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 2021

Dexus Convenience Retail REIT[1]			
	31 Dec 2021	**31 Dec 2020**	**%**
	$000	**$000**	**Change**
Revenue from ordinary activities	27,267	19,827	37.5%
Net profitable attributable to security holders after tax	39,979	21,044	90.0%
Funds from operations (FFO)[2]	15,447	12,269	25.9%
Distribution to securityholders	15,933	12,858	23.9%
	Cents	**Cents**	
FFO per security[2]	11.52	10.81	6.6%
Distribution per security for the period	11.45	10.95	4.6%
Payout ratio (distribution per security as a % of FFO per security)	99.4%	101.3%	-2.0%
Basic earnings per security	29.82	18.53	60.9%
Diluted earnings per security	29.82	18.53	60.9%
Franked distribution amount per security	-	-	-
	'000	**'000**	
Total assets	816,781	542,693	50.5%
Total borrowings	265,691	119,670	122.0%
Security holders equity	532,481	408,309	30.4%
Market capitalisation	499,541	431,024	15.9%
	$ per security	**$ per security**	
Net tangible assets	3.83	3.35	14.3%
Securities price	3.59	3.54	1.4%
Securities on issue	139,147,982	121,758,287	
Record date	31 Dec 2021	31 Dec 2020	
Payment date	4 Feb 2022	5 Feb 2021	

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, impairments and reversal of impairments, derivative and foreign exchange 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 (including write off of IFRIC software customisation expenses), amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

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. The fund's portfolio is valued at $803 million, 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

Dexus Asset Management Limited (ACN 080 674 479, AFSL No. 237500) (the "Responsible Entity") as 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 30, 101 Collins Street, Melbourne VIC 3000 Australia. PO Box 18011 Melbourne Collins Street East VIC 8003 Australia

Dexus Convenience Retail REIT

(Formerly APN Convenience Retail REIT)

Interim Report

31 December 2021

ARSN: 619 527 829

Contents

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 (previously known as APN Funds Management Limited) is the Responsible Entity 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 Group and its principal place of business is Level 30, 101 Collins Street, Melbourne VIC 3000.

HY22 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 with an attractive, defensive and growing income stream. Since IPO, DXC has successfully grown its portfolio from $287 million to $803 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 11.5 years and contracted annual weighted average rent reviews of 3.0%. DXC's assets are supported by a strong tenant base, with 90% 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.

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 2021 is as follows:

	31 Dec 2021 $'000	31 Dec 2020 $'000
Net property income[1]	20,964	15,826
Straight line rental income	2,812	2,151
Interest income	146	9
Total net revenue	**23,922**	17,986
Management fees	(2,460)	(1,626)
Finance costs	(3,172)	(2,036)
Corporate costs	(441)	(136)
Total expenses	**(6,073)**	(3,798)
Net operating profit	**17,849**	14,188
Fair value gain on derivatives	3,657	206
Fair value gain on investment properties	18,473	6,650
Statutory net profit	**39,979**	21,044

[1] *Includes property revenue less property costs.*

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 and foreign exchange mark-to-market impacts, amortisation of leasing costs and incentives, 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.

Review of operations (continued)

A reconciliation of statutory net profit to FFO is outlined as follows:

	31 Dec 2021 $'000	31 Dec 2020 $'000
Statutory net profit for the period	**39,979**	21,044
Adjusted for:		
Straight line lease revenue recognition	(2,812)	(2,151)
Fair value gain on investment properties	(18,473)	(6,650)
Fair value gain on derivatives	(3,657)	(206)
Amortisation of borrowing costs	197	137
Amortisation of leasing costs and rent-free adjustments	45	95
Rental guarantee and coupon income	168	-
FFO	**15,447**	12,269

	31 Dec 2021	31 Dec 2020
Key financial performance metrics:		
FFO per security (cents)	11.52	10.81
Distributions per security (cents)	11.45	10.95
Payout ratio (Distribution per security / FFO per security)	99.39%	101.29%
Statutory earnings per security (cents)	29.82	18.53
Weighted average securities on issue (thousands)	134,046	113,542
Securities on issue (thousands)	139,148	121,758
Distribution declared (thousands)	$15,933	$12,858

Financial result

DXC reported a statutory net profit of $40.0 million for the half year ended 31 December 2021, up $18.9 million, or 90.0%, on the previous corresponding period. The increase in net profit that was primarily driven by revaluation gains of investment properties of $21.1 million[1], which were $10.0 million higher than the previous corresponding period.

FFO increased 25.9% to $15.4 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 6.6% to 11.5 cents, reflecting the issuance of new securities to fund acquisitions during the period.

During the period to 31 December 2021, 47 of DXC's investment properties were independently valued by external valuers. The valuations of metropolitan assets increased 3.5% on prior period book values, while highway assets and regional assets increased 0.4% and 1.9% respectively. Total property portfolio valuation gains contributed to the 16 cents, or 4.4%, increase in NTA per security to $3.83 as at 31 December 2021.

DXC raised a total of $56.3 million during the half, 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 for the June 2021 quarter. The proceeds have assisted in funding acquisitions and have ensured that gearing remains within the 25 – 40% target range at 32.0%. DXC's weighted average debt maturity was 2.5 years and its weighted average cost of debt remained favourable at 2.7%.

[1] Including straight line lease revenue recognition.

Property portfolio and asset management

DXC's property portfolio includes 112 assets valued at $803 million. DXC also settled on the $9.1 million acquisition of BP Brendale on 4 February 2022. 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 changing consumer trends towards non-fuel retail.

The weighted average capitalisation rate for the portfolio is 5.82%, tightening 20 basis points over the past six months, primarily driven by a tightening in the weighted average capitalisation rate of metropolitan assets from 5.84% to 5.65%. The weighted average lease expiry by income of the portfolio is 11.5 years with limited lease expiry risk in any given year to FY30, providing strong income visibility.

The portfolio generates strong organic growth, with average portfolio rental growth of 3.0% per annum[1]. 78% of rental income is subject to contracted annual increases of 3.0% or more, while the remainder is linked to CPI escalations.

The portfolio remains 99.7% occupied and is underpinned by reliable and experienced national and global tenants, with 90% of rental income derived from major fuel tenants.

