

Annual Report 2023

DXI | dex^{us}

Dexus
Industria REIT



Dexus Industria REIT is a listed Australian real estate investment trust with a \$1.6 billion portfolio, primarily comprised of industrial properties and a 398,200sqm development pipeline, across key Australian cities.



78 Henderson Road, Rowville

Acknowledgement of country



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

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

Artwork: The Land and the Rivers by Sharon Smith.

About this Report

The 2023 Annual Report is a consolidated summary of Dexus Industria REIT's (DXI) performance for the financial year ended 30 June 2023. It should be read in conjunction with the reports that comprise the 2023 Annual Reporting Suite available from www.dexus.com/industria.

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

Dexus Industria REIT

Industria Trust No. 1 ARSN 125 862 875

Industria Trust No. 2 ARSN 125 862 491

Industria Trust No. 3 ARSN 166 150 938

Industria Trust No. 4 ARSN 166 163 186

Industria Company No. 1 Ltd
ACN 010 794 957

Dexus Asset Management Limited
ACN 080 674 479 AFSL 237 500 as responsible entity for Industria Trust No. 1, Industria Trust No. 2, Industria Trust No. 3 and Industria Trust No. 4.

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Dexus Industria REIT Dexus 2023 Annual Reporting Suite



Annual Report



Annual Results
Presentation



Corporate Governance
Statement



Sustainability
Approach & Data Pack

We executed \$250 million of divestments, while achieving strong re-leasing spreads across record leasing volumes ensuring the Fund has a strong balance sheet that is well placed for future growth.

17.1cps

FFO per security
FY22: 18.5cps

16.4cps

Distribution per security
FY22: 17.3cps

\$3.44¹

NTA per security
FY22: \$3.60

Jandakot Airport industrial precinct, Perth WA



Capital management

27.3%²

Gearing (look-through)
FY22: 34.2%

3.1 years

Weighted average debt maturity
FY22: 3.6 years

68%

Average hedged debt
FY22: 71%

Portfolio

\$1.6bn

Total value
FY22: \$1.7bn

97.5%

Occupancy (by income)
FY22: 90.5%

135,700sqm³

Leasing excluding development
FY22: 70,600sqm

Sustainability

Net zero

Continuing to maintain net zero emissions since August 2021

4.9 Star

NABERS Energy and NABERS Water rating

2.3MW

Solar arrays installed across the portfolio

1. Calculated as total net assets less goodwill on a look-through basis, divided by total securities on issue.
2. Pro forma for the sale of 3 & 4 Forbes Close, Knoxfield VIC and 16–28 Quarry Road, Stapylton QLD which are expected to settle in August 2023 and October 2023 respectively. At 30 June 2023, look-through gearing was 31.2%.
3. At 100%, or 105,500sqm at DXI ownership.

Dexus Industria REIT is a listed Australian real estate investment trust with a \$1.6 billion portfolio, primarily comprised of industrial properties and a 398,200sqm development pipeline, across key Australian cities.

The Fund has a target gearing band of 30–40%, providing flexibility to fund future growth. Dexus Industria REIT is governed by a majority independent Board and managed by Dexus (ASX code: DXS), a leading Australasian fully integrated real asset group.

DXI has delivered strong long-term Security holder value, outperforming the ASX300 Property Index since IPO. Over the past five years, DXI's portfolio has grown from \$676 million to \$1.6 billion with performance over this period driven by:

- Value-accretive acquisitions, strategic approach to capital recycling and active asset management, including over 260,000 square metres of portfolio leasing (at DXI ownership)
- Introducing a new growth platform via development, with \$237 million remaining spend on the total development pipeline
- Portfolio repositioning towards high-growth industrial assets, with industrial assets now representing 89% of the portfolio by value – up from 47% in 2018 – with the remainder being well-located business park assets



Portfolio value by classification
Industrial 89%
Brisbane Technology Park 11%

\$1.6bn

Portfolio value

94

Properties

97.5%

Occupancy (by income)

6.3 years

WALE (by income)

5.38%

Weighted average cap rate

\$237m

Development pipeline remaining spend

1-3 Westrac Drive, Tomago NSW



FY23 highlights

About DXI

Fund Manager's Letter

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Portfolio overview as at 30 June 2023

Western Australia

\$430m valuation
28% of total portfolio
55 properties
\$201m development pipeline

South Australia

\$61m valuation
4% of total portfolio
4 properties

Queensland

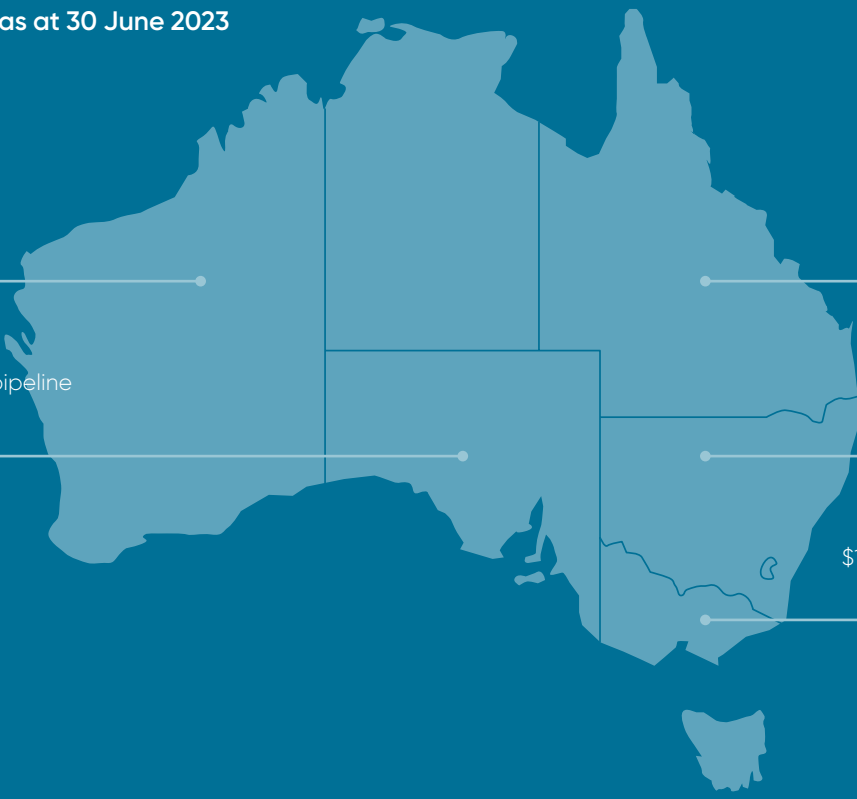
\$307m valuation
20% of total portfolio
15 properties

New South Wales

\$308m valuation
20% of total portfolio
2 properties
\$117m development pipeline

Victoria

\$452m valuation
29% of total portfolio
18 properties



Investment proposition

Generating superior risk-adjusted returns for investors seeking listed industrial real estate exposure in Australia



Delivering organic income growth

- High-quality tenants diversified across interests in 94 properties
- Secure income yield, with 97.5% occupancy and 6.3 year WALE (by income)
- Contracted rent growth – average FY23 reviews 4.9% underpinned by 50% of income linked to annual CPI rental escalations



Conservatively managing the balance sheet

- 27.3% pro-forma look-through gearing¹; below the target range of 30–40%
- Anticipate FY24 average hedging to be above 70%²
- Significant headroom to covenants
- Tactically utilising balance sheet capacity to drive superior risk-adjusted returns over the long term



Creating value through active management

- Driving overall performance through executing on asset plans that create value
- Continuing to invest in higher risk-adjusted returning opportunities
- Delivering development pipeline (c. \$237 million spend remaining) to further enhance portfolio quality

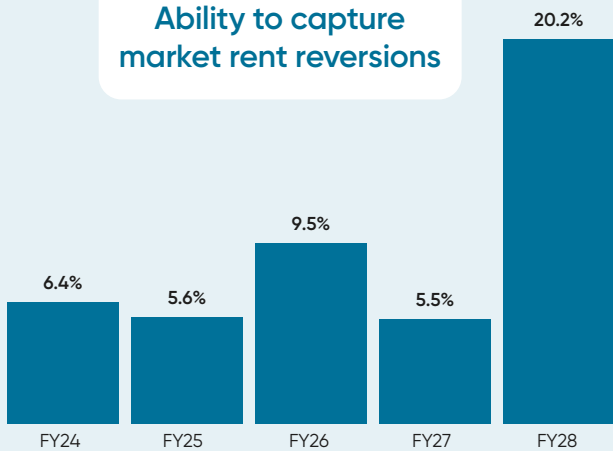


Aligned manager with deep real asset capability

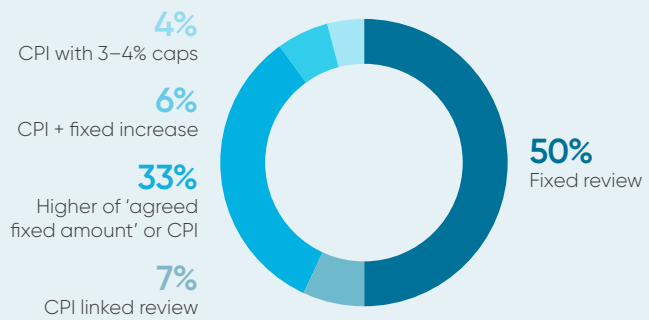
- Dexus principal ownership of 17.5%
- Dexus brings capital transaction, development, leasing and asset management capability with ~\$13 billion of industrial funds under management³

1. Pro forma for the sale of 3 & 4 Forbes Close, Knoxfield VIC and 16–28 Quarry Road, Stapylton QLD which are expected to settle in August 2023 and October 2023 respectively. At 30 June 2023, look-through gearing was 31.2%.
2. Based on existing hedges as at 30 June 2023 and assuming no further transactional activity.
3. As at 31 December 2022. Pro forma post final completion of the AMP Capital acquisition.

Ability to capture market rent reversions



Lease expiry profile by income



Rent review type by income

Portfolio generates strong organic growth with 50% linked to CPI escalations

Dexus is a leading Australasian fully integrated real asset group, managing a high-quality Australasian real estate and infrastructure portfolio valued at circa \$62.3 billion.^{1,2}

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

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

With more than 35 years of expertise in property investment, funds management, asset management and development, Dexus has a proven track record in managing capital and risk and delivering returns for its investors. Dexus invests in Australia and New Zealand, and directly and indirectly owns \$17.8 billion¹ of office, industrial, healthcare, retail and infrastructure assets and investments. Dexus manages a further \$44.5 billion^{1,2} of office, retail, industrial, healthcare and infrastructure assets in the funds management business, which provides third-party capital with exposure to quality sector specific and diversified real asset products. Funds within this business have a strong track record of delivering performance and benefit from Dexus's capabilities. The group's \$15.8 billion¹ development pipeline provides the opportunity to grow both portfolios and enhance future returns.

Dexus's sustainability strategy

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

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

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

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



140 Sharps Rd, Tullamarine VIC



Throughout the year we continued to position DXI to generate superior risk-adjusted returns. Our key achievements included progressing \$250 million¹ of disposals to strengthen the balance sheet, driving industrial rents 16.5% higher on our new lease and renewal deals, and completing 50,400 square metres of developments that will improve the resilience and quality of the portfolio.

Whilst financial year 2023 was a period of significant volatility across global markets, driven by factors ranging from escalated inflation to geopolitical events, the underlying performance of DXI has remained resilient.

Statutory net profit after tax was \$0.3 million, and Funds From Operations (FFO), the Board's preferred measure of underlying performance was \$54.4 million (17.1 cents per security) – in-line with the guidance set in August 2022.

Statutory net profit after tax was \$169.1 million lower than FY22, with property valuation losses of \$56.3 million compared to the \$100.3 million net fair value gain in FY22. The valuation losses included the impact of the sale of Rhodes Corporate Park, which transacted in November 2022 at \$160.5 million, compared to the last stated book value of \$189 million. Although the sale was below the book value, Dexus and the Board took the view that this was an important strategic step towards becoming a pure-play industrial REIT, and that repaying debt and removing risks associated with leasing over 22,000 square metres by 2025 would generate a better return over the long term for DXI's investors.

Dexus Industria REIT delivered Funds from Operations per security of 17.1 cents, in-line with the guidance band of the 16.7 to 17.5 cents per security range.

The FFO outcome of 17.1 cents per security was driven by strong revenue growth supported by average rental reviews of 4.9%, and industrial re-leasing spreads of 16.5% – with momentum building in the second half, which reported 24% re-leasing spreads – offset by net finance costs being \$5.9 million higher than the prior period, and lower rent being collected following the sale of Rhodes Corporate Park. Distributions totalled 16.4 cents per security, in line with guidance.

