property expenses	(4,512)	(3,877)
Management fee expense	(2,509)	(2,725)
Other expenses	(542)	(547)
Interest and other income	37	22
Finance costs	(5,235)	(5,092)
Incentive amortisation and rent straight line	(1,820)	(2,514)
Rental guarantees, coupon income and other	82	(400)
Funds From Operations (FFO)	**14,453**	**15,559**
Net fair value gain/(loss) of investment properties	(12,647)	(14,892)
Net fair value gain/(loss) of derivatives	(4,575)	(113)
Incentive amortisation and rent straight line	1,820	2,514
Rental guarantees, coupon income and other	(82)	400
Debt modification	(688)	(367)
(Loss)/profit for the period	**(1,719)**	**3,101**

Note 2 Property revenue and expenses

Property rental revenue is derived from holding properties as investment properties and earning rental yields over time. Associated property expenses are incurred to maintain the properties.

	31 Dec 2023 $'000	31 Dec 2022 $'000
Rental income	25,963	27,364
Outgoings and direct recoveries	2,196	2,657
Services revenue	812	708
Incentive amortisation	(19)	(37)
Total property revenue	**28,952**	**30,692**

	31 Dec 2023 $'000	31 Dec 2022 $'000
Recoverable outgoings and direct recoveries	3,257	3,589
Other non-recoverable property expenses	1,255	288
Total property expenses	**4,512**	**3,877**

Note 3 Finance costs

Finance costs are expensed as incurred unless they relate to qualifying assets which are capitalised to the cost of the asset.

	31 Dec 2023 $'000	31 Dec 2022 $'000
Interest paid/payable[1]	**7,800**	6,034
Amortisation of borrowing costs	**248**	208
Debt modifications	**688**	367
Realised (gain)/loss on interest rate derivative contracts	**(2,838)**	(1,166)
Other finance costs	**25**	16
Total finance costs	**5,923**	**5,459**

1 Includes $1,172,000 (December 2022: $1,271,000) of line fees expensed during the period.

Note 4 Distributions paid and payable

Distributions are recognised when declared.

Distribution to security holders

	31 Dec 2023 $'000	31 Dec 2022 $'000
30 September (paid 9 November 2023)	**7,129**	7,301
31 December (payable 22 February 2024)	**7,129**	7,301
Total distribution to security holders	**14,258**	**14,602**

Distribution rate

	31 Dec 2023 Cents per security	31 Dec 2022 Cents per security
30 September (paid 9 November 2023)	**5.175**	5.300
31 December (payable 22 February 2024)	**5.175**	5.300
Total distribution rate	**10.350**	**10.600**

Property portfolio assets

In this section

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

31 December 2023	Note	Convenience retail $'000
Investment properties	5	**753,402**
Non-current assets classified as held for sale	6	**–**
Total		**753,402**

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

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

Note 5 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.

a. Reconciliation

	For the 6 months to 31 Dec 2023 $'000	For the 12 months to 30 Jun 2023 $'000
Opening balance	**774,170**	850,050
Additions[1,2]	**1,526**	1,281
Lease incentives	**33**	294
Amortisation of lease incentives	**(71)**	(161)
Rent straightlining	**1,891**	4,779
Disposals	**(11,500)**	(33,740)
Transfer to non-current assets classified as held for sale	**–**	(7,050)
Net fair value gain/(loss) of investment properties[2]	**(12,647)**	(41,283)
Closing balance	**753,402**	**774,170**

1 Includes $160,000 (30 June 2023: $539,000) of maintenance capital expenditure incurred during the period.
2 Includes $320,000 of transaction costs associated with the disposals of investment properties and assets held for sale during the period (30 June 2023: $682,000).