During the half, 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. Additionally, 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 half, DXC completed the $8.5 million Hillcrest, SA fund-through development comprising a Mobil service station and a standalone Hungry Jack's with drive-through. The site was revalued at $9.1 million as at 31 December 2021.

In September 2021, DXC acquired Dubbo Service Centre, Dubbo, NSW via a fund-through structure. The development project comprises a Mobil service station and a standalone Carl's Jr restaurant with drive-through. Construction is progressing well despite some weather delays and is expected to complete by April 2022. A potential second stage opportunity is under investigation, with several other longer-term development opportunities also currently being assessed.

Environmental, Social and Governance (ESG) update

DXC's portfolio is well positioned to ensure it remains resilient over the long term. Approximately 10% of the portfolio's income is derived from non-fuel tenants, while two sites across the portfolio offer electric vehicle charging stations.

DXC supports its tenants ESG aspirations and their continued investment in sustainability initiatives across the portfolio, with six of DXC's top 10 customers committing to net zero targets. During the half, DXC facilitated an agreement to rollout onsite solar at 40 Chevron sites in DXC's portfolio throughout Queensland and Western Australia, with works expected to begin later this year.

DXC will continue to leverage and align with Dexus's ESG approach to support the creation of sustainable long-term value, including increased environmental auditing of all sites to better track sustainability performance.

[1] Assumes CPI of 2.25%.

Overview and outlook

DXC is well placed to deliver on its strategy. The portfolio comprises high-quality assets that offer sustainable sources of income growth, underpinned by long-term leases to major tenants and 3.0% average annual rental increases.

DXC has achieved strong momentum into FY22 and remains focused on addressing the trading performance gap to NTA through the on-market securities buyback program, while also continuing to leverage its flexible balance sheet to take advantage of acquisition opportunities as they arise.

Dexus's fully integrated real estate management platform, coupled with the continuation of the existing management team provides greater asset management capabilities and future growth opportunities for DXC.

DXC reiterates its FY22 guidance at FFO and distributions of 23.1 cents per security, representing a 5.5% increase on FY21. This is subject to a continuation of current market condition and no unforeseen events.

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 (the Trust and 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 2021.

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 and Convenience Retail REIT No. 3 form the DXC stapled entity.

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
Geoff Brunsdon AM, B.Com, CA, F Fin, FAICD[1]	19 October 2009
Howard Brenchley, Bec	16 March 1998
Jennifer Horrigan, BBus, GradDipMgt, GradDipAppFin, MAICD	30 April 2012
Michael Johnstone, BTRP, LS, AMP (Harvard)	25 November 2009
Deborah Coakley, BBus, GAICD[2]	19 August 2021
Joseph De Rango, BCom, BBIS (IBL), MAICD - Alternate Director for Howard Brenchley	2 September 2019

1. On 2 February 2022, Mr Brunsdon announced his resignation from the DXAM Board effective 28 February 2022.
2. Ms Coakley was appointed an Executive Director on 19 August 2021.

Principal activities

The principal activity of the Group is to own and manage a quality portfolio of convenience retail properties that offer relatively 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 period.

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 5 of this Interim Report.

Significant changes in state of affairs

During the six months to 31 December 2021, 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 Nominee Pty Limited (an entity controlled by Dexus, listed on the ASX under code DXS). Accordingly, APN 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 code changed to "DXC" effective 5 October 2021.

2. DXC raised a total of $55.5 million from the 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.

Distributions

Distributions of $15,933,000 were declared by the Group during the half year ended 31 December 2021 (31 December 2020: $12,858,000).

Details of distributions paid and/or payable during the half year are outlined in note 4 of the interim Consolidated Financial Statements.

Auditor's independence declaration

A copy of the external auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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 8 February 2022.

Geoff Brunsdon AM

Chair

8 February 2022

Auditor's Independence Declaration

As lead auditor for the review of Convenience Retail REIT No. 2 for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Samantha Johnson
Partner
PricewaterhouseCoopers

Sydney
8 February 2022

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2021

	Notes	**31 Dec 2021 $'000**	31 Dec 2020 $'000
Revenue from ordinary activities			
Property revenue	2	**24,455**	17,676
Straight line rental income recognition		**2,812**	2,151
Total revenue from ordinary activities		**27,267**	19,827
Other income			
Interest income		**146**	9
Net fair value gain on investment properties	6	**18,473**	6,650
Fair value gain on derivatives		**3,657**	206
Other Income		**-**	157
Total other income		**22,276**	7,022
Total income		**49,543**	26,849
Expenses			
Property costs		**(3,491)**	(1,850)
Management fees	11	**(2,460)**	(1,626)
Finance costs	3	**(3,172)**	(2,036)
Other expenses		**(441)**	(293)
Total expenses		**(9,564)**	(5,805)
Profit for the period		**39,979**	21,044
Profit for the period attributable to:			
Security holders of the parent entity		**10,731**	9,274
Security holders of other stapled entities (non-controlling interests[1])		**29,248**	11,770
Profit for the period		**39,979**	21,044
Other comprehensive income		**-**	-
Total comprehensive income for the period		**39,979**	21,044
Total comprehensive income for the period attributable to:			
Security holders of the parent entity		**10,731**	9,274
Security holders of other stapled entities (non-controlling interests[1])		**29,248**	11,770
Total comprehensive income for the period		**39,979**	21,044
		Cents	Cents
Earnings per security on profit attributable to security holders of the Trust (parent entity)			
Basic and diluted earnings per security	5	**8.01**	8.17
Earnings per security on profit attributable to security holders of other stapled entities			
Basic and diluted earnings per security (non-controlling interests[1])	5	**21.82**	10.37