Actively managing the portfolio has always been a focus for our team, and I am pleased to report that Dexus once again reported record leasing volumes for DXI. Importantly, the leasing outcomes were consistently higher than those adopted in our independent valuations, demonstrating it is not just volume but also the leasing outcomes that is creating value and underpinning the future yield generated by the portfolio. Total leasing was 135,700 square metres excluding developments, representing 19% of the total portfolio by area.

Our Jandakot investment, of which we own 33.3%, is performing strongly, with re-leasing spreads of 21.6% across 45,300 square metres. I am also pleased to report that by July 2023 new warehouses totaling 68,400 square metres were completed since FY22, leased to tenants including Amazon, Hello Fresh and Marley Spoon. There is now 435,000 square metres of industrial assets at Jandakot, and we remain well placed to continue to roll out further development across the 320,100 square metre pipeline.

DXI was one of the first A-REITs to be certified carbon neutral across both its managed portfolio and operations, in accordance with the Climate Active Standard.

There is now 2.3 megawatts of solar installed across the portfolio. Additional projects totalling 6.0 megawatts have been identified for installation in FY24.

With regards to the balance sheet, Dexus progressed \$250 million¹ of asset sales throughout the period for DXI. In addition to the strategic benefits of these sales, they have provided significant balance sheet flexibility, with look through gearing of 27.3% pro forma for the settlement of the contracted sales². This is below the 30–40% target gearing band, and some of the lowest levels the Fund has recorded. The ancillary benefit of lower debt is that it reduces exposure to rising interest rates is less, and we anticipate FY24 average hedging to be above 70% at a 1.7% average hedge rate³. Finally, the nearest debt maturity is in FY25, following cancellation of \$175 million of surplus facilities and establishment of \$75 million of new five-year facilities during the year.

After declining by 11.2% in FY22 in response to rising bond yields, the S&P/ASX 300 Property Accumulation (A-REIT) Index recovered to deliver a 7.5% Total Securityholder Return in FY23. DXI underperformed the A-REIT index in FY23 with a 1.7% Total Securityholder Return, however since IPO DXI has delivered an annual compound return of 11.2%, outperforming the A-REIT index (8.7%) over the same time period.

We finalised the integration with Dexus during the year, which included synthesising the systems and processes associated with running DXI's properties, including property and facilities management, the delivery of capital projects to maintain the buildings, and pursuing sustainability initiatives. To formalise these matters a Property Management Agreement was entered into with Dexus, whereby the average management fees payable are 2.5% of annual gross income, although this is likely to change over time, depending on portfolio composition and the management intensity of the assets.

Moving into financial year 2024, the portfolio comprises interests in 94 properties valued at \$1.6 billion. The quality and locational attributes of the portfolio will be enhanced by the development pipeline at Kemp's Creek and Moorebank in Sydney, and Jandakot in Perth, which are anticipated to deliver higher long-term risk-adjusted returns.

Barring unforeseen circumstances, we expect FFO per security of 17.1 cents and distributions per security of 16.4 cents for the 12 months ended 30 June 2024, reflecting an attractive distribution yield of 5.9%.

Thank you for your continued investment in Dexus Industria REIT.

Alex Abell

**Fund Manager
Dexus Industria REIT**

1. Includes the sale of 3 & 4 Forbes Close, Knoxfield VIC and 16–28 Quarry Road, Stapylton QLD for combined proceeds of \$89.8 million which are expected to be received post 30 June 2023.
2. Pro forma for the sale of 3 & 4 Forbes Close, Knoxfield VIC and 16–28 Quarry Road, Stapylton QLD which are expected to settle in August 2023 and October 2023 respectively. At 30 June 2023, look-through gearing was 31.2%.
3. Based on hedges in place as at 30 June 2023 and assuming no further transactional activity. Average hedge rate without credit margin.

Dexus Industria REIT leverages the Dexus platform to scale its response to material Environmental, Social and Governance (ESG) issues.

Sustainability approach

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

Materiality

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

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

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

Sustainability strategy

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

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

Material topics

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

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

Dexus's role in applying our sustainability approach

Dexus's role in delivering sustainability outcomes across the portfolio is aligned with its ability to directly or indirectly manage assets. Sustainability activity is owned and driven by Dexus where DXI has operational control of the assets. DXI has operational control of circa 12% of its portfolio by value. Operational control is defined by the NGER Act as the corporation with the authority, or the greatest authority, to introduce and implement operating, health and safety, and environmental policies in relation to a facility. Where operational control sits with others, such as customers, DXI does not directly implement sustainability programs, but seeks to influence, work with and support the entity that has operational control in sustainability delivery.

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



Priority area

Value creation priorities for Dexus

Customer prosperity

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

Climate action

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

Enhancing communities

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

Future Enabled Customers and Strong Communities



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

Supply chain monitoring and relationship management

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

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

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

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

In its first year of adoption, Dexus assessed 68 suppliers (12 for DXI) which relates to 72% of operational expenditure across the Dexus platform, prioritising categories such as cleaning, security, property management and construction, which have previously been assessed as having higher inherent ESG risks.

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

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

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

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suppliers engaged through Dexus's annual ESG monitoring program

Reconciling with Aboriginal and Torres Strait Islander peoples

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

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

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

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

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

More information on Dexus's Reflect Reconciliation Action Plan is publicly available at www.dexus.com.



Enriched Environment



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

Maintaining net zero emissions

Recognising the importance of climate change and the need to decarbonise, DXI was one of the first A-REITs to be certified carbon neutral across both its managed portfolio and operations, in accordance with the Climate Active Standard. DXI had retained its carbon neutral status for its emissions inventory relating to FY22 which also marked the first year that DXI has transitioned to sourcing 100% of its base building electricity needs from renewables. For FY23, this transition to 'net zero' reduces DXI's use of offsets for balancing emissions with 53% of emissions being avoided by responsibly sourcing electricity, and offsets comprising 47% of remaining emissions.

Dexus is in the final stages of quantifying DXI's greenhouse gas emissions over the FY23 financial year following the procurement of required renewable electricity and carbon offsets. Consistent with prior years, final certification is expected to be achieved post-reporting period.

Supporting our customers to increase renewable energy uptake

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

Large-scale solar PV systems are planned or being finalised for installation at Adelaide Airport, 1–3 Tomago Drive and 17–19 McKechnie Drive (Brisbane Technology Park), totalling almost 2.3 megawatts of solar PV capacity. Currently there are 2.3 megawatts of solar arrays installed across the portfolio.

Improving waste diversion at Brisbane Technology Park

During the year, DXI collaborated with Brisbane Technology Park's property and facilities management, contractors, and customers on ways to improve operational waste recycling outcomes.

Management completed bin audits to understand how the bins were being used and identify additional waste streams that could be introduced to help reduce the volume of waste sent to landfill. There were improvement opportunities identified by introducing cardboard, comingle and organics streams, as well as improving the quality of the waste data collected for reporting.

A staged implementation plan will be actioned commencing in FY24 with the introduction of new larger capacity bins, followed by a refresh of bin enclosure areas. These efforts will introduce the comingled waste recycling stream to the asset and improve the quality of waste data collected. Additionally, larger capacity bins will reduce the frequency of bin collections by trucks, indirectly reducing emissions. Complementing the site waste interventions will be a customer awareness campaign incorporating a site waste management guide. Management is also proactively engaging with a customer on the implementation of a cardboard compactor to manage that tenant's predominant waste stream.

DXI has continued to partner with customers to expand its solar PV footprint with 2.3MW of solar arrays installed across the portfolio.

4.9 stars

Average NABERS Energy and NABERS Water rating across business park assets

Managing health, safety and environment risks

DXI's portfolio varies by geographic location, asset type and tenant type. These variables present specific risks that are managed, monitored and audited in relation to health and safety, building safety, environmental, security and insurance risks.

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

Over the course of the year, Dexus rolled out its WHS and Environmental Management Systems across Dexus-managed assets.

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

Dexus has also collaborated with JAH to assess and action similar risks across the Jandakot precinct.

Building certifications

Building certifications are an important tool for us to integrate leading practice into our developments and operation, to benchmark property performance, and to confirm our standing in the market.

National Australian Built Environment Rating System (NABERS)

NABERS is a well-established program utilised by asset owners nationally to benchmark resource efficiency across property portfolios, and DXI remains committed to measure the operational performance of its assets via this framework.

Across FY23, DXI's business park assets achieved a portfolio weighted-average NABERS Energy rating of 4.9-stars without GreenPower, with six out of ten properties recording a rating of 5.0-stars and above. Three buildings were also rated under NABERS Water and all ratings were 4.5-stars or higher, leading to a portfolio weighted-average of 4.9-stars.

Green Star Performance

Dexus adopts the Green Building Council of Australia's (GBCA) Green Star rating tools to guide the integration of environmental and social aspects to independently verify each project's sustainability credentials in construction and operation and to benchmark performance on a scale of one to six stars across a broad range of measures relating to energy, water, indoor environment, building management, transport, materials, land use, ecology and innovation.

This year, Dexus rated twelve DXI assets for the first time using the Green Star Performance rating tool, achieving a 3-star portfolio average outcome.

Building certification portfolio average (star) ¹	FY21	FY22	FY23
NABERS Energy with GreenPower	4.5	5.0	4.9
NABERS Energy	4.5	5.0	4.9
NABERS Water	4.6	4.1	4.9
Green Star Performance			3

- As at 30 June each year.
- Data collected under APN Property Group prior to Dexus ownership.

Further information on DXI's environmental performance can be found in the Sustainability data pack within the Dexus Annual Reporting Suite.

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



Jandakot Airport industrial precinct, Perth WA

Dexus Asset Management Limited (DXAM) acts as Responsible Entity for Dexus Industria REIT's Managed Investment Scheme.

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

Dexus, the Board of DXAM and the Board of Industria Company No. 1 Limited (IC1) believe that good corporate governance supports:

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

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

Further details are set out in DXI's 2023 Corporate Governance Statement, which outlines key aspects of DXI's corporate governance framework and practices, which is available at www.dexus.com/investorcentre/listed-funds/dexus-industriareit/corporate-governance.



Governance continued

Sustainability governance

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

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

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

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

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

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

Sustainability leadership across the Dexus group

Dexus Board ESG Committee

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

Corporate Executive Committee

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

Climate Resilience Working Group

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

Anti-Modern Slavery Working Group

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

Energy Procurement Working Group

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

Social Impact Working Group

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

Reconciliation Action Plan Working Group

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

Board of Directors

The Board of DXAM and the Board of IC1 comprises four Non-Executive Directors (including the Chair) and one Executive Director.

The Board of DXAM and the Board of IC1 regularly assesses the independence of its Directors in light of interests disclosed to it and has determined that each Non-Executive Director has maintained independence throughout the year. The Board continues to review its composition, experience and director tenure.

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

Board skills and experience

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

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

Board of Directors



Jennifer Horrigan

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

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

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

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



Emily Smith

**BCom, GAICD
Independent Director**

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

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

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



Danielle Carter

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

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

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



Jonathan Sweeney
BCom, LLB, CFA, GAICD
Independent Director

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

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



Deborah Coakley
BBus, GAICD
Executive Director

Deborah was appointed an Executive Director in 2021.

Ms Coakley is Executive General Manager, Funds Management with responsibility for managing Dexus's \$44.5 billion¹ funds management business which comprises a number of wholesale pooled funds, capital partnerships, retail funds and listed REITs.

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

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



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

Brett was appointed an alternate Executive Director in 2022.

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

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

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

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





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Directors' Report

The Directors of Dexus Asset Management Limited (DXAM) as Responsible Entity of Industria Trust No. 1 (the Trust or IT1 and parent entity) and its controlled entities (together DXI or the Group) present their Directors' Report together with the Consolidated Financial Statements for the year ended 30 June 2023.

Directors and Secretaries

Directors

The following persons were Directors of DXAM and Industria Company No.1 Limited (IC1) at all times during the year and to the date of this Directors' Report, unless otherwise stated:

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

¹ Resigned, effective 17 October 2022.

² Appointed, effective 17 October 2022.

Company Secretaries

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

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

Appointed: 16 September 2021

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

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

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

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

Appointed: 14 October 2022

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

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

Attendance of Directors at Board Meetings and Board Committee Meetings

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

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

1 Resigned, effective 17 October 2022.

2 Appointed, effective 17 October 2022.

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

Directors' relevant interests

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

Directors	No. of securities
Danielle Carter ¹	15,964
Deborah Coakley	-
Jennifer Horrigan	36,859
Emily Smith	-
Jonathan Sweeney ¹	23,800
Brett D Cameron	-

1 Appointed, effective 17 October 2022.

Directors' Report continued

Operating and financial review

Strategy

Dexus continues to drive the performance of Dexus Industria REIT (DXI) and generate superior risk-adjusted returns for investors seeking listed industrial real estate exposure in Australia.

The foundations of the portfolio include high-quality industrial assets that have demonstrated income resilience and capital growth. DXI's aligned manager, Dexus, and a majority independent Board underpin strong governance. Customer insights from the Dexus platform are leveraged to actively manage and reposition assets, enhance long-term returns through development exposure, access opportunities to deploy capital, and progressively manage ESG risks and opportunities over time.