Disposals

Settlement for the disposals of the following investment properties occurred during the period, totalling $11,500,000 excluding transaction costs:

Date	Property Name
3 October 2023	323 North East Road, Hampstead Gardens SA
19 October 2023	264 Browns Plains Road, Browns Plains QLD

Note 5 Investment properties (continued)

b. Fair value measurement, valuation techniques and inputs

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

Class of property	Fair value hierarchy	Inputs used to measure fair value	Range of unobservable inputs 31 Dec 2023	Range of unobservable inputs 30 Jun 2023
Convenience retail	Level 3	Adopted capitalisation rate	**5.25% – 8.00%**	5.25% – 8.00%
		Net market rental (per sqm)	**$250 – $4,892**	$240 – $4,810

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

Judgement is required in determining the following significant unobservable inputs:

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

c. Sensitivity information

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

	31 Dec 2023 $'000	30 Jun 2023 $'000
A decrease of 25 basis points in the adopted capitalisation rate	**31,273**	33,750
An increase of 25 basis points in the adopted capitalisation rate	**(28,917)**	(30,870)
A decrease of 5% in the net market rental (per sqm)	**(37,652)**	(39,090)
An increase of 5% in the net market rental (per sqm)	**37,748**	39,010

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.

Note 6 Non-current assets classified as held for sale

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

At 31 December 2023, there were no investment properties held for sale.

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

Capital and financial risk management and other investments

In this section

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from 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 7, *Fair value measurement* in note 8, and *Commitments and contingencies* in note 9; and
- **Equity:** *Contributed equity* in note 10.

Note 7 Interest bearing liabilities

The following table summarises the Group's financing arrangements:

	31 Dec 2023 $'000	30 Jun 2023 $'000
Non-current		
Secured		
Bank loans (net of debt modification)	**249,313**	264,706
Capitalised borrowing cost	**(1,161)**	(1,286)
Total secured	**248,152**	**263,420**
Total non-current liabilities - interest bearing liabilities	**248,152**	**263,420**
Total interest bearing liabilities	**248,152**	**263,420**

Financing arrangements

The Group has the following revolving credit facilities:

	31 Dec 2023 $'000	30 Jun 2023 $'000
Loan facility limit	**312,500**	342,500
Amount drawn at balance date	**(251,400)**	(267,481)
Amount undrawn at balance date	**61,100**	**75,019**

As at 31 December 2023, the following table summarises the maturity profile of the Group's financing arrangements:

Type of facility	Maturity date	Utilised $'000	Facility limit $'000
Tranche 1 Series	Mar-26	2,500	52,500
Tranche 2 Series	Jul-27	31,000	31,250
Tranche 3 Series	Mar-26	21,000	21,250
Tranche 4 Series	Mar-27	7,500	7,500
Tranche 5 Series	Mar-27	30,000	30,000
Tranche 6 Series	Sep-27	17,500	17,500
Tranche 7 Series	Mar-27	20,000	20,000
Tranche 8 Series	Mar-29	20,000	20,000
Tranche 9 Series	Mar-29	20,000	20,000
Tranche 10 Series	Mar-28	14,500	15,000
Tranche 11 Series	Jul-28	21,500	30,000
Tranche 12 Series	Sep-26	30,000	30,000
Tranche 13 Series	Sep-27	15,900	17,500
Total		**251,400**	**312,500**
Unused at balance date		**61,100**	

The revolving cash advance facilities are secured and cross collateralised over the Group's investment properties (by first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement), maturing between March 2026 and March 2029 with a weighted average maturity of July 2027.

Note 7 Interest bearing liabilities (continued)

Financing arrangements (continued)

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:

		31 Dec 2023	30 Jun 2023
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 50%	**33.3%**	33.8%
Interest Cover Ratio ("ICR")	As at 31 December and 30 June each year, ICR is not less than 2.0 times	**3.8 times**	4.0 times

Note 8 Fair value measurement

The Group uses the following methods in the determination and disclosure of the fair value of assets and liabilities:

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 period, 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 the majority of the 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.