[1] 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 31 December 2021

	Notes	**31 Dec 2021 $'000**	30 Jun 2021 $'000
Current assets			
Cash and cash equivalents		**8,163**	786
Trade and other receivables		**691**	720
Other current assets		**2,111**	6,674
Derivative financial instruments	7	**27**	-
Total current assets		**10,992**	8,180
Non-current assets			
Investment properties	6	**802,879**	632,651
Derivative financial instruments	7	**2,910**	-
Loans and receivables		**-**	5,963
Total non-current assets		**805,789**	638,614
Total assets		**816,781**	646,794
Current liabilities			
Trade and other payables		**(9,495)**	(4,103)
Distributions payable	4	**(7,967)**	(6,758)
Other current liabilities		**(307)**	-
Derivative financial instruments	7	**-**	(926)
Total current liabilities		**(17,769)**	(11,787)
Non-current liabilities			
Derivative financial instruments	7	**(840)**	(967)
Borrowings	7	**(265,691)**	(180,769)
Total non-current liabilities		**(266,531)**	(181,736)
Total liabilities		**(284,300)**	(193,523)
Net assets		**532,481**	453,271
Equity			
Security holders of the parent entity:			
Contributed equity	10	**192,362**	170,572
Retained earnings		**35,663**	31,666
Security holders of other stapled entities (non-controlling interests[1]):			
Contributed equity	10	**219,422**	186,046
Retained earnings		**85,034**	64,987
Total equity		**532,481**	453,271

[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 half year ended 31 December 2021

	Notes	Attributable to security holders of the parent entity			Attributable to security holders of other stapled securities (non-controlling interests[1])			
		Contributed equity $'000	Retained earnings $'000	Total $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total equity $'000
Balance at 1 July 2020		149,718	16,215	165,933	160,405	32,990	193,395	359,328
Profit for the period		-	9,274	9,274	-	11,770	11,770	21,044
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the period		-	9,274	9,274	-	11,770	11,770	21,044
Issue of contributed equity	10	17,941	-	17,941	22,060	-	22,060	40,001
Securities issued under distribution reinvestment plan (DRP)	10	767	-	767	818	-	818	1,585
Equity issuance costs	10	(355)	-	(355)	(436)	-	(436)	(791)
Distributions paid or payable	4	-	(5,760)	(5,760)	-	(7,098)	(7,098)	(12,858)
Total transactions with owners in their capacity as owners		18,353	(5,760)	12,593	22,442	(7,098)	15,344	27,937
Balance at 31 December 2020		168,071	19,729	187,800	182,847	37,662	220,509	408,309
Balance at 1 July 2021		**170,572**	**31,666**	**202,238**	**186,048**	**64,985**	**251,033**	**453,271**
Profit for the period		**-**	**10,731**	**10,731**	**-**	**29,248**	**29,248**	**39,979**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period		**-**	**10,731**	**10,731**	**-**	**29,248**	**29,248**	**39,979**
Issue of contributed equity	10	**21,952**	**-**	**21,952**	**33,545**	**-**	**33,545**	**55,497**
Securities issued under distribution reinvestment plan (DRP)	10	**344**	**-**	**344**	**450**	**-**	**450**	**794**
Equity issuance costs	10	**(446)**	**-**	**(446)**	**(681)**	**-**	**(681)**	**(1,127)**
Distributions paid or payable	4	**-**	**(6,734)**	**(6,734)**	**-**	**(9,199)**	**(9,199)**	**(15,933)**
Total transactions with owners in their capacity as owners		**21,850**	**(6,734)**	**15,116**	**33,314**	**(9,199)**	**24,115**	**39,231**
Balance at 31 December 2021		**192,422**	**35,663**	**228,085**	**219,362**	**85,034**	**304,396**	**532,481**

[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 half year ended 31 December 2021

	Notes	31 Dec 2021 $'000	31 Dec 2020 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**31,947**	16,076
Payments in the course of operations (inclusive of GST)		**(3,559)**	(6,832)
Interest received		**146**	9
Finance costs paid		**(3,600)**	(1,907)
Net cash inflow / (outflow) from operating activities		**24,934**	7,346
Cash flows from investing activities			
Payments for acquisition of investment properties		**(136,311)**	(74,268)
Payments for capital expenditure on investment properties		**(6,881)**	(230)
Net cash inflow / (outflow) from investing activities		**(143,192)**	(74,498)
Cash flows from financing activities			
Proceeds from borrowings		**212,779**	68,440
Repayment of borrowings		**(127,584)**	(24,725)
Proceeds from issue of contributed equity	10	**55,497**	40,001
Equity issuance costs paid	10	**(1,127)**	(791)
Distributions paid		**(13,930)**	(10,583)
Net cash inflow / (outflow) from financing activities		**125,635**	72,342
Net increase / (decrease) in cash and cash equivalents		**7,377**	5,190
Cash and cash equivalents at the beginning of the period		**786**	2,331
Cash and cash equivalents at the end of the period		**8,163**	7,521

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 interim Consolidated Financial Statements are prepared.

Basis of preparation

These general purpose 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 2021 and any public pronouncements made by the Group during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the interim Consolidated Financial Statements are consistent with those adopted and disclosed in DXC's annual Consolidated Financial Statements for the financial year ended 30 June 2021. Those accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. 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 historical cost conventions, except for investment properties and other financial assets and liabilities which are stated at their fair value.

The interim Consolidated Financial Statements were authorised for issue by the Directors on 8 February 2022.

Net current asset deficiency

As at 31 December 2021, the Group had a net current asset deficiency of $6.8 million (30 June 2021: deficiency of $3.6 million). This is primarily due to distributions payable to stapled security holders of $8.0 million (30 June 2021: $6.8 million). The Group has in place external funding arrangements to support the cash flow requirements of the Group, including undrawn facilities of $58.4 million (30 June 2021: $93.6 million). In determining the basis of preparation of the financial report, 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.

Basis of preparation (continued)

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.

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

The first half of 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 is expected to persist for the first quarter of 2022.

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates in relation to COVID-19 related uncertainties. Other than these and the estimates and assumptions used for the measurement of items held at fair value such as certain 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 interim Consolidated Financial Statements.

The Notes to the interim Consolidated Financial Statements are organised into the following sections:

Group performance	**Property portfolio assets**	**Capital structure, financing and risk management**	**Other disclosures**
1. Operating segments	6. Investment properties	7. Borrowings	11. Related party transactions
2. Property revenue		8. Fair value measurement	12. Subsequent events
3. Finance costs		9. Contingencies	
4. Distributions paid and payable		10. Contributed equity	
5. Earnings per security			

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 operating segments, property revenue, finance costs, distributions paid and payable and earnings per security.