DXI's portfolio is valued at \$1.6 billion and is predominantly weighted to industrial assets which continue to benefit from low vacancy across the major markets, and a limited supply pipeline, with these factors driving high rental growth. Dexus remains committed to adding value to DXI's assets through actively managing existing assets and focusing on activating development projects that improve portfolio quality and improve risk-adjusted returns.

Review of operations

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

Key financial performance metrics	30 June 2023	30 June 2022	Change
Net profit after tax (\$'000)	268	169,350	(99.8)%
Funds From Operations (FFO) (\$'000)	54,379	53,569	1.5%
FFO per security (cents)	17.1	18.5	(7.2)%
Distribution per security (cents)	16.4	17.3	(5.2)%

	30 June 2023	30 June 2022	Change
Net tangible asset backing per security (\$)	3.44	3.60	(4.4)%
Balance sheet gearing ^a (%)	20.4	28.9	(8.5)ppt
Look-through gearing ^a (%)	27.3	34.2	(6.9)ppt

a) Pro forma for the sale of 16-28 Quarry Road, Stapylton QLD and 3 & 4 Forbes Close, Knoxfield VIC which are expected to settle in October 2023 and August 2023 respectively. Balance sheet gearing at 30 June 2023 was 25.1%, or 31.2% look-through.

Profit & loss	30 June 2023 \$'000	30 June 2022 \$'000	Change
Property revenue including straight-line rent	75,075	74,689	0.5%
Operating expenses	(21,873)	(22,263)	(1.8)%
Profit before interest, tax and other items	53,202	52,426	1.5%
Net fair value (loss)/gain on investment properties	(64,370)	114,783	(156.1)%
Net fair value loss on right-of-use assets	(1,217)	(311)	(291.3)%
Net loss on sale of assets	–	(342)	(100.0)%
Net fair value (loss)/gain on derivatives	(760)	15,603	(104.9)%
Share of equity accounted profit/(loss)	28,940	(47)	n.a.
Impairment of equity accounted investments	(1,296)	–	n.a.
Net finance costs	(16,373)	(9,049)	80.9%
(Loss)/profit before tax	(1,874)	173,063	(101.1)%
Income tax benefit/(expense)	2,142	(3,713)	(157.7)%
Profit after tax	268	169,350	(99.8)%

The Responsible Entity uses Funds From Operations (FFO) as its key performance indicator. The Directors consider the Property Council of Australia's (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises profit after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, derivative mark-to-market impacts, 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.

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

	30 June 2023 \$'000	30 June 2022 \$'000
FFO reconciliation^a		
Profit after tax for the period	268	169,350
Net fair value (gain)/loss on investment properties	56,282	(100,300)
Net fair value loss on right-of-use assets	(8,434)	(720)
Net loss on sale of assets	–	342
Net fair value (gain)/loss on derivatives	774	(21,562)
Impairment of equity accounted investments	1,296	–
Incentive amortisation and straight line rent	2,355	3,292
Non-FFO tax (benefit)/expense	(108)	5,954
Debt modification (gain)/expense	696	(2,586)
Rental guarantees, coupon income and other	1,250	(201)
FFO	54,379	53,569

a) Includes the financial results of the equity accounted investments on a look-through basis.

	30 June 2023 \$'000	30 June 2022 \$'000	Change
FFO composition^a			
Property FFO	83,424	73,653	13.3%
Management fees	(8,730)	(6,993)	24.8%
Net finance costs	(17,980)	(12,074)	48.9%
Tax expense	(1,712)	(852)	100.9%
Other	(623)	(165)	277.6%
FFO	54,379	53,569	1.5%

a) Includes the financial results of the equity accounted investments on a look-through basis.

Financial result

DXI executed \$250 million of divestments¹, while achieving strong re-leasing spreads across record leasing volumes ensuring the Fund has a strong balance sheet well placed for future growth.

Statutory net profit after tax was \$0.3 million, predominantly due to \$56.3 million of net fair value losses on investment properties compared to the \$100.3 million net fair value gain recorded in the prior year.

In relation to guidance, FFO per security of 17.1 cents was delivered at the midpoint of the 16.7 – 17.5 cents guidance range, with distributions per security of 16.4 cents in line with guidance.

FFO increased 1.5% to \$54.4 million. This was supported by average rent reviews of 4.9% and a full period contribution from Jandakot Airport industrial precinct, and was partially offset by higher average look-through debt and floating interest rates. Carryforward tax losses in Industria Company No. 1 (IC1) have been fully utilised, with IC1 now in a tax-paying position.

FFO per security was down 7.2% on the prior year factoring in the impact of higher average securities on issue following the \$350 million equity raising in October 2021.

Net tangible assets and asset valuations

All assets were independently valued in the 12 months to 30 June 2023 (excluding held for sale assets). The external independent valuations resulted in a like-for-like devaluation of \$22.9 million, representing a 1.5% decrease on prior book values, excluding held for sale assets. Market rental growth and escalated CPI reviews partly offset 47 basis points of like-for-like capitalisation rate expansion. Net Tangible Assets per security decreased 16 cents, or 4.4%, to \$3.44².

On a look-through basis, additions to investment properties in the form of capital expenditure totalled \$38.4 million, including \$31.4 million of development expenditure, \$0.6 million of tenancy works at Brisbane Technology Park, \$2.1 million of maintenance capital expenditure (of which \$1.1 million relates to Brisbane Technology Park and Rhodes Corporate Park) and cash based tenant incentives of approximately \$4.3 million.

1. Includes the sale of 3 & 4 Forbes Close, Knoxfield VIC and 16-28 Quarry Road, Stapylton QLD for combined proceeds of \$89.8 million which are expected to be received post 30 June 2023.

2. Calculated as total net assets less goodwill on a look-through basis, divided by total securities on issue.

Directors' Report continued

Property portfolio and asset management

DXI's property portfolio comprises interests in 94 properties valued at \$1.6 billion with a weighted average capitalisation rate of 5.38%. The portfolio weighted average lease expiry is 6.3 years and total occupancy remained strong at 97.5%.

Property FFO increased \$9.8 million, or 13.3%, supported by rent reviews during the period that averaged 4.9%, driven by 50% of the portfolio income that is linked to CPI.

Industrial portfolio performance

\$1.4bn

Book value

100%

Occupancy (by income)

3.2%

Like-for-like growth

5.16%

Capitalisation rate

7.0 year

WALE (by income)

127,100sqm³

Leased plus 3,200sqm development leasing³

DXI's industrial portfolio was valued at \$1.4 billion at 30 June 2023 at a weighted average cap rate of 5.16%. Industrial occupancy was 100%, and the weighted average lease expiry was 7.0 years. The industrial portfolio delivered average rent reviews of 5.0%. Like-for-like income growth was impacted by approximately 2% due to inter-period vacancy, resulting in growth of 3.2%, or 2.3% on an effective basis. Jandakot Airport industrial precinct delivered average rent reviews of 5.4%, supported by 61% of income linked to CPI escalations.

During the year, DXI leased 127,000 square metres across the industrial portfolio³. Re-leasing spreads strengthened to 24% in the second half and were 16.5% for the full year.

Brisbane Technology Park performance

\$169m

Book value

85.7%

Occupancy (by income)

5.8%

Like-for-like growth

6.94%

Capitalisation rate

3.2 year

WALE (by income)

8,700sqm

Leased

Brisbane Technology Park was valued at \$169 million at 30 June 2023 at a weighted average cap rate of 6.94%. Occupancy was 85.7%. Brisbane Technology Park assets recorded strong face like-for-like growth of 5.8%, or 5.1% on an effective basis.

During the year, 8,700 square metres was leased at the property, supported by continued interest from small users and technology and life sciences tenants. Technology and life sciences tenants account for 28% of income at Brisbane Technology Park.

Developments

DXI's total development pipeline is \$318 million (with \$237 million remaining spend, of which \$87 million is committed). The pipeline equates to interests in 398,200 square metres in major hubs in Sydney and Perth, providing an opportunity to capture strong market rental growth and further enhance portfolio quality.

At Jandakot Airport industrial precinct, Dexu partnered with national and international customers Amazon, Hello Fresh and Tyremax to deliver three facilities across 50,400 square metres.

In Sydney, planning progressed on the 42,300 square metre fund-through project in Kemps Creek and the 17,800 square metre last mile development project in Moorebank. These projects are expected to be delivered in FY25.

Transactions

DXI settled on the sale of 1A and 1C Homebush Bay Drive, Rhodes, NSW on 30 November 2022. The sale realised proceeds of \$160.5 million, excluding transaction costs. The sale of these assets amidst a challenging environment demonstrates Dexu's commitment to executing DXI's strategy whilst enhancing portfolio quality, reducing income risk and strengthening the balance sheet.

In addition, DXI exchanged contracts on the sale of 16-28 Quarry Road, Stapylton, Queensland and 3 & 4 Forbes Close, Knoxfield, Victoria for combined proceeds of \$89.8 million, excluding transaction costs. Settlement of these assets is expected in October 2023 and August 2023 respectively.

3. Stabilised leasing at 100%, or 96,900sqm at DXI ownership. Development leasing at 100%, or 1,100sqm at DXI ownership.

Environmental, social and governance (ESG)

The DXI managed portfolio has retained its carbon neutral⁴ certification since being one of the first A-REITs to be certified in August 2021. The average NABERS Energy and Water rating across the portfolio is 4.9 stars⁵. DXI continues to deploy solar PV across the portfolio, with total solar PV capacity of 2.3 megawatts installed and an additional 6.0 megawatts committed for deployment in FY24. DXI will continue to leverage the Dexus platform to scale its approach to ESG.

Financial position

DXI's net assets reduced by \$52 million (or 16 cents per security to an NTA of \$3.44) primarily due to asset devaluations in light of the rising interest rate environment, as well as the fair value loss associated with the divestment of Rhodes.

	30 June 2023	30 June 2022
Balance sheet		
Cash and cash equivalents (\$'000)	5,514	5,583
Investment properties (\$'000)	1,016,000	1,319,450
Equity accounted investments (\$'000)	391,733	317,486
Other assets (\$'000)	149,186	73,235
Total assets (\$'000)	1,562,433	1,715,754
Borrowings (\$'000)	(376,034)	(475,929)
Distributions payable (\$'000)	(13,008)	(13,722)
Other liabilities (\$'000)	(71,624)	(72,572)
Total liabilities (\$'000)	(460,666)	(562,223)
Net assets (\$'000)	1,101,767	1,153,531
Stapled securities on issue ('000)	317,270	317,270
NTA per security (\$) ^a	3.44	3.60

a) Calculated as total net assets less goodwill on a look-through basis, divided by total securities on issue.

Capital management

Pro forma look-through gearing was 27.3%, below the target range of 30 – 40%. Whilst 68% of debt was hedged during the year, the weighted average cost of debt increased 110 basis points to 3.5%, primarily driven by higher average floating interest rates. Following the cancellation of \$175 million of surplus facilities, the nearest debt maturity is in FY25 and the weighted average debt maturity is 3.1 years.

	30 June 2023	30 June 2022
Key metrics ^a		
Balance sheet gearing	20.4% ^c	28.9%
Gearing (look-through) ^b	27.3% ^c	34.2%
Cost of debt ^d	3.5%	2.4%
Average maturity of debt ^e	3.1 years	3.6 years
Average hedged debt	68%	71%
Average maturity of hedges	2.6 years	2.4 years
Balance sheet headroom ^f	\$63m	\$61m
Balance sheet interest cover (covenant)	4.5x	6.1x

a) All metrics are look-through unless stated otherwise.

b) Adjusted for cash and debt in equity accounted investments.

c) Pro forma for the sale of 3 & 4 Forbes Close, Knoxfield VIC and 16–28 Quarry Road, Stapylton QLD which are expected to settle in August 2023 and October 2023 respectively. Balance sheet gearing at 30 June 2023 was 25.1%, or 31.2% look-through.

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

e) Weighted average maturity of drawn debt. 30 Jun 2022 has been restated and was previously reported as 3.5 years based on a weighted average maturity of total facility limit.

f) Undrawn facilities plus cash.

4. Accounted on a look-through basis across managed assets only.

5. Applies to eligible Brisbane Technology Park assets.

Directors' Report continued

Market outlook

Industrial

The fundamentals of the Australian industrial sector remain positive with strong rental growth over the past year and low vacancy rates. Key markets have experienced rental growth of up to 30% in the past 12 months, in particular Outer West Sydney.

In an environment of easing retail activity, industrial demand is expected to moderate but remain supported by non-discretionary categories such as medical, supermarkets and materials supporting infrastructure investment, underpinned by the tailwind of population growth. The lack of available space poses some challenges for companies looking to expand, although this may be supported by increased sub-leasing.