Note 9 Commitments and contingencies

a. Commitments

Capital commitments

Under some of the lease agreements applicable to the existing investment properties, the Group is responsible for capital and structural repairs to the premises (except to the extent required due to the tenant's act, omissions or particular use). This contractual obligation can include the requirement to replace underground tanks and/or LPG tanks if they become worn out, obsolete, inoperable, or incapable of economic repair. As at the reporting date, there were no requirements to replace underground tanks at any sites (30 June 2023: nil).

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

	31 Dec 2023 $'000	30 Jun 2023 $'000
Investment properties	**79**	23
Total capital commitments	**79**	**23**

b. Contingencies

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

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 Notes to the Interim Consolidated Financial Statements, which should be brought to the attention of security holders as at the date of these Interim Consolidated Financial Statements.

Note 10 Contributed equity

	For the 6 months to 31 Dec 2023 No. of securities	For the 12 months to 30 Jun 2023 No. of securities
Opening balance	**137,756,563**	137,756,563
Closing balance	**137,756,563**	**137,756,563**

Other disclosures

In this section

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

Note 11 Related parties

Transactions with the Responsible Entity and related body corporate

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

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

	31 Dec 2023		31 Dec 2022	
	Paid $'000	Payable $'000	Paid $'000	Payable $'000
Management fees[1]	**2,092**	**711**	2,278	447
Custody fees	**65**	**13**	71	14
Reimbursement of costs paid[2]	**–**	**–**	18	–
Total	**2,157**	**724**	**2,367**	**461**

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

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 paid, or payable are set out as follows:

	31 Dec 2023		31 Dec 2022	
	Number of securities	Distributions $	Number of securities	Distributions $
Dexus Asset Management Limited	**2,402,816**	**248,691**	2,402,816	254,698
APD Trust	**10,011,224**	**1,036,162**	10,011,224	1,061,190
Dexus AREIT Fund	**6,530,327**	**705,904**	8,057,327	873,146
Dexus Property for Income Fund	**540,261**	**55,917**	581,261	64,794
Dexus Property for Income Fund No.2	**164,166**	**16,991**	166,166	19,363
CFS Dexus AREIT Mandate	**158,812**	**59,613**	1,043,128	112,057
Jennifer Horrigan	**33,500**	**3,467**	33,500	3,551
Howard Brenchley[1]	**–**	**–**	–	5,282
Danielle Carter[2]	**8,946**	**926**	–	–
Jonathan Sweeney[2]	**15,000**	**1,553**	–	–
Total	**19,865,052**	**2,129,224**	**22,295,422**	**2,394,081**

1 Resigned, effective 17 October 2022
2 Appointed, effective 17 October 2022.

As at 31 December 2023, 14.42% (31 December 2022: 16.18%) of Group's stapled securities were held by related parties.

Note 12 Subsequent events

On 2 February 2024, contracts were exchanged for the disposal of 52 Aldershot Road, Lonsdale SA. The sale price is in line with the 31 December 2023 book value.

Since the end of the period, the Directors are not aware of any other matter or circumstance not otherwise dealt within the Interim 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

In the Directors' opinion:

a. The Interim Consolidated Financial Statements and Notes set out on pages 10 to 22 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the Group's consolidated financial position as at 31 December 2023 and of its performance for the half year ended on that date; and

b. there are reasonable grounds to believe that Convenience Retail REIT No. 2 will be able to pay its debts as and when they become due and payable.

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

Jennifer Horrigan
Chair
5 February 2024

Independent auditor's review report to the stapled security holders of Convenience Retail REIT No. 2

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Convenience Retail REIT No. 2 (the Trust) and the entities it controlled during the half-year (together the Group or Dexus Convenience Retail REIT), which comprises the Consolidated Statement of Financial Position as at 31 December 2023, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, selected explanatory notes and the Directors' Declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date

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

Basis for conclusion

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

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

Responsibilities of the Directors of the Responsible Entity for the half-year financial report

The Directors of Dexus Asset Management Limited as the Responsible Entity of the Trust (the Directors) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

Samantha Johnson
Partner

Sydney
5 February 2024