Note 1. Operating segments

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 Property Council of Australia's (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. Reconciliation of DXC's FFO to total comprehensive income for the period is tabled below:

	31 Dec 2021 $'000	31 Dec 2020 $'000
Funds From Operations (FFO)	**15,447**	12,269
Net fair value gain on investment properties	**18,473**	6,650
Straight-line lease revenue recognition	**2,812**	2,151
Fair value gain on derivatives	**3,657**	206
Incentive amortisation and rent-free adjustments	**(45)**	(95)
Rental guarantees and coupon income	**(168)**	-
Amortisation of borrowing costs	**(197)**	(137)
Total comprehensive income for the period	**39,979**	21,044

Note 2. Property revenue

Revenue from investment properties comprise of lease components (including base rent and amortisation of lease incentives) and non-lease components that primarily consists of property outgoing recoveries.

	31 Dec 2021 $'000	31 Dec 2020 $'000
Rental income	**21,643**	16,207
Outgoing recoveries	**2,812**	1,469
Total property revenue	**24,455**	17,676

Note 3. Finance costs

Finance costs include interest, amortisation or other costs incurred in connection with arrangement of borrowings and realised interest rate swaps. Finance costs are expensed as incurred unless they relate to qualifying assets.

A qualifying asset is an asset under development which takes a substantial period of time, where the works being carried out to bring it to its intended use or sale are expected to exceed 12 months in duration. Finance costs incurred for the acquisition and construction of a qualifying asset are capitalised to the cost of the asset for the period of time that is required to complete the asset. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using an appropriate capitalisation rate.

	31 Dec 2021 $'000	31 Dec 2020 $'000
Interest expense paid / payable[1]	1,991	1,414
Line fees	984	485
Amortisation of borrowing costs	197	137
Total finance costs	**3,172**	2,036

[1] Interest expense also includes the interest income / expense upon settlement of the interest rate contracts that the Group has entered during the period. Generally, the interest rate contracts settle monthly or quarterly and the difference between the fixed and floating interest rate is settled on a net basis with the relevant counterparty.

Note 4. Distributions paid and payable

	31 Dec 2021		31 Dec 2020	
	Cents per security	**$'000**	Cents per security	$'000
Distributions paid during the period:				
Quarter ended 30 September	5.725	7,966	5.475	6,191
Distributions payable:				
Quarter ended 31 December	5.725	7,967	5.475	6,667
Total distributions paid and payable	**11.450**	**15,933**	10.950	12,858

Note 5. Earnings per security

	31 Dec 2021	31 Dec 2020
Profit after tax ($'000) attributable to security holders of the Trust (parent entity)	10,731	9,274
Weighted average number of securities outstanding (thousands)	134,046	113,542
Basic and diluted earnings (cents per security)	**8.01**	8.17
Profit after tax ($'000) attributable to security holders of other stapled entities	29,248	11,770
Weighted average number of securities outstanding (thousands)	134,046	113,542
Basic and diluted earnings (cents per security)	**21.82**	10.37

No dilutive securities were issued/on issue during the period (31 December 2020: nil).

Property portfolio assets

In this section

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

31 December 2021	**Note**	**Total $'000**
Investment properties	6	796,539
Land held for development	6	6,340
Total		**802,879**

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

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

Note 6. 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 recognised 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.

	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current		
Convenience retail	**796,539**	627,878
Land held for development	**6,340**	4,773
Total investment properties	**802,879**	632,651

Note 6. Investment properties (continued)

Reconciliation of carrying amounts

	31 Dec 2021 $'000	30 Jun 2021 $'000
Carrying amount at beginning of the financial year	**632,651**	448,159
Purchase of investment properties and land held for development	**133,542**	128,111
Acquisition costs associated with purchase of investment properties and land held for development	**8,731**	6,764
Capital additions to existing investment properties	**950**	885
Development work in progress	**5,933**	1,832
Straight line rental revenue recognition	**2,812**	4,492
Capitalised leasing incentives and fees		898
Amortisation of lease incentives and fees	**(45)**	(157)
Movement in capitalised coupon income and rental guarantee	**(168)**	-
Net unrealised gain on fair value adjustments[1]	**18,473**	42,399
Disposals of investment properties and land held for development[2]	**-**	(551)
Net realised (loss) / gain on disposal of land held for development[3]	**-**	(183)
Carrying amount at end of the period	**802,879**	632,651

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

[2] Realised loss on disposal of investment properties in 30 June 2021 relates to the compulsory acquisition of a small portion of land at 225 Womma Road, Edinburgh North by the South Australian government.

[3] Realised loss from disposal of land held for development in 30 June 2021 relates to the disposal of unused land held for development at 473-477 North East Road & 37 Ramsay Avenue, Hillcrest.

Contractual obligations

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 period, 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) commenced and are near completion. As at the reporting date, the remaining forecast capital expenditure required to complete the works at these sites is approximately $0.8 million (30 June 2021: $1.2 million) which has been reflected as a reduction in the valuation of these investment properties as at the reporting date.

Individual valuation and carrying amounts

The investment portfolio consists of 111 properties and one land asset held for development located throughout Australia. 42 properties were independently valued at 31 December 2021 and five newly acquired properties were independently valued at acquisition and are held at the acquisition price. The Group's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties being valued. For 31 December 2021, independent valuations were performed by CIVAS (NSW) Pty Limited ("Colliers"), CB Richard Ellis P Pty. Ltd ("CBRE"), Jones Lang LaSalle Advisory Services Pty Ltd ("JLL") and Savills Valuations Pty Ltd ("Savills") (30 June 2021: 67 properties were independently valued by Colliers and Savills).

The remaining 65 properties were subject to internal valuations 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. All internal valuations have been reviewed and approved by the Board.