Summary and guidance

DXI is well positioned with gearing below the target band, substantial liquidity and no debt maturities until FY25. Capital management initiatives will continue to be explored to further reduce debt and support potential higher returning opportunities, while providing additional capacity to fund the development pipeline.

Strong tailwinds from development completions, annualisation of double-digit re-leasing spreads and 50% of portfolio income linked to CPI rental escalations positions DXI well for FY24, despite higher floating interest rates which will impact growth.

Barring unforeseen circumstances, DXI provides FY24 guidance for FFO of 17.1 cents and distributions of 16.4 cents per security, reflecting a distribution yield of 5.9%⁶.

Key risks

Risk	Potential impacts	How DXI is responding
Health, safety and wellbeing Providing an environment that ensures the safety and wellbeing of customers, contractors and the public at DXI properties and responding to events that have the potential to disrupt business continuity	<ul style="list-style-type: none"> - Death or injury at DXI properties - Loss of broader community confidence - Costs or sanctions associated with regulatory response - Costs associated with criminal or civil proceedings - Costs associated with remediation and/or restoration - Inability to sustainably perform or deliver objectives - Business disruption 	<ul style="list-style-type: none"> - Dexus implements an ISO45001 accredited WHS Management system to communicate and manage WHS risks, including: <ul style="list-style-type: none"> - Contractor management procedures to facilitating safe systems of work - WHS risk management program to identify and assess risks associated with DXI 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 and financial performance Ability to meet market guidance and deliver DXI's strategy to generate superior risk-adjusted returns for investors seeking listed industrial real estate exposure in Australia	<ul style="list-style-type: none"> - Reduced investor sentiment (equity and debt) - Unanticipated loss of existing key or major investor - Reduced credit ratings and availability of debt financing - Sustained inflation and recessionary pressures on the economy which could impact performance - Inability to meet guidance - Decline in asset valuations - Reputational damage 	<ul style="list-style-type: none"> - Processes in place to monitor and manage performance and risks that may impact on performance - DXI's strategy and risk appetite are approved annually by the Board and reviewed throughout the year by management - Investments, divestments and developments must be approved by the Investment Committee, and the Dexus Asset Management Limited (DXAM) and Industria Company No. 1 Limited (IC1) Boards, 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	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Prudent management of capital, including regular sensitivity analysis and periodic independent reviews of the Treasury Policy, assists in positioning DXI'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 and IC1 Boards

6. Based on closing security price as at 8 August 2023.

Risk	Potential impacts	How DXI is responding
Development Providing the opportunity to grow DXI's portfolio and enhance future returns	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – Leverages Dexus's strong development capability with a proven track record of delivering projects with a focus on quality, sustainability and returns that satisfy the evolving needs of customers – Investments, divestments and developments must be approved by the Investment Committee, and the DXAM and IC1 Boards, in accordance with the terms of reference and operating limits – Due diligence is undertaken for all developments before approval or endorsement of each investment decision
Environmental and social sustainability Ability to meet societal and investor expectations of corporate and social responsibilities	<ul style="list-style-type: none"> – Impacts to the community including human health and wellbeing – Increased costs associated with global and domestic energy crisis – Increased difficulties 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 	<ul style="list-style-type: none"> – 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 – DXI 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	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – DXI'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 DXI 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 DXI stakeholders to raise concerns safely, confidentially and anonymously – Risk-based Internal Audit program – Independent industry experts are appointed to undertake reviews where appropriate
Performance of manager Services and activities provided by the manager e.g. cyber and data security, people and culture	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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 continued

Remuneration Report

No remuneration or director fees are paid out of the assets of any of the entities that comprise DXI. Further, there are no employees of DXI. The Independent Directors receive director fees from the Dexus Group. Ms Deborah Coakley (and Mr Brett Cameron as Ms Coakley's Alternate) and Mr Darren Steinberg (CEO of DXAM and Dexus Group) receive remuneration as employees of Dexus Group. Please refer to the Remuneration Report which forms part of the 2023 Dexus Annual Report. The Dexus Annual Report will be made available on the website www.dexus.com on or around 16 August 2023.

Please also refer to the Remuneration Report which forms part of the 2023 Director's Report for IC1. The IC1 report will be made available on the website www.dexus.com on or around 9 August 2023.

The remuneration for the Directors and key management personnel (KMP) is set out below:

Directors

Howard Brenchley ¹	Nil paid by DXI
Danielle Carter ²	Nil paid by DXI
Jennifer Horrigan	Nil paid by DXI
Michael Johnstone ¹	Nil paid by DXI
Emily Smith	Nil paid by DXI
Jonathan Sweeney ²	Nil paid by DXI
Deborah Coakley	Nil paid by DXI
Brett D Cameron (Alternate Director)	Nil paid by DXI
Darren Steinberg, CEO of DXAM (KMP)	Nil paid by DXI

1. Resigned, effective 17 October 2022.

2. Appointed, effective 17 October 2022.

This report has been prepared and audited in accordance with section 308(3C) of the *Corporations Act 2001*.

Directors' directorships in other listed entities

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

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

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

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

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

Principal activities

During the year, the principal activities of the Group were to own, manage and develop high quality industrial warehouses and business parks, and to invest in the operations of Jandakot airport and related infrastructure. The Group consists of four registered managed investment schemes and one public company domiciled in Australia and together forms Dexus Industria REIT which is listed on the Australian Securities Exchange ("ASX") (ASX Ticker: "DXI"). The parent entity of the Group is Industria Trust No. 1. The Group did not have any employees during the year.

Total value of Group assets

The total value of the assets of the Group as at 30 June 2023 was \$1,562,433,000 (2022: \$1,715,754,000). Details of the basis of this valuation are outlined in the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Likely developments and expected results of operations

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

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

Distributions

Distributions paid or payable by the Group for the year ended 30 June 2023 were 16.4 cents per security which amounted to \$52,032,000 (2022: 17.3 cents per security, \$50,700,000) as outlined in note 6 of the Notes to the Consolidated Financial Statements.

Interests in DXI securities

The movement in securities on issue in the Group during the year and the number of securities on issue as at 30 June 2023 are detailed in note 15 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

The number of interests in the Group held by DXAM or its associates as at the end of the financial year is 60,284,550 securities (2022: 60,356,512 securities).

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

Environmental regulation

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

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

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

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

Indemnification and insurance

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

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

PricewaterhouseCoopers (PwC or the Auditor), is indemnified out of the assets of the Group pursuant to the Dexus Specific Terms of Business agreed for all engagements with PwC, to the extent that the Group inappropriately uses or discloses a report prepared by PwC. The Auditor is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

Directors' Report continued

Audit

Auditor

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

Non-audit services

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

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out in note 17 of the Notes to the Consolidated Financial Statements.

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

The reasons for the Directors being satisfied are:

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

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35 and forms part of this Directors' Report.

Corporate governance

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

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Consolidated Financial Statements were authorised for issue by the Directors on 9 August 2023.



Jennifer Horrigan

Chair

9 August 2023



Auditor's Independence Declaration

As lead auditor for the audit of Industria Trust No. 1 for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Industria Trust No. 1 and the entities it controlled during the period.

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

Samantha Johnson
Partner
PricewaterhouseCoopers

Sydney
9 August 2023

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Revenue from ordinary activities			
Property revenue	2	75,075	74,689
Total revenue from ordinary activities		75,075	74,689
Other Income			
Interest revenue		96	38
Net fair value gain of investment properties	7	–	114,783
Share of net profit/(loss) of investments accounted for using the equity method	9	28,940	(47)
Net fair value gain of derivatives	11(c)	–	15,603
Total other income		29,036	130,377
Total income		104,111	205,066
Expenses			
Property expenses	2	(13,812)	(15,252)
Management fee expense		(6,759)	(5,591)
Finance costs	3	(16,469)	(9,087)
Net loss on sale of assets		–	(342)
Net fair value loss of investment properties	7	(64,370)	–
Net fair value loss of right-of-use assets	8	(1,217)	(311)
Impairment of investments accounted for using the equity method	9	(1,296)	–
Net fair value loss of derivatives	11(c)	(760)	–
Other expenses		(1,302)	(1,420)
Total expenses		(105,985)	(32,003)
(Loss)/profit before tax		(1,874)	173,063
Income tax benefit/(expense)	4(b)	2,142	(3,713)
Profit for the year		268	169,350
(Loss)/profit for the year attributable to:			
Security holders of the parent entity		(6,414)	149,580
Security holders of other stapled entities (non-controlling interests) ¹		6,682	19,770
Profit for the year		268	169,350
Other comprehensive income for the year		–	–
Total comprehensive income for the year		268	169,350
Total comprehensive income/(loss) for the year attributable to:			
Security holders of the parent entity		(6,414)	149,580
Security holders of other stapled entities (non-controlling interests) ¹		6,682	19,770
Total comprehensive income for the year		268	169,350
		Cents	Cents
Earnings per stapled security on profit/(loss) attributable to security holders of the Trust (parent entity)			
Basic earnings per security	5	(2.02)	51.54
Diluted earnings per security	5	(2.02)	51.54
Earnings per stapled security on profit/(loss) attributable to security holders of other stapled entities¹			
Basic earnings per security	5	2.11	6.81
Diluted earnings per security	5	2.11	6.81

¹ Non-controlling interests represent the profit/(loss) and total comprehensive income/(loss) for the year attributable to Industria Trust No. 2 (IT2), Industria Trust No. 3 (IT3), Industria Trust No. 4 (IT4) and Industria Company No. 1 Limited (IC1).

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	16(a)	5,514	5,583
Receivables	16(b)	4,645	15,152
Non-current assets classified as held for sale	10	89,775	–
Derivative financial instruments	11(c)	7,840	4,936
Other current assets	16(c)	2,998	6,957
Total current assets		110,772	32,628
Non-current assets			
Investment properties	7	1,016,000	1,319,450
Right-of-use assets	8	38,377	39,069
Investments accounted for using the equity method	9	391,733	317,486
Derivative financial instruments	11(c)	4,908	7,121
Other non-current assets	16(c)	643	–
Total non-current assets		1,451,661	1,683,126
Total assets		1,562,433	1,715,754
Current liabilities			
Payables	16(d)	19,734	19,960
Provisions	16(e)	13,838	14,432
Derivative financial instruments	11(c)	–	160
Lease liabilities	12	384	344
Current tax liabilities		244	–
Total current liabilities		34,200	34,896
Non-current liabilities			
Payables	16(d)	1,459	–
Derivative financial instruments	11(c)	251	–
Lease liabilities	12	37,993	37,831
Interest bearing liabilities	13	376,034	475,929
Deferred tax liabilities	4(c)	10,729	13,567
Total non-current liabilities		426,466	527,327
Total liabilities		460,666	562,223
Net assets		1,101,767	1,153,531
Equity			
Equity attributable to security holders of the Trust (parent entity)			
Contributed equity	15	594,296	594,296
Retained profits		249,882	303,300
Parent entity security holders' interest		844,178	897,596
Equity attributable to security holders of other stapled entities (non-controlling interests)¹			
Contributed equity	15	198,402	198,402
Retained profits		59,187	57,533
Other stapled security holders' interest		257,589	255,935
Total equity		1,101,767	1,153,531

1 Non-controlling interests represent the net assets attributable to Industria Trust No. 2 (IT2), Industria Trust No. 3 (IT3), Industria Trust No. 4 (IT4) and Industria Company No. 1 Limited (IC1).

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Note	Attributable to security holders of the Trust (parent entity)			Attributable to security holders of other stapled entities ¹			Total equity \$'000
		Contributed equity \$'000	Retained profits \$'000	Total \$'000	Contributed equity \$'000	Retained profits \$'000	Total \$'000	
Opening balance as at 1 July 2021		332,545	197,157	529,702	120,693	45,026	165,719	695,421
Net profit/(loss) for the year		–	149,580	149,580	–	19,770	19,770	169,350
Other comprehensive income/(loss) for the year		–	–	–	–	–	–	–
Total comprehensive income/(loss) for the year		–	149,580	149,580	–	19,770	19,770	169,350
Transactions with owners in their capacity as owners								
Issue of contributed equity	15	269,795	–	269,795	80,205	–	80,205	350,000
Securities issued under distribution reinvestment plan (DRP)	15	2,153	–	2,153	247	–	247	2,400
Buy-back of contributed equity	15	(4,585)	–	(4,585)	(1,324)	–	(1,324)	(5,909)
Equity issuance and buy-back costs	15	(5,612)	–	(5,612)	(1,419)	–	(1,419)	(7,031)
Distributions paid or payable	6	–	(43,437)	(43,437)	–	(7,263)	(7,263)	(50,700)
Total transactions with owners in their capacity as owners		261,751	(43,437)	218,314	77,709	(7,263)	70,446	288,760
Closing balance as at 30 June 2022		594,296	303,300	897,596	198,402	57,533	255,935	1,153,531
Opening balance as at 1 July 2022		594,296	303,300	897,596	198,402	57,533	255,935	1,153,531
Net profit/(loss) for the year		–	(6,414)	(6,414)	–	6,682	6,682	268
Other comprehensive income/(loss) for the year		–	–	–	–	–	–	–
Total comprehensive income/(loss) for the year		–	(6,414)	(6,414)	–	6,682	6,682	268
Transactions with owners in their capacity as owners								
Distributions paid or payable	6	–	(47,004)	(47,004)	–	(5,028)	(5,028)	(52,032)
Total transactions with owners in their capacity as owners		–	(47,004)	(47,004)	–	(5,028)	(5,028)	(52,032)
Closing balance as at 30 June 2023		594,296	249,882	844,178	198,402	59,187	257,589	1,101,767

¹ Non-controlling interests represent the equity attributable to Industria Trust No. 2 (IT2), Industria Trust No. 3 (IT3), Industria Trust No. 4 (IT4) and Industria Company No. 1 Limited (IC1).