Property portfolio assets (continued)

		Latest independent valuation		Carrying amounts		Capitalisation rate	
		Valuation date	$'000	Dec 2021 $'000	Jun 2021 $'000	Dec 2021 %	Jun 2021 %
	Properties						
1.	397 Pacific Hwy, Belmont North, NSW [1]	Mar-21	9,110	9,110	9,110	4.50%	4.50%
2.	Cnr Vardys Rd & Turbo Rd, Marayong, NSW [1]	Mar-21	9,370	9,370	9,370	4.75%	4.75%
3.	511 Pacific Highway, South Kempsey, NSW [1]	Jun-21	26,190	26,190	26,190	5.50%	5.50%
4.	172 New England Highway, Rutherford, NSW [1]	Jun-21	7,370	7,600	7,370	5.25%	5.25%
5.	Cnr Northcote St & Main Rd, Heddon Greta, NSW [1]	Jun-21	11,460	11,800	11,460	5.50%	5.50%
6.	Cnr Weakleys & Glenwood Drives, Thornton, NSW [1]	Jun-21	11,500	11,500	11,500	5.50%	5.50%
7.	449 Victoria Street, Wetherill Park, NSW [1]	Jun-21	10,500	10,720	10,500	5.25%	5.25%
8.	1 Blueberry Road, Moree NSW	Dec-21	13,300	13,300	12,270	6.00%	6.50%
9.	2948 Old Cleveland Rd, Capalaba, QLD	Dec-21	6,150	6,150	5,410	5.25%	5.50%
10.	Cnr Anzac Ave & Josey Rd, Mango Hill, QLD	Dec-21	6,550	6,550	6,540	5.50%	5.25%
11.	550 -560 Samford Rd, Mitchelton, QLD	Dec-21	6,300	6,300	5,360	5.25%	5.50%
12.	420 - 426 Mt Cotton Rd, Capalaba, QLD	Dec-21	7,250	7,250	6,640	5.25%	5.50%
13.	1233 Wynnum Rd, Murarrie, QLD	Dec-21	6,600	6,600	5,320	5.00%	5.50%
14.	17 - 25 Toombul Rd, Northgate, QLD	Dec-21	6,600	6,600	5,570	5.00%	5.50%
15.	124 - 130 Paradise Rd, Slacks Creek, QLD	Dec-21	5,900	5,900	5,400	5.25%	5.50%
16.	108 Compton Rd, Woodridge, QLD [1]	Jun-21	6,300	6,540	6,300	6.00%	6.00%
17.	708 Gympie Rd, Lawnton, QLD [1]	Jun-21	4,750	4,750	4,750	7.00%	7.00%
18.	353 Redbank Plains Rd, Redbank Plains, QLD [1]	Jun-21	6,400	6,400	6,400	6.00%	6.00%
19.	264 Browns Plains Rd, Browns Plains, QLD	Jun-21	6,500	6,700	6,500	6.00%	6.00%
20.	Sovereign Avenue, Bray Park, QLD [1]	Jun-21	4,750	4,840	4,750	6.00%	6.00%
21.	21 Ingham Road, West End, QLD [1]	Jun-21	6,600	6,600	6,600	6.00%	6.00%
22.	921 Nambour Connection Rd, Nambour, QLD [1]	Jun-20	1,460	1,510	1,510	7.25%	7.25%
23.	19038 Bruce Highway, Bowen, QLD [1]	Jun-20	4,050	4,290	4,170	6.75%	6.75%
24.	25 Bolam Street, Garbutt, QLD [1]	Jun-21	3,060	3,150	3,060	6.25%	6.25%
25.	4545 Flinders Highway, Reid River, QLD [1]	Jun-20	2,830	3,000	2,910	8.50%	8.50%
26.	71 Thompson Street, Charters Towers, QLD [1]	Jun-20	6,150	6,520	6,330	8.00%	8.00%
27.	77-79 Bowen Road, Rosslea, QLD [1]	Jun-21	3,330	3,430	3,330	5.75%	5.75%

Property portfolio assets (continued)

		Latest independent valuation		Carrying amounts		Capitalisation rate	
		Valuation date	**$'000**	**Dec 2021 $'000**	Jun 2021 $'000	**Dec 2021 %**	Jun 2021 %
28.	900 Ingham Road, Bohle, QLD [1]	Jun-21	7,270	7,490	7,270	6.50%	6.50%
29.	45 Range Road, Sarina, QLD [1]	Jun-20	2,160	2,300	2,230	7.00%	7.00%
30.	2 Mulgrave Street, Gin Gin, QLD [1]	Jun-20	4,540	4,540	4,540	7.00%	7.00%
31.	161 Thozet Road, Koongal, QLD [1]	Jun-21	2,520	2,600	2,520	6.25%	6.25%
32.	74 Connor Street, Zilzie, QLD [1]	Jun-20	1,730	1,830	1,780	6.75%	6.75%
33.	1 Flinders Street, Monto, QLD [1]	Jun-20	1,410	1,460	1,460	7.00%	7.00%
34.	102-104 Cook Street, Portsmith, QLD [1]	Jun-21	7,020	7,230	7,020	6.25%	6.25%
35.	28 Supply Road, Edmonton, QLD [1]	Jun-21	6,990	7,200	6,990	6.00%	6.00%
36.	45 Arnold Street, Aeroglen, QLD [1]	Jun-21	4,240	4,370	4,240	6.50%	6.50%
37.	49 Tolga Road, Atherton, QLD [1]	Jun-21	2,170	2,230	2,170	6.75%	6.75%
38.	656 Bruce Highway, Woree, QLD [1]	Jun-21	1,670	1,720	1,670	6.75%	6.75%
39.	2215 David Low Way, Peregian Beach, QLD [1]	Jun-21	4,050	4,170	4,050	6.25%	6.25%
40.	10 Takalvan Street, Bundaberg, QLD [1]	Jun-21	2,350	2,420	2,350	5.75%	5.75%
41.	60 Hawkins Crescent, Bundamba, QLD [1]	Jun-21	22,120	22,780	22,120	5.75%	5.75%
42.	1129 Morandah Access Road, Moranbah, QLD [1]	Jun-20	6,720	7,130	6,930	6.50%	6.50%
43.	273-279 Gympie Rd, Kedron, QLD [1]	Jun-21	4,150	4,150	4,150	6.00%	6.00%
44.	34-36 Cessna Drive, Caboolture, QLD [1]	Jun-21	7,100	7,320	7,100	6.00%	6.00%
45.	164-170 David Low Way, Diddilibah, QLD [1]	Jun-20	3,640	3,860	3,750	7.00%	7.00%
46.	282 Wardell Street, Enoggera, QLD [1]	Jun-21	2,450	2,450	2,450	6.00%	6.00%
47.	840 Steve Irwin Way, Glasshouse Mountains, QLD [1]	Jun-20	5,500	5,840	5,670	6.75%	6.75%
48.	1977 Anzac Avenue, Mango Hill, QLD [1]	Jun-21	4,850	4,850	4,850	6.25%	6.25%
49.	72 Walker Street, Maryborough, QLD [1]	Jun-20	2,340	2,480	2,410	7.25%	7.25%
50.	127 Kingston Road, Woodridge, QLD [1]	Jun-21	6,000	6,000	6,000	6.00%	6.00%
51.	983 Waterworks Road, The Gap, QLD [1]	Jun-21	4,150	4,150	4,150	6.00%	6.00%
52.	63 Raceview Street, Raceview, QLD	Dec-21	10,300	10,300	9,425	5.75%	6.25%
53.	14 Rosemary Street, Durack, QLD	Dec-21	7,400	7,400	6,610	5.75%	6.25%
54.	205 Old Gympie Road, Dakabin, QLD	Dec-21	5,750	5,750	5,250	5.50%	5.75%

Property portfolio assets (continued)

		Latest independent valuation		Carrying amounts		Capitalisation rate	
		Valuation date	**$'000**	**Dec 2021 $'000**	Jun 2021 $'000	**Dec 2021 %**	Jun 2021 %
55.	Cnr Edith St and Bruce Hwy, Cluden, QLD [1]	Jun-21	16,500	16,500	16,500	6.00%	6.00%
56.	22 Nicholson Street, Banana, QLD [1]	Jun-20	3,680	3,900	3,790	7.50%	7.50%
57.	25 Kiernan Drive, Roseneath, QLD [1]	Jun-21	8,200	8,200	8,200	7.00%	7.00%
58.	53793 Bruce Hwy, Mount Larcom, QLD	Dec-21	8,900	8,900	8,000	6.00%	6.50%
59.	591 Dorset Rd, Bayswater North, VIC [1]	Mar-21	6,240	6,490	6,240	4.50%	4.50%
60.	Cnr Thompson Rd & Victoria St, Geelong North, VIC [1]	Mar-21	5,180	5,180	5,180	5.00%	5.00%
61.	753 North Lake Rd, Southlake, WA [1]	Mar-21	8,400	8,400	8,400	5.75%	5.75%
62.	Cnr Amherst & Nicholsons Rd, Canningvale, WA [1]	Mar-21	7,600	7,681	7,600	5.75%	5.75%
63.	1 Wishart Street, Gwelup, WA [1]	Jun-21	4,700	4,700	4,700	6.00%	6.00%
64.	224 Clontarf Road, Hamilton Hill, WA [1]	Jun-21	5,900	5,900	5,900	6.00%	6.00%
65.	1182 Chapman Road, Glenfield, WA [1]	Jun-20	5,200	5,520	5,360	7.75%	7.75%
66.	1 Kakadu Road, Yanchep, WA [1]	Jun-21	6,800	7,020	6,800	6.25%	6.25%
67.	Lot 401 Great Northern Highway, South Hedland, WA [1]	Jun-20	5,870	6,230	6,050	7.50%	7.50%
68.	702 Main North Road, Gepps Cross, SA	Dec-21	5,800	5,800	5,130	5.50%	6.25%
69.	337 St Vincent Street East, Port Adelaide, SA	Dec-21	6,300	6,300	5,550	5.25%	5.75%
70.	226-228 Bridge Road, Pooraka, SA	Dec-21	6,200	6,200	5,640	5.25%	5.75%
71.	2341 Albany Highway, Gosnells, WA	Dec-21	5,100	5,100	4,980	6.00%	6.00%
72.	323 North East Road, Hampstead Gardens, SA	Dec-21	5,200	5,200	4,710	5.50%	6.05%
73.	225 Womma Road, Edinburgh North, SA	Dec-21	6,500	6,500	5,910	5.25%	5.75%
74.	342-346 Albany Highway, Orana, WA [1]	Dec-20	6,250	6,555	6,555	6.50%	6.50%
75.	130 Edwards Street, Ayr, QLD [1]	Dec-20	4,950	5,100	5,100	6.75%	6.75%
76.	51-55 Aerodrome Road, Maroochydore, QLD	Dec-21	8,350	8,350	7,450	5.50%	6.00%
77.	Lot 1 / 437 Yaamba Road, Park Avenue, QLD [1]	Dec-20	5,830	6,000	6,000	6.75%	6.75%
78.	73-77 Railway Street, Gatton, QLD [1]	Jun-21	5,600	5,600	5,600	6.50%	6.50%
79.	176 Otho Street, Inverell, NSW [1]	Jun-21	5,900	5,900	5,900	6.00%	6.00%
80.	5-9 Clare Street, Port Adelaide, SA	Dec-21	6,500	6,500	5,740	5.25%	5.75%
81.	457-459 Victoria Road, Taperoo, SA	Dec-21	6,200	6,200	5,480	5.25%	5.75%

Property portfolio assets (continued)