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		86,769	85,159
Payments in the course of operations (inclusive of GST)		(32,181)	(26,918)
Interest received		96	38
Finance costs paid		(14,682)	(12,096)
Income tax paid		(451)	–
Distributions received from investments accounted for using the equity method		22,390	–
Net cash inflow from operating activities	18	61,941	46,183
Cash flows from investing activities			
Proceeds from sale of investment properties		158,700	34,482
Payments for acquisition of investment properties		–	(158,951)
Payments for capital expenditure on investment properties		(6,849)	(18,584)
Payments for investments accounted for using the equity method		(58,984)	(330,944)
Net cash inflow/(outflow) from investing activities		92,867	(473,997)
Cash flows from financing activities			
Proceeds from borrowings		379,250	1,012,013
Repayment of borrowings		(480,500)	(875,450)
Additional borrowing costs paid		(524)	(1,690)
Payment of lease liabilities		(357)	(280)
Payments for buy-back of contributed equity		–	(5,909)
Proceeds from issue of contributed equity		–	350,000
Equity issuance and buy-back costs paid		–	(7,031)
Distributions paid to security holders (net of reinvestment)		(52,746)	(44,018)
Net cash inflow/(outflow) from financing activities		(154,877)	427,635
Net decrease in cash and cash equivalents		(69)	(179)
Cash and cash equivalents at the beginning of the year		5,583	5,762
Cash and cash equivalents at the end of the year		5,514	5,583

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of preparation

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

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

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

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties, non-current assets classified as held for sale, investment properties within equity accounted investments, right of use assets and derivative financial instruments which are stated at their fair value.

DXI stapled securities are quoted on the Australian Securities Exchange under the "DXI" code and comprise one unit in each of IT1, IT2, IT3, IT4 and one share in IC1. In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. IT1 is the parent entity and deemed acquirer of IT2, IT3, IT4 and IC1. These Consolidated Financial Statements therefore represent the consolidated results of DXI and include IT1, IT2, IT3, IT4, IC1 and their respective controlled entities. All entities within the Group are for-profit entities.

Equity attributable to other entities stapled to IT1 is a form of non-controlling interest and represents the equity of IT2, IT3, IT4 and IC1. The amount of non-controlling interests attributable to stapled security holders is disclosed in the Consolidated Statement of Financial Position.

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards. Dexus Asset Management Limited (DXAM) as Responsible Entity for IT1, IT2, IT3, IT4 and as Manager for IC1 may only unstack the Group if approval is obtained by a special resolution of the stapled security holders.

Critical accounting estimates

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

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

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

- Investment properties (including those held within investments accounted for using the equity method);
- Right of use assets;
- Derivative financial instruments; and
- Non-current assets classified as held for sale.

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

Climate change

The Group is continuing to develop its assessment of the impact of climate change in line with emerging industry and regulatory guidance in preparing the Consolidated Financial Statements. Refer to specific considerations relating to Investment Properties within note 7 to the Consolidated Financial Statements.

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

Principles of consolidation

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

Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

Where assets are held directly as tenants in common, the Group's proportionate share of revenues, expenses, assets and liabilities are included in their respective items of the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Group's share of the joint ventures' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income and distributions received from joint ventures are recognised as a reduction of the carrying amount of the investment.

Goods and services tax

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

Notes to the Consolidated Financial Statements continued

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

The Notes are organised into the following sections:

Group performance	Property portfolio assets	Capital and financial risk management and working capital	Other disclosures
1. Operating segments	7. Investment properties	11. Capital and financial risk management	17. Audit, taxation and transaction service fees
2. Property revenue and expenses	8. Right-of-use assets	12. Lease liabilities	18. Cash flow information
3. Finance costs	9. Investments accounted for using the equity method	13. Interest bearing liabilities	19. Related parties
4. Taxation	10. Non-current assets classified as held for sale	14. Commitments and contingencies	20. Controlled entities
5. Earnings per security		15. Contributed equity	21. Parent entity disclosures
6. Distributions paid and payable		16. Working capital	22. Subsequent events

Group performance

In this section

This section explains the results and performance of the Group.

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

Note 1 Operating segments

The Group derives its income from investment in properties located in Australia and is deemed to have two operating segments 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. A reconciliation of the Group's FFO (including the Group's share of equity accounted investments) to net profit for the period is tabled below:

	Direct investments		Joint ventures ¹		Total portfolio	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Segment performance measures						
Property revenue	77,623	77,279	27,157	15,692	104,780	92,971
Property expenses	(14,993)	(15,552)	(6,363)	(3,766)	(21,356)	(19,318)
Property FFO	62,630	61,727	20,794	11,926	83,424	73,653
Management fees	(6,759)	(5,591)	(1,971)	(1,402)	(8,730)	(6,993)
Net finance costs	(14,334)	(10,300)	(3,646)	(1,774)	(17,980)	(12,074)
Tax expense	(696)	–	(1,016)	(852)	(1,712)	(852)
Other net (expense)/income	(1,302)	(1,466)	679	1,301	(623)	(165)
FFO	39,539	44,370	14,840	9,199	54,379	53,569
Net fair value gain/(loss) of investment properties	(64,370)	114,783	8,088	(14,483)	(56,282)	100,300
Net fair value gain/(loss) of right-of-use assets	(1,217)	(311)	9,651	1,031	8,434	720
Net fair value gain/(loss) of derivatives	(760)	15,603	(14)	5,959	(774)	21,562
Net loss on sale of assets	–	(342)	–	–	–	(342)
Impairment of investments accounted for using the equity method	(1,296)	–	–	–	(1,296)	–
Incentive amortisation	(5,201)	(5,793)	(114)	(18)	(5,315)	(5,811)
Rent straight-line	2,528	2,199	432	320	2,960	2,519
Non-FFO tax benefit/(expense)	2,838	(3,713)	(2,730)	(2,241)	108	(5,954)
Debt modification (expense)/gain	(696)	2,586	–	–	(696)	2,586
Rental guarantees, coupon income and other	(37)	15	(1,213)	186	(1,250)	201
Profit/(loss) for the period	(28,672)	169,397	28,940	(47)	268	169,350
Investment properties	1,016,000	1,319,450	–	–	1,016,000	1,319,450
Investments accounted for using the equity method	–	–	452,044	412,074	452,044	412,074
Non-current assets classified as held for sale	89,775	–	–	–	89,775	–
Property portfolio²	1,105,775	1,319,450	452,044	412,074	1,557,819	1,731,524

1 Includes investment in Jandakot City Holdings Trust, Jandakot Airport Holdings Trust, Dexus Moorebank Trust and Dexus Mamre Road Trust. Refer note 9 Investments accounted for using the equity method for further detail.

2 Represents look-through portfolio, including directly held investment properties, non-current assets held for sale and the Group's interests in investment properties held through investments in trusts.

Notes to the Consolidated Financial Statements continued

Note 2 Property revenue and expenses

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

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

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

	2023	2022
	\$'000	\$'000
Rental income	67,095	67,887
Outgoings and direct recoveries	6,921	4,751
Services revenue	5,527	7,118
Embedded network income ¹	247	234
Incentive amortisation	(4,715)	(5,301)
Total property revenue	75,075	74,689

1 Embedded network income represents the net of \$1.3 million (2022: \$0.5 million) of direct recoveries income and \$1.1 million (2022: \$0.3 million) of electricity expenses.

Property expenses

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

	2023	2022
	\$'000	\$'000
Recoverable outgoings and direct recoveries	12,941	12,211
Other non-recoverable property expenses	871	3,041
Total property expenses	13,812	15,252

Note 3 Finance costs

Finance costs include interest, amortisation or other costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and realised interest rate swaps. Finance costs are expensed as incurred.

	2023	2022
	\$'000	\$'000
Interest paid/payable ¹	17,722	7,082
Amortisation of borrowing costs	1,183	639
Debt modifications	696	(2,586)
Interest expense on lease liability	1,343	1,335
Realised loss/(gain) of interest rate derivatives	(4,475)	2,617
Total finance costs	16,469	9,087

1 Includes \$3.3 million (2022: \$3.3 million) of line fees expenses during the year.

Note 4 Taxation

Industria Company No.1 Limited

Income tax on the profit or loss for the financial year comprises current and deferred tax for Industria Company No.1 Limited (the "Company"), a stapled entity of DXI. Income tax is recognised in the Consolidated Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes.

The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of the deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount or assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Comprehensive Income.

Income taxes relating to items recognised directly in other comprehensive income or equity are recognised in other comprehensive income or equity and not in the Consolidated Statement of Comprehensive Income.

Industria Company No.1 Limited - tax consolidation

The Company and its controlled entities are a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Industria Company No. 1 Limited. The members of the tax-consolidated group are identified in note 20.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Industria Company No. 1 Limited and each of the entities in the tax-consolidated group has agreed to pay/(or receive) a tax equivalent payment to/(or from) the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax-sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding agreement.

Dexus Industria Trusts

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

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

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

a. Income tax (expense)/benefit

	2023	2022
	\$'000	\$'000
Current income tax expense	(696)	–
Deferred income tax benefit/(expense)	2,838	(3,713)
Total income tax benefit/(expense)	2,142	(3,713)
Deferred income tax expense included in income tax benefit/(expense) comprises:		
Decrease in deferred tax assets	(61)	(655)
Decrease/(increase) in deferred tax liabilities	2,899	(3,058)
Total deferred tax benefit/(expense)	2,838	(3,713)

Notes to the Consolidated Financial Statements continued

Note 4 Taxation (continued)

b. Reconciliation of income tax (expense)/benefit to net profit

	2023	2022
	\$'000	\$'000
(Loss)/profit before income tax	(1,874)	173,063
Less: (Loss)/profit attributed to entities not subject to tax	(1,671)	(160,575)
(Loss)/profit subject to income tax	(3,545)	12,488
Prima facie tax benefit/(expense) at the Australian tax rate of 30%	1,064	(3,746)
Add/(subtract) the tax effect of:		
Franked dividend received from investments	149	–
(Over)/under provision from previous years	929	33
Income tax benefit/(expense)	2,142	(3,713)

c. Deferred tax balances

	2023	2022
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	302	213
Investment properties	(11,255)	(14,064)
Other	224	284
Net deferred tax liabilities	(10,729)	(13,567)

Note 5 Earnings per security

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

	2023	2022
(Loss)/profit after tax (\$'000) attributable to security holders of the Trust (parent entity)	(6,414)	149,580
Weighted average number of securities outstanding (thousands)	317,270	290,215
Basic and diluted earnings (cents per security)	(2.02)	51.54
Profit after tax (\$'000) attributable to security holders of other stapled entities	6,682	19,770
Weighted average number of securities outstanding (thousands)	317,270	290,215
Basic and diluted earnings (cents per security)	2.11	6.81

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

Note 6 Distributions paid and payable

Distributions are recognised when declared.

a. Distribution to security holders

	2023	2022
	\$'000	\$'000
30 September (paid 10 November 2022)	13,008	9,392
31 December (paid 23 February 2023)	13,008	13,804
31 March (paid 17 May 2023)	13,008	13,782
30 June (payable 24 August 2023)	13,008	13,722
Total distribution to security holders	52,032	50,700

b. Distribution rate

	2023	2022
	Cents per security	Cents per security
30 September (paid 10 November 2022)	4.100	4.325
31 December (paid 23 February 2023)	4.100	4.325
31 March (paid 17 May 2023)	4.100	4.325
30 June (payable 24 August 2023)	4.100	4.325
Total distribution rate	16.400	17.300

No dividends were declared from Industria Company No.1 Ltd for the year ended 30 June 2023 (2022: nil). Franking credits available for subsequent reporting periods based on a tax rate of 30% (2022: 30%) are \$1.7 million (2022: \$0.4 million).