		Latest independent valuation		Carrying amounts		Capitalisation rate	
		Valuation date	**$'000**	**Dec 2021 $'000**	Jun 2021 $'000	**Dec 2021 %**	Jun 2021 %
82.	100 East-West Arterial Road, Hendra, QLD [1]	Jun-21	11,600	11,920	11,600	5.50%	5.50%
83.	14 Commercial Road, Sheidow Park, SA	Dec-21	7,700	7,700	7,100	5.40%	5.75%
84.	1029 Ipswich Rd, Moorooka, QLD [1]	Jun-21	10,500	11,000	10,500	5.75%	5.75%
85.	1190 Beaudesert Road, Acacia Ridge, QLD [1]	Jun-21	11,500	12,000	11,500	5.75%	5.75%
86.	79-89 Mulgrave Road, Parramatta Park, QLD [1]	Jun-21	6,700	6,920	6,700	6.50%	6.50%
87.	49 Great Eastern Highway, Bellevue, WA	Dec-21	6,750	6,750	6,150	6.50%	6.65%
88.	229 Balcatta Road, Balcatta, WA	Dec-21	7,300	7,300	6,965	6.00%	6.00%
89.	303 Glen Osmond Road, Glenunga, SA	Dec-21	6,600	6,600	6,065	5.00%	5.50%
90.	1 Mildred Street, Kapunda SA 5373	Dec-21	5,800	5,800	5,465	6.00%	6.25%
91.	61-65 Old Princess Highway, Murray Bridge East, SA	Dec-21	4,100	4,100	3,940	6.25%	6.50%
92.	1 Deviation Road, Naracoorte, SA	Dec-21	8,300	8,300	8,060	6.00%	6.25%
93.	89 Military Road, West Beach, SA	Dec-21	4,900	4,900	4,500	5.25%	5.75%
94.	485 Balfour Street, Southern River, WA	Dec-21	6,000	6,000	5,880	6.00%	6.00%
95.	189 Wayne Goss Drive, Berrinba, QLD [1]	Jun-21	8,300	8,690	8,300	6.00%	6.00%
96.	52 Aldershot Road, Lonsdale, SA	Dec-21	5,300	5,300	4,500	5.50%	6.35%
97.	36 Parkes Road, Forbes, NSW	Dec-21	9,600	9,600	8,688	6.00%	6.25%
98.	690-694 Lower North East Road, Paradise, SA	Dec-21	6,500	6,500	5,725	5.50%	6.15%
99.	473-477 North East Road & 37 Ramsay Avenue, Hillcrest, SA [3]	Dec-21	9,100	9,100	4,773	5.19%	-
100.	219 Westphalen Drive, Warrego, QLD [1 & 2]	Aug-21	16,000	16,000	-	5.25%	-
101.	193-195 Jubilee Highway East, Mt Gambier, SA [2]	Dec-21	6,900	6,900	-	6.00%	-
102.	1-3 Juers Street, Kingston, QLD [1 & 2]	Jun-21	10,193	10,193	-	5.75%	-
103.	105-115 Cairns Road, Gordonvale, QLD [1 & 2]	Jun-21	18,400	18,400	-	5.75%	-
104.	1 Pub Lane, Greenbank, QLD [2]	Dec-21	6,550	6,550	-	5.25%	-
105.	1 Cawdor Road, Highfields, QLD [2]	Dec-21	6,250	6,250	-	5.50%	-
106.	324-326 Logan River Road, Holmview, QLD [2]	Dec-21	12,100	12,100	-	5.50%	-
107.	5/1 Brygon Creek Drive, Upper Coomera, QLD [2]	Dec-21	7,100	7,100	-	5.50%	-
108.	43 Stapylton Street, North Lakes, QLD [2]	Dec-21	11,100	11,100	-	5.25%	-

Property portfolio assets (continued)

		Latest independent valuation		Carrying amounts		Capitalisation rate	
		Valuation date	$'000	Dec 2021 $'000	Jun 2021 $'000	Dec 2021 %	Jun 2021 %
109.	1 Tesch Road, Griffin, QLD [2]	Dec-21	17,500	17,500	-	5.50%	-
110.	591 Grand Junction Road, Gepps Cross, SA [2]	Dec-21	7,700	7,700	-	5.25%	-
111.	3201 Old Cleveland Road, Chandler, QLD [1 & 2]	Sep-21	11,650	11,650	-	5.75%	-
	Land held for development						
112.	235 Cobra Close, Dubbo, NSW [1 & 2]	-	6,340	6,340	-	6.00%	-
	Total investment properties			**802,879**	**632,651**		

[1] The carrying amount of investment property that were not independently valued as at period end have been determined based on Directors' valuations or held at the acquisition price for five of the newly acquired properties during the period.
[2] New investment properties acquired during the period.
[3] Fund-through development project completed during the period.

The weighted average capitalisation rate for the period ended 31 December 2021 was 5.82% (30 June 2021: 6.02%).

Impact of COVID-19 on fair value of investment properties

Whilst there is a significant level of 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 31 December 2021. The Group considers that the assumptions used in the valuations are appropriate for the purposes of determining fair value of investment properties at 31 December 2021.

Capital structure, financing and risk management

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 stapled security holders (equity) in order to finance the Group's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Borrowings* in note 7, *Fair value measurement* in note 8 and *Contingencies* in note 9;
- Equity: *Contributed equity* in note 10.

Note 7. Borrowings

	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current		
Bank loans drawn – secured	**(266,640)**	(181,445)
Capitalised borrowing cost	**949**	676
Total non-current borrowings at balance date	**(265,691)**	(180,769)

Summary of borrowing arrangements

DXC has a $325.0 million revolving credit facility with four banks.

	31 Dec 2021 $'000	30 Jun 2021 $'000
Loan facility limit	**325,000**	275,000
Amount drawn at balance date	**(266,640)**	(181,445)
Amount undrawn at balance date	**58,360**	93,555

As at 31 December 2021, the following table summarises the maturity profile of the Group's financing arrangements:

Type of facility	**Maturity date**	**Utilised $'000**	**Facility limit $'000**
Tranche A Series	Feb 2023	52,500	52,500
Tranche B Series	Feb 2024	12,500	12,500
Tranche A Series	Feb 2025	23,945	31,250
Tranche B Series	Feb 2024	20,495	21,250
Tranche C Series	Feb 2023	7,500	7,500
Tranche D Series	Jan 2026	-	30,000
Tranche A Series	Nov 2023	-	20,000
Tranche B Series	Feb 2023	20,000	20,000
Tranche C Series	Feb 2023	20,000	20,000
Tranche D Series	Oct 2024	20,000	20,000
Tranche A Series	July 2024	30,000	30,000
Tranche B Series	July 2025	30,000	30,000
Tranche C Series	Sep 2026	29,700	30,000

Note 7. Borrowings (continued)

Summary of borrowing arrangements (continued)

The revolving cash advance facility is 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). During the half year period, DXC introduced new tranches to its cash advance facility, resulting in an overall facility limit increase of $50.0 million.

The debt facility contains 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 2021	30 Jun 2021
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 50%.	**33.97%**	32.23%
Interest Cover Ratio ("ICR")	On 31 December and 30 June each year, ICR is not less than 2.0 times.	**7.68 times**	7.05 times

Derivatives – interest rate contracts

The Group has exposure to a debt facility that is 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.

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets		
Interest rate contracts	**27**	-
Non-current assets		
Interest rate contracts	**2,910**	-
Current liabilities		
Interest rate contracts	**-**	(926)
Non-current liabilities		
Interest rate contracts	**(840)**	(967)
Total interest rate contracts	**2,097**	(1,893)

Note 8. Fair value measurement

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

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

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

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

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

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

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

Note 9. Contingencies

The Directors of the Responsible Entity are not aware of any commitments and contingent liabilities in relation to the Group (30 June 2021: nil), other than those already disclosed in note 6 to the interim Consolidated Financial Statements, which should be brought to the attention of securityholders as at the date of completion of this report.

Note 10. Contributed equity

Carrying amount

	31 Dec 2021 $'000	31 Dec 2020 $'000
At the beginning of the period	356,620	310,121
Securities issued under distribution reinvestment plan (DRP)	794	1,585
Issue of contributed equity[1]	55,497	40,001
Equity issuance costs	(1,127)	(791)
At the end of the period	**411,784**	350,916
Attributable to:		
Security holders of the parent entity	192,422	168,071
Security holders of other stapled entities	219,362	182,847
At the end of the period	**411,784**	350,918

Number of securities on issue

	31 Dec 2021 No.	31 Dec 2020 No.
At the beginning of the period	123,429,770	109,684,567
Issue of contributed equity[1]	15,499,599	11,629,848
Securities issued under distribution reinvestment plan (DRP)	218,613	443,872
At the end of the period	**139,147,982**	121,758,287

[1] During the half year period, DXC successfully completed two equity raisings, issuing 15.5 million stapled securities for approximately $55.5 million at a fixed issue price per stapled security, comprising:

- 12.5 million stapled securities issued at $3.60 per stapled security, totalling $45 million via an institutional placement; and
- 3 million stapled securities issued at $3.50 per stapled security, totalling $10.5 million via a security purchase plan.

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 party transactions

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 Trust and its controlled entities. 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 corporates

The Responsible Entity of the stapled entities that form DXC is DXAM. On 13 August 2021, DXPG (ACN 109 846 068), the ultimate and immediate parent entity of DXAM was acquired by Dexus Nominee Pty Limited (an entity controlled by Dexus). Effective from that date, APN and its controlled entities are wholly owned subsidiaries of Dexus. DXAM's immediate parent entity is Dexus PG Limited (previously named APN Property Group Limited).

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

	31 Dec 2021		31 Dec 2020	
	Paid $'000	**Payable $'000**	Paid $'000	Payable $'000
Management fees[1]	**2,047**	**413**	1,334	292
Custody fees	**62**	**13**	47	10
Reimbursement of costs paid [2]	**54**	**-**	18	-
Total	**2,163**	**426**	1,399	302

[1] 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 $500m and $1,000m, 0.55% p.a. of Gross Asset Value between $1,000m and $1,500m and 0.50% of Gross Asset Value in excess of $1,500m). In addition, the Manager has been appointed, on a non-exclusive basis, to provide property management, financial management, leasing and rent review and project supervision services.

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

Note 11. Related party transactions (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:

	31 Dec 2021		31 Dec 2020	
	Number of securities	**Distributions $**	Number of securities	Distributions $
Dexus PG Limited	**-**	**-**	-	392
Dexus Asset Management Limited	**2,402,816**	**275,122**	2,402,816	263,108
APD Trust	**10,011,224**	**1,146,285**	10,011,224	1,001,946
APN AREIT Fund	**8,417,135**	**940,862**	6,359,334	648,764
APN Property for Income Fund	**721,261**	**80,409**	538,369	57,241
APN Property for Income Fund No.2	**219,166**	**24,579**	169,304	18,001
CFS AREIT Mandate	**-**	**-**	1,022,899	112,609
Howard Brenchley	**99,668**	**11,412**	89,914	8,477
Geoff Brunsdon AM	**89,494**	**10,247**	72,350	7,183
Tim Slattery[1]	**-**	**-**	860	94
Chris Aylward[1]	**-**	**-**	1,259,690	126,369
Joseph De Rango	**24,152**	**2,765**	6,898	750
Total	**21,984,916**	**2,491,681**	21,933,658	2,244,934

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

As at 31 December 2021, 15.80% (31 December 2020: 18.01%) of Dexus Convenience Retail REIT's stapled securities were held by related parties.

Note 12. Subsequent events

On 4 February 2022, settlement occurred for the acquisition of BP Brendale for $9.1 million excluding acquisition costs.

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. In accordance with AASB 110 *Events after the Reporting Date*, the Group considered whether events after the reporting period confirmed conditions that existed before the reporting date, e.g., bankruptcy of customers. Consideration was given to the macro-economic impact of COVID-19 including any lockdowns or border closures since 31 December 2021, and the Group concluded that the amounts recognised in the interim Consolidated Financial Statements and the disclosures therein are appropriate. The economic environment is subject to rapid change and updated facts and circumstances continue to be closely monitored by the Group.

Since the end of the period, other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or 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 9 to 29 are in accordance with the *Corporations Act 2001,* including:

   (i) complying with Australian Accounting Standards, the *Corporations Act 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 2021 and of its performance for the half year ended on that date.

b) There are reasonable grounds to believe that the Group 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.

Geoff Brunsdon AM

Chair

8 February 2022

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), which comprises the consolidated statement of financial position as at 31 December 2021, 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, significant accounting policies and explanatory notes and the Directors' declaration of Dexus Asset Management Limited (the Responsible Entity).

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 2021 and of its performance for the half-year ended on that date

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

Basis for conclusion

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

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

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

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that

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the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Group for the half-year ended 31 December 2021 included on Dexus's web site. The Directors are responsible for the integrity of the Dexus web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide a conclusion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Samantha Johnson

Samantha Johnson
Partner

Sydney
8 February 2022