Property portfolio assets

In this section

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

		Leased assets	Direct investments	Joint ventures	Total
30 June 2023	Note	\$'000	\$'000	\$'000	\$'000
Investment properties	7	–	1,016,000	–	1,016,000
Right-of-use asset	8	38,377	–	–	38,377
Investments accounted for using the equity method	9	60,098	–	452,044	512,142
Non-current assets classified as held for sale	10	–	89,775	–	89,775
Total		98,475	1,105,775	452,044	1,656,294

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.
- **Right-of-use assets:** relates to ground leases on which some of the Group's investment properties are located.
- **Investments accounted for using the equity method:** provides summarised financial information on the joint ventures and investments where the Group has significant influence. The Group's interests in its joint venture property portfolio assets are held through investments in trusts.
- **Non-current assets classified as held for sale:** relates to investment properties which are expected to be sold within 12 months of the reporting date and are being marketed for sale or contracts have already exchanged.

Note 7 Investment properties

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

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

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

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

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

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

	2023	2022
	\$'000	\$'000
Non-current		
Industrial and office properties	1,013,150	1,316,600
Land held for development	2,850	2,850
Total	1,016,000	1,319,450

Note 7 Investment properties (continued)

a. Reconciliation

	2023	2022
	\$'000	\$'000
Opening balance at the beginning of the year	1,319,450	1,051,008
Additions ¹	3,398	10,672
Acquisitions	–	160,599
Lease incentives	7,814	8,230
Amortisation of lease incentives	(5,201)	(5,793)
Rent straightlining	2,528	2,199
Disposals	(157,844)	(22,248)
Transfer to non-current assets classified as held for sale	(89,775)	–
Net fair value (loss)/gain of investment properties ²	(64,370)	114,783
Carrying amount at the end of the financial year	1,016,000	1,319,450

1 Includes \$2.6 million (2022: \$5.2 million) of maintenance capital expenditure incurred during the year.

2 Includes \$2.5 million of transaction costs associated with assets sold and assets transferred to held for sale during the year (2022: nil).

Disposals

On 30 November 2022, settlement occurred for the disposal of 1A and 1C Homebush Bay Drive, Rhodes NSW for \$160.5 million excluding transaction costs.

b. Valuation process

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

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

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

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

c. Sustainability valuation considerations

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

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

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

Notes to the Consolidated Financial Statements continued

Note 7 Investment properties (continued)

d. Fair value measurement, valuation techniques and inputs

The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement for each class of investment property, including investment property held within investments accounted for using the equity method.

Class of property	Fair value hierarchy	Inputs used to measure fair value	Range of unobservable inputs	
			2023	2022
Industrial and office properties	Level 3	Adopted capitalisation rate	4.50% - 7.75%	4.00% - 7.75%
		Adopted discount rate	6.00% - 8.00%	5.25% - 7.50%
		Adopted terminal yield	4.75% - 8.00%	4.13% - 7.50%
		Net market rental (per sqm p.a)	\$84 - \$765	\$80 - \$537
Land held for development	Level 3	Sales price per sqm	\$260 - \$1,272	\$265 - \$1,239
Leased assets	Level 3	Adopted discount rate	3.36% - 8.50%	3.08% - 6.40%

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..
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. For industrial and office properties, it reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation. For leased assets, the discount rate is determined with reference to the Group's incremental borrowing rate.
- **Adopted terminal yield:** The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. 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.
- **Sales price per sqm:** The market evidence is compared with the subject land to determine a value on a rate per square metre basis whilst considering the location, nature and condition of each property.

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

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

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

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

f. Sensitivity information

Significant movement in any one of the valuation inputs listed in the table above may result in a change in the fair value of the Group's investment properties, including investment properties within investments accounted for using the equity method, as shown below.

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

	2023	2022
	\$'000	\$'000
A decrease of 25 basis points in the adopted capitalisation rate	65,554	90,345
An increase of 25 basis points in the adopted capitalisation rate	(59,731)	(81,810)
A decrease of 25 basis points in the adopted discount rate	53,498	74,793
An increase of 25 basis points in the adopted discount rate	(49,555)	(68,845)
A decrease of 5% in the net market rental (per sqm)	(67,241)	(86,574)
An increase of 5% in the net market rental (per sqm)	67,241	86,574

Generally, a change in the assumption made for the adopted capitalisation rate is often accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the capitalisation approach while the adopted terminal yield forms part of the discounted cash flow approach.

Note 7 Investment properties (continued)

f. Sensitivity information (continued)

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.

The discounted cash flow is primarily made up of the discounted cash flow of net income over the cash flow period and the discounted terminal value (which is largely based upon market rents grown at forecast market rental growth rates capitalised at an adopted terminal yield). An increase (softening) in the adopted discount rate may offset the impact to fair value of a decrease (tightening) in the adopted terminal yield. A decrease (tightening) in the discount rate may offset the impact to fair value of an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield may increase the impact to fair value.

A decrease (softening) in the forecast rental growth rate may result in a negative impact on the discounted cash flow approach value while a strengthening may have a positive impact on the value under the same approach.

The 30 June 2023 land held for development investment property asset is a non-income producing development valued using a direct comparison approach. There is a directly proportional impact between adopted sales price per sqm and fair value.

g. Investment properties pledged as security

Refer to note 13 for information on investment properties pledged as security.

Note 8 Right-of-use assets

a. Sub-leasehold properties and ground rent obligations

Five of DXI's investment properties at 140 Sharps Road, Tullamarine VIC and 5, 5B, 18-20, 20-22 Butler Boulevard, Adelaide Airport SA are located on airport land. These are held as sub-leasehold interests with Australia Pacific Airports (Melbourne) Pty Ltd and Adelaide Airport Limited ("Airport Authority") respectively who hold head leases from the Commonwealth of Australia.

Therefore, the Group is the lessee of the associated lease arrangements for these investment properties which are subject to the recognition and measurement requirements of AASB 16 *Leases* for operating leases.

Leasehold land that meets the definition of investment property under AASB 140 *Investment properties* is measured at fair value. The leased assets are measured initially at an amount equal to the corresponding lease liabilities. Subsequent to initial recognition, the leased assets are recognised at fair value in the Consolidated Statement of Financial Position. Refer to note 12 *Lease liabilities* and note 7 *Investment properties* for details.

b. Reconciliation of right-of-use ("ROU") assets

	2023	2022
	\$'000	\$'000
ROU assets recognised at the beginning of the year	39,069	39,380
Remeasurement of ROU assets during the year	525	–
Net fair value loss on ROU assets recognised in the Consolidated Statement of Comprehensive Income	(1,217)	(311)
Investment properties – ROU assets at end of the year	38,377	39,069

Notes to the Consolidated Financial Statements continued

Note 9 Investments accounted for using the equity method

a. Interest in joint ventures and associates

The following investments are accounted for using the equity method of accounting in the Consolidated Financial Statements. Information relating to these entities is set out below.

Name of entity	Ownership interest			
	2023 %	2022 %	2023 \$'000	2022 \$'000
Jandakot City Holdings Trust (JCHT) ¹	33.3	33.3	316,769	250,162
Jandakot Airport Holdings Trust (JAHT) ^{1,2}	68.0	68.0	51,248	44,725
Dexus Moorebank Trust	50.0	50.0	22,683	22,599
Dexus Mamre Road Trust ³	50.0	—	1,033	—
Total assets - investments accounted for using the equity method⁴			391,733	317,486

1 These entities were formed in Australia and their principal activity is property investment and airport operations and related infrastructure within Perth, WA.

2 Like other airports around Australia, firefighting foams containing per- and poly-fluorinated alkyl substances (PFAS) have historically been used at Jandakot Airport. Jandakot Airport continues to investigate, manage and monitor PFAS.

3 Dexus Mamre Road was formed in Australia and its principal activity is investment in real estate assets within Australia.

4 The Group's share of investment properties in the investments accounted for using the equity method was \$452.0 million (2022: \$412.1 million) and right-of-use assets of \$60.1 million (2022: \$50.5 million). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

b. Impairment assessment on Investments accounted for using the equity method

At each reporting date, management assess whether there is any indication of impairment to the carrying value of Investments accounted for using the equity method, which in certain instances may include notional goodwill recognised on acquisition, where relevant. If an indicator of impairment is identified, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (taken to be the higher of value in use and fair value less costs to sell) with its carrying value.

The main risk to the value of the investments accounted for using the equity method is the fair value of the underlying investment properties. Note 7 gives further explanation of the approach taken to measure the fair value of investment properties. Any fair value movements are recorded within share of net profit of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income. During the year, an overall impairment loss of \$1.3 million has been recorded (2022: nil).

c. Summarised financial information for individually material joint ventures and associates and equity accounted investments

The following table provides summarised financial information for the joint ventures and associates and equity accounted investments which, in the opinion of the Directors, are material to the Group. The information disclosed reflects the amounts presented in the Consolidated Financial Statements of the relevant joint ventures and associates and not DXI's share of those amounts.

Note 9 Investments accounted for using the equity method (continued)

c. Summarised financial information for individually material joint ventures and associates and equity accounted investments (continued)

	Jandakot City Holdings Trust (JCHT)		Jandakot Airport Holdings Trust (JAHT)		Other ¹		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Summarised Statement of Financial Position								
Current assets								
Cash and cash equivalents	24,167	17,677	37	–	2,699	3,525	26,903	21,202
Investment properties	–	–	–	–	–	–	–	–
Other current assets	2,507	2,473	99	–	3,973	118	6,579	2,591
Total current assets	26,674	20,150	136	–	6,672	3,643	33,482	23,793
Non-current assets								
Investment properties	1,262,566	1,143,832	–	–	43,400	42,250	1,305,966	1,186,082
Investments accounted for using the equity method	–	–	75,184	65,751	–	–	75,184	65,751
Other non-current assets	180,811	152,599	–	–	115	66	180,926	152,665
Total non-current assets	1,443,377	1,296,431	75,184	65,751	43,515	42,316	1,562,076	1,404,498
Current liabilities								
Provisions	8,832	39,917	245	–	598	238	9,675	40,155
Lease liabilities	5,655	4,670	–	–	–	–	5,655	4,670
Other current liabilities	10,754	58,435	264	533	2,157	524	13,175	59,492
Total current liabilities	25,241	103,022	509	533	2,755	762	28,505	104,317
Non-current liabilities								
Lease liabilities	174,818	146,836	–	–	–	–	174,818	146,836
Interest bearing liabilities	318,734	318,883	–	–	–	–	318,734	318,883
Total non-current liabilities	493,552	465,719	–	–	–	–	493,552	465,719
Net assets	951,258	747,840	74,811	65,218	47,432	45,197	1,073,501	858,255
Reconciliation to carrying amounts:								
Opening balance at the beginning of the year	250,162	–	44,725	–	22,599	–	317,486	–
Additions	57,951	269,392	–	37,557	1,033	23,995	58,984	330,944
Profit/(loss) for the year	20,659	(5,938)	8,016	7,168	265	(1,277)	28,940	(47)
Distributions received/receivable	(10,707)	(13,292)	(1,493)	–	(181)	(119)	(12,381)	(13,411)
Impairment of investments accounted for using the equity method	(1,296)	–	–	–	–	–	(1,296)	–
Closing balance at the end of the year	316,769	250,162	51,248	44,725	23,716	22,599	391,733	317,486
Group's share in \$'000	316,769	249,031	50,871	44,348	23,716	22,599	391,356	315,978
Capitalised transaction costs	–	1,131	1,168	1,168	–	–	1,168	2,299
Notional goodwill/(gain on bargain purchase)	–	–	(791)	(791)	–	–	(791)	(791)
Group's carrying amount	316,769	250,162	51,248	44,725	23,716	22,599	391,733	317,486
Summarised Statement of Comprehensive Income								
Property revenue	69,816	43,818	–	–	749	310	70,565	44,128
Property revaluations	33,682	(34,885)	–	–	169	(2,792)	33,851	(37,677)
Interest revenue	503	6	5	–	74	1	582	7
Share of net profit of investments accounted for using the equity method	–	–	12,513	11,258	–	–	12,513	11,258
Depreciation and amortisation	–	(1)	–	–	–	–	–	(1)
Property expenses	(11,910)	(9,541)	–	–	(463)	(68)	(12,373)	(9,609)
Finance costs	(22,744)	(11,788)	–	–	–	–	(22,744)	(11,788)
Other expenses	(7,308)	(3,445)	(730)	(533)	–	(5)	(8,038)	(3,983)
Net profit/(loss) for the year	62,039	(15,836)	11,788	10,725	529	(2,554)	74,356	(7,665)
Total comprehensive income/(loss) for the year	62,039	(15,836)	11,788	10,725	529	(2,554)	74,356	(7,665)

¹ Includes \$1.0 million of share of net asset and nil net profit related to Dexus Mamre Road Trust.

Notes to the Consolidated Financial Statements continued

Note 10 Non-current assets classified as held for sale

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

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

At 30 June 2023, the balance relates to 16-28 Quarry Road, Stapylton QLD and 3 & 4 Forbes Close, Knoxfield VIC.

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

	2023	2022
	\$'000	\$'000
Current		
Investment properties held for sale	89,775	–

Capital and financial risk management and working capital

In this section

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

Note 11 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (interest rate risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Group.

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from 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:** *Lease liabilities* in note 12, *Interest bearing liabilities* in note 13, and *Commitments and contingencies* in note 14
- **Equity:** *Contributed equity* in note 15

Note 16 provides a breakdown of the working capital balances held in the Consolidated Statement of Financial Position.

Note 11 Capital and financial risk management

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

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

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

a. Capital risk management

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

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

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

The Group has a stated target gearing level of 30% to 40%. The table below details the calculation of the gearing ratio in accordance with its primary financial covenant requirements.

	2023	2022
	\$'000	\$'000
Total interest bearing liabilities ¹	379,250	480,500
Total tangible assets ²	1,511,989	1,664,628
Gearing ratio³	25.1%	28.9%
Gearing ratio (look through)⁴	31.2%	34.2%

1 Total interest bearing liabilities excludes deferred borrowing costs and debt modification amounts.

2 Total tangible assets comprise total assets less intangible (right-of-use) assets and derivatives.

3 Calculated as total interest bearing liabilities divided by total tangible assets.

4 The look-through gearing is adjusted for cash and debt in equity accounted investments and is not a financial covenant.

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

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

Notes to the Consolidated Financial Statements continued

Note 11 Capital and financial risk management (continued)

b. Financial risk management

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's principal financial instruments, other than derivatives, comprise cash and bank loans. The main purpose of financial instruments is to manage liquidity and hedge the Group's exposure to financial risk namely:

- Interest rate risk
- Liquidity risk
- Credit risk

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

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

i. Market risk

Interest rate risk

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

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

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

As at 30 June 2023, 77% (2022: 68%) of the Group's debt was hedged. The average hedged percentage for the financial year was 68% (2022: 73%).

Interest rate derivatives require settlement of net interest receivable or payable generally each 30 or 90 days. The net notional amount of interest rate derivatives in place in each year and the weighted average effective hedge rate is set out below:

	June 2024	June 2025	June 2026	June 2027	June 2028
	\$'000	\$'000	\$'000	\$'000	\$'000
A\$ interest rate derivatives	204,583	150,000	80,000	78,333	50,000
Hedge rate (%)	1.68%	2.18%	2.58%	3.65%	4.00%

Sensitivity analysis on interest expense

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

	2023	2022
	\$'000	\$'000
+/- 1.00% (100 basis points)	1,206	1,148
Total	1,206	1,148

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

Note 11 Capital and financial risk management (continued)

b. Financial risk management (continued)

i. Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis on fair value of interest rate derivatives

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

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

	2023	2022
	\$'000	\$'000
+/- 1.00% (100 basis points)	6,519	5,715
Total	6,519	5,715

ii. Liquidity risk

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

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

Refinancing risk

Refinancing risk is the risk that the Group:

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

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

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

	Within one year \$'000	Between one and two years \$'000	Between two and five years \$'000	After five years \$'000	Total contractual cash flows \$'000	Carrying amounts \$'000
2023						
Liabilities						
Payables	19,734	789	670	–	21,193	21,193
Provisions	13,838	–	–	–	13,838	13,838
Lease liabilities	1,716	1,751	5,610	51,127	60,204	38,377
Interest bearing liabilities	20,606	114,652	356,454	–	491,712	379,250
Total liabilities	55,894	117,192	362,734	51,127	586,947	452,658
2022						
Liabilities						
Payables	19,960	–	–	–	19,960	19,960
Provisions	14,432	–	–	–	14,432	14,432
Lease liabilities	1,668	1,708	5,375	52,082	60,833	38,175
Interest bearing liabilities	27,730	70,486	483,530	–	581,746	480,500
Total liabilities	63,790	72,194	488,905	52,082	676,971	553,067

Notes to the Consolidated Financial Statements continued

Note 11 Capital and financial risk management (continued)

b. Financial risk management (continued)

iii. Credit risk

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

The Group manages this risk by:

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

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

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

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

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

iv. Fair value

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

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

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

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

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

All investment properties were appropriately measured at Level 3 including within investments accounted for using the equity method for the periods presented in this report.

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

Since cash, receivables and payables are short-term in nature, their fair values are not materially different from their carrying amounts. For 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.

Key assumptions: fair value of derivatives and interest bearing liabilities

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

c. Derivative financial instruments

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

Note 11 Capital and financial risk management (continued)

c. Derivative financial instruments (continued)

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

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

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

Interest rate contracts

The Group has exposure to a debt 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 options (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 facilities.

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

	2023 \$'000	2022 \$'000
Current assets		
Interest rate derivative contracts	7,840	4,936
Total current assets - derivative financial instruments	7,840	4,936
Non-current assets		
Interest rate derivative contracts	4,908	7,121
Total non-current assets - derivative financial instruments	4,908	7,121
Current liabilities		
Interest rate derivative contracts	-	160
Total current liabilities - derivative financial instruments	-	160
Non-current liabilities		
Interest rate derivative contracts	251	-
Total non-current liabilities - derivative financial instruments	251	-
Net derivative financial instruments	12,497	11,897

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

	2023 \$'000	2022 \$'000
Net fair value (loss)/gain of derivatives		
Interest rate derivative contracts	(760)	15,603
Total net fair value (loss)/gain of derivatives	(760)	15,603

Note 12 Lease liabilities

Under AASB 16 Leases, as a Lessee, the Group recognises a right-of-use asset and lease liability on the Consolidated Statement of Financial Position for all material leases. In relation to leases of low value assets, such as IT equipment, small items of office furniture or short-term leases with a term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities. The Group recognises the lease payments associated with these leases as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements continued

Note 12 Lease liabilities (continued)

The Group recognises a right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at fair value.

The initial cost of the right-of-use asset includes:

- The amount of initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs
- Make good costs

The ground leases at 140 Sharps Road, Tullamarine VIC and 5, 5B, 18-20, 20-22 Butler Boulevard, Adelaide Airport SA meet the definition of investment property under AASB140 *Investment Property*.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The weighted rate applied was 3.3%. Variable lease payments that depend on an index or rate are included in the lease liability, measured using the index or rate as at the date of lease commencement.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The liability is remeasured when there is a change in future lease payments arising from a change in index or rate or changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Interest costs and variable lease payments not included in the initial measurement of the lease liability are recognised in the Consolidated Statement of Comprehensive Income in the period to which they relate.

The Group has applied judgement to determine the lease term for contracts which include renewal and termination options. The Group's assessment considered the facts and circumstances that create an economic incentive to exercise a renewal option or not to exercise a termination option.

Refer to note 8 *Right-of-use assets* for information and disclosures relating to the corresponding leased asset.

	2023	2022
	\$'000	\$'000
Lease liabilities at the beginning of the year	38,175	38,455
Remeasurement of lease liabilities during the year	525	–
Lease payments	(1,666)	(1,615)
Interest expense on lease liabilities	1,343	1,335
Lease liabilities at the end of the year	38,377	38,175
Attributable to:		
Current lease liabilities	384	344
Non-current lease liabilities	37,993	37,831
Total lease liabilities at balance date	38,377	38,175

Note 13 Interest bearing liabilities

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

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

If there is an effective fair value hedge of borrowings, a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings. This movement is recognised in the Consolidated Statement of Comprehensive Income. Refer to note 11 *Capital and financial risk management* for further detail.

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

Note 13 Interest bearing liabilities (continued)

	2023	2022
	\$'000	\$'000
Non-current		
Secured		
Bank loans (net of debt modification)	377,360	477,914
Capitalised borrowing cost	(1,326)	(1,985)
Total secured	376,034	475,929
Total non-current liabilities - interest bearing liabilities	376,034	475,929
Total interest bearing liabilities	376,034	475,929

Financing arrangements

DXI has \$436.3 million (2022: \$536.3 million) of revolving cash advance facilities with four banks.

	2023	2022
	\$'000	\$'000
Loan facility limit	436,250	536,250
Amount drawn at balance date	(379,250)	(480,500)
Amount undrawn at balance date	57,000	55,750

As at 30 June 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	Sep-24	33,250	36,250
Tranche 2 Series	Sep-24	10,000	10,000
Tranche 3 Series	Jul-25	28,000	30,000
Tranche 4 Series	Nov-26	12,000	12,500
Tranche 5 Series	Dec-26	20,000	20,000
Tranche 6 Series	Jul-24	45,000	45,000
Tranche 7 Series	Nov-26	37,500	37,500
Tranche 8 Series	Nov-26	56,250	56,250
Tranche 9 Series	Nov-25	26,000	26,250
Tranche 10 Series	Nov-26	15,000	15,000
Tranche 11 Series	Nov-25	30,000	30,000
Tranche 12 Series	Nov-26	20,000	20,000
Tranche 13 Series	Dec-26	22,250	22,500
Tranche 14 Series	Nov-27	24,000	75,000
		379,250	436,250

The revolving cash advance facilities are secured and cross collateralised over DXI's investment properties (by first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement), maturing between July 2024 and November 2027 with a weighted average maturity of November 2025.

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

		2023	2022
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 55%	33.6%	36.4%
Gearing Ratio	At all times, gearing ratio does not exceed 55%	25.1%	28.9%
Net Rental Income to Interest Costs Ratio	At all times, the net rental income to interest costs ratio under the facility does not fall below 2.0 times	4.5 times	6.1 times
Weighted Average Lease Length to Expiry ("WALE")	WALE for the portfolio will be greater than 2.5 years	6.1 years	5.6 years

Notes to the Consolidated Financial Statements continued

Note 14 Commitments and contingencies

a. Commitments

Capital commitments

The following amounts represent capital expenditure on investment properties as well as committed fitout or cash incentives contracted at the end of each reporting period but not recognised as liabilities payable:

	2023	2022
	\$'000	\$'000
Investment properties	1,098	2,714
Investments accounted for using the equity method	11,913	22,426
Total capital commitments	13,011	25,140

Lease receivable commitments

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

	2023	2022
	\$'000	\$'000
Within one year	57,848	66,943
Later than one year but not more than five years	199,213	204,808
Later than five years	202,119	211,309
Total lease receivable commitments	459,180	483,060

b. Contingencies

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

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

Note 15 Contributed equity

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

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

a. Carrying amount

	2023	2022
	\$'000	\$'000
At the beginning of the year	792,698	453,238
Issue of contributed equity	–	350,000
Securities issued under distribution reinvestment plan	–	2,400
Buy-back of contributed equity	–	(5,909)
Equity issuance and buy-back costs	–	(7,031)
At the end of the year	792,698	792,698
Attributable to:		
Security holders of the parent entity	594,296	594,296
Security holders of other stapled entities	198,402	198,402
At the end of the year	792,698	792,698

Note 15 Contributed equity (continued)

b. Number of stapled securities on issue

	2023	2022
	No.	No.
At the beginning of the year	317,270,012	217,001,053
Issue of contributed equity	–	101,449,276
Securities issued under distribution reinvestment plan	–	712,232
Buy-back of contributed equity	(100)	(1,892,549)
At the end of the year	317,269,912	317,270,012

On 11 February 2022, DXI announced plans to initiate an on-market securities buy-back of up to 5% of DXI stapled securities on issue over the next 12 months, as part of its active approach to capital management. On 2 February 2023, DXI announced an extension of the buy-back for a period of 12 months commencing on 21 February 2023. During the period to 30 June 2023, DXI acquired and cancelled 100 stapled securities (2022: 1,892,549) representing 0.00% (2022: 0.60%) of DXI stapled securities on issue.

Note 16 Working capital

a. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b. Receivables

Rental income is brought to account on an accrual basis. Dividends and distributions are recognised when declared and, if not received at the end of the reporting period, reflected in the Consolidated Statement of Financial Position as a receivable.

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

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

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

In relation to distributions receivable, an assessment has been performed taking into consideration the ability of the Trusts in which the Group holds an equity accounted interest to cash settle their distributions and pay their fees outstanding.

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

	2023	2022
	\$'000	\$'000
Rent receivable ¹	1,013	2,058
Less: provision for expected credit losses	(200)	(451)
Total rent receivables	813	1,607
Distributions receivable	3,403	13,411
Other receivables	429	134
Total other receivables	3,832	13,545
Total receivables	4,645	15,152

¹ Rent receivable includes outgoing recoveries.

Notes to the Consolidated Financial Statements continued

Note 16 Working capital (continued)

b. Receivables (continued)

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

	2023	2022
	\$'000	\$'000
Days outstanding		
0-30 days	8	43
31-60 days	8	42
61-90 days	6	180
91+ days	178	186
Total provision for expected credit losses	200	451

The provision for expected credit losses for distributions receivable and other receivables that have been recorded is minimal.

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

	2023	2022
	\$'000	\$'000
Opening provision for expected credit losses	451	–
Increase/(decrease) in provision recognised in profit or loss during the year	(251)	451
Closing provision for expected credit losses	200	451

As at 30 June 2023, rent receivable of \$47,000 was written off (2022: nil) and expensed in the Consolidated Statement of Comprehensive Income.

The Group holds \$0.9 million security deposits and other collateral (2022: \$5.7 million) and does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics in respect of rent receivables past due but not impaired.

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

c. Other assets

	2023	2022
	\$'000	\$'000
Current		
Prepayments	1,229	572
Security deposits received from tenants	925	5,666
Other	844	719
Total other current assets	2,998	6,957
Non-current		
Other	643	–
Total other non-current assets	643	–

Other current assets for the year ended 30 June 2023 includes \$0.8 million (2022: \$0.7 million) for land tax for properties owned in Queensland and South Australia that are utilised during the following period.

Note 16 Working capital (continued)

d. Payables

	2023	2022
	\$'000	\$'000
Current		
Trade payables	592	2,642
Accruals and other creditors	13,104	7,459
Prepaid income	4,631	3,987
Security deposits received from tenants	971	5,740
GST payable	436	132
Total current payables	19,734	19,960
Non-current		
Other creditors	1,459	–
Total non-current payables	1,459	–

e. Provisions

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

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

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

	2023	2022
	\$'000	\$'000
Provision for distribution	13,008	13,722
Provision for land tax	830	710
Total current provisions	13,838	14,432

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

	2023	2022
	\$'000	\$'000
Provision for distribution		
Opening balance at the beginning of the year	13,722	9,440
Additional provisions	52,032	50,700
Payment of distributions	(52,746)	(46,418)
Closing balance at the end of the year	13,008	13,722

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

Other disclosures

In this section

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

Note 17 Audit, taxation and transaction service fees

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

	2023	2022
	\$	\$
Audit and review services		
Auditors of the Group - PwC		
Financial Statement audit and review services	239,093	133,744
Audit and review fees paid to PwC	239,093	133,744
Assurance services		
Auditors of the Group - PwC		
Outgoings audit	36,800	48,265
Compliance assurance services	20,232	19,452
Other assurance services	–	30,000
Assurance fees paid to PwC	57,032	97,717
Total audit, review and assurance fees paid to PwC	296,125	231,461
Other services		
Auditors of the Group - PwC		
Taxation services	67,508	–
Other services fees paid to PwC	67,508	–
Total audit, review, assurance and other services fees paid to PwC	363,633	231,461

Note 18 Cash flow information

a. Reconciliation of cash flows from operating activities

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

	2023	2022
	\$'000	\$'000
Net profit for the year	268	169,350
<i>Add/(less) non-cash items:</i>		
Straight line lease revenue recognition	(2,528)	(2,199)
Amortisation of borrowing costs	1,183	639
Debt modifications	696	(2,586)
Impairment of investments accounted for using the equity method	1,296	–
Amortisation of incentives	5,201	5,684
Net fair value (gain)/loss of derivatives	760	(15,603)
Net fair value (gain)/loss of investment properties	64,370	(114,783)
Share of net (profit)/loss of investments accounted for using the equity method	(28,940)	47
Net fair value loss of right-of-use assets	1,217	311
Net loss on sale of assets	–	342
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in receivables	10,507	(2,659)
(Increase)/decrease in other assets	3,316	(2,832)
(Increase)/decrease in right-of-use assets	(525)	–
(Increase)/decrease in derivatives	(1,360)	(1,246)
(Increase)/decrease in investments accounted for using the equity method	12,381	–
(Decrease)/increase in payables	(3,952)	8,250
(Decrease)/increase in provisions	120	–
(Decrease)/increase in lease liabilities	525	–
(Decrease)/increase in current tax liabilities	244	–
(Decrease)/increase in deferred tax	(2,838)	3,468
Net cash inflow from operating activities	61,941	46,183

b. Net debt reconciliation

	2023	2022
	\$'000	\$'000
Opening balance	475,929	343,003
<i>Changes from financing cash flows</i>		
Proceeds from borrowings	379,250	1,012,013
Repayment of borrowings	(480,500)	(875,450)
Additional capitalised borrowing costs paid	(524)	(1,690)
<i>Non-cash changes</i>		
Amortisation of borrowing costs	1,183	639
Debt modification	696	(2,586)
Closing balance	376,034	475,929

c. Lease liabilities

	2023	2022
	\$'000	\$'000
Lease liabilities at the beginning of the year	38,175	38,455
Remeasurement of lease liabilities	525	–
<i>Net cash inflow/(outflow) from financing activities:</i>		
Payments for ground rent	(1,666)	(1,615)
<i>Non-cash changes:</i>		
Interest expense on lease liabilities	1,343	1,335
Lease liabilities at the end of the year	38,377	38,175

Notes to the Consolidated Financial Statements continued

Note 19 Related parties

Transactions with key management personnel

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

Transactions with the Responsible Entity and related body corporate

The Responsible Entity and Manager of the stapled entities that form DXI 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. Accordingly, transactions with entities related to DXPG are disclosed below:

	2023		2022	
	Paid \$'000	Payable \$'000	Paid \$'000	Payable \$'000
Management fees ¹	5,088	1,671	3,157	2,434
Property management and leasing fees ²	—	2,034	158	601
Total³	5,088	3,705	3,315	3,035

- DXAM is entitled to a base management fee of 0.55% per annum of the Gross Asset Value of the Group (reducing to 0.50% p.a. of Gross Asset Value in excess of \$750m and 0.45% p.a. of Gross Asset Value in excess of \$1,500m). Management fees are allocated to the entities comprising DXI on a fair and reasonable basis and in accordance with each entities' Constitution.
- DXAM is party to a property management agreement with Dexus Property Services Limited a wholly owned subsidiary of Dexus. Under this agreement Dexus Property Services Limited is entitled to charge a fee of up to 2% of gross property income. APN Asset Services Pty Ltd, a wholly owned subsidiary of Dexus previously provided these services.
- DXI has investments in entities that are managed by subsidiaries wholly owned by Dexus. These investments also pay fees to Dexus that are not included within this note disclosure.

Security holdings and associated transactions with related parties

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

	2023		2022	
	Number of securities	Distributions \$	Number of securities	Distributions \$
Dexus Diversified Fund	11,382,460	1,866,723	11,382,460	1,548,516
APD Trust	44,261,005	7,258,805	44,261,005	7,178,582
Dexus AREIT Fund	3,657,216	599,783	3,657,216	554,909
Dexus Property for Income Fund	292,869	48,031	292,869	46,633
Dexus Property for Income Fund No.2	92,684	15,200	92,684	14,758
CFS Dexus AREIT Fund	521,693	85,558	521,693	83,765
Geoff Brunsdon AM ¹	—	—	140,771	11,741
Tim Slattery ²	—	—	—	126
Joseph De Rango ³	—	—	7,814	676
Danielle Carter ⁴	15,964	1,309	—	—
Jonathan Sweeney ⁴	23,800	1,952	—	—
Jennifer Horrigan	36,859	6,045	—	—
Total	60,284,550	9,883,406	60,356,512	9,439,706

- Resigned, effective 28 February 2022.
- Resigned, effective 13 August 2021.
- Resigned, effective 1 March 2022.
- Appointed, effective 17 October 2022.

As at 30 June 2023, 19.00% (2022: 19.02%) of DXI's stapled securities were held by related parties.

Note 20 Controlled entities

	Country of incorporation	Percentage owned %	
		2023	2022
Parent entity			
Industria Trust No.1	Australia		
Controlled entities of Industria Trust No.1			
South Park Investment Trust	Australia	100	100
West Park Investment Trust	Australia	100	100
Tullamarine Investment Trust	Australia	100	100
Kilsyth Investment Trust	Australia	100	100
West Park Investment Trust No. 2	Australia	100	100
Burbridge Investment Trust	Australia	100	100
Rhodes Investment Trust	Australia	100	100
West Park Investment Trust No. 3	Australia	100	100
Tomago Investment Trust	Australia	100	100
Kilsyth Investment Trust No. 2	Australia	100	100
Knoxfield Investment Trust	Australia	100	100
Knoxfield Investment Trust No. 2	Australia	100	100
Knoxfield Investment Trust No. 3	Australia	100	100
Cooper Investment Trust No. 1	Australia	100	100
Cooper Investment Trust No. 2	Australia	100	100
Rowville Investment Trust	Australia	100	100
Corio Investment Trust	Australia	100	100
ADI Victoria Trust No. 1	Australia	100	100
ADI Victoria Trust No. 2	Australia	100	100
ADI Victoria Trust No. 3	Australia	100	100
ADI Victoria Trust No. 4	Australia	100	100
Non-controlling interests			
Industria Trust No. 2	Australia	-	-
Industria Trust No. 3	Australia	-	-
APN Robinson Road Industrial Property Fund	Australia	-	-
APN Technology and Business Park Property Fund	Australia	-	-
Industria Finance Trust	Australia	-	-
APN Technology and Business Park Property Fund No. 1	Australia	-	-
Industria Trust No. 4	Australia	-	-
Industria Company No.1 Limited ¹	Australia	-	-
APN DF1 SPV1 (Qld) Pty Ltd ¹	Australia	-	-
APN DF1 SPV2 (Qld) Pty Ltd ¹	Australia	-	-
APN DF1 SPV3 (Qld) Pty Ltd ¹	Australia	-	-
McKechnie Drive Pty Ltd ¹	Australia	-	-
BTP Central Pty Ltd ¹	Australia	-	-
Connect Office Services Pty Ltd ¹	Australia	-	-

¹ Entity forms part of the tax-consolidated group.

Industria Trust No. 2, Industria Trust No. 3 (and its controlled entities), Industria Trust No. 4 and Industria Company No. 1 Limited (and its controlled entities) were acquired through a stapling arrangement, and thus no ownership has been obtained. The financial results and financial position attributable to these entities are disclosed as 'non-controlling interests' in the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements continued

Note 21 Parent entity disclosures

The financial information for the parent entity of Industria Trust No. 1 has been prepared on the same basis as the Consolidated Financial Statements except as set out below.

Distributions received from associates are recognised in the parent entity's Statement of Comprehensive Income, rather than being deducted from the carrying amount of these investments.

Interests held by the parent entity in controlled entities are measured at fair value through profit and loss to reduce a measurement or recognition inconsistency.

a. Summary financial information

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

	2023 \$'000	2022 \$'000
Financial position		
Total current assets	142,573	59,944
Total non-current assets	1,010,328	1,145,092
Total assets	1,152,901	1,205,036
Total current liabilities	13,743	14,596
Total non-current liabilities	294,980	292,844
Total liabilities	308,723	307,440
Net assets	844,178	897,596
Equity		
Contributed equity	594,296	594,296
Retained profits	249,882	303,300
Total equity	844,178	897,596
Financial performance		
Net (loss)/profit for the year	(6,414)	149,580
Total comprehensive (loss)/income for the year	(6,414)	149,580

b. Guarantees entered into by the parent entity

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

c. Contingent liabilities

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

d. Capital commitments

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

	2023 \$'000	2022 \$'000
Investment properties	405	2,018
Investments accounted for using the equity method	—	68
Total capital commitments	405	2,086

Note 22 Subsequent events

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

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

Directors' Declaration

The Directors of Dexus Asset Management Limited as Responsible Entity of Dexus Industria REIT declare that the Consolidated Financial Statements and Notes set out on pages 36 to 71:

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

In the Directors' opinion:

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

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

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

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



Jennifer Horrigan

Chair

9 August 2023



Independent auditor's report

To the stapled security holders of Industria Trust No. 1

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Industria Trust No. 1 (the Trust) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

For the purposes of consolidation accounting, the Trust is the deemed parent entity and acquirer of Industria Trust No. 2 (IT2), Industria Trust No. 3 (IT3), Industria Trust No. 4 (IT4) and Industria Company No. 1 Limited (IC1). The financial report represents the consolidated financial results of the Trust and its controlled entities, IT2, IT3 and its controlled entities, IT4 and IC1 and its controlled entities.

The Group financial report comprises:

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$2.717 million, which represents approximately 5% of the Group's Funds from Operations (FFO). We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose FFO because, in our view, it is the key performance measure of the Group. An explanation of what is included in FFO is outlined in Note 1, Operating segments. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Trust, together with IT2, IT3, IT4, IC1 and their respective controlled entities, form the Dexus Industria REIT stapled security with operations in Australia. In a stapled security, the securities of two or more entities are 'stapled' together and cannot be traded separately. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matter to the Audit, Risk & Compliance Committee: <ul style="list-style-type: none"> Valuation of investment properties, including those investment properties in investments accounted for using the equity method. This is further described in the <i>Key audit matters</i> section of our report.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties, including those investment properties in investments accounted for using the equity method (Refer to Notes 7 and 9)</p> <p>The Group's investment property portfolio comprises:</p> <ul style="list-style-type: none"> • Directly held properties included in the Consolidated Statement of Financial Position as Investment properties, valued at \$1,016.0 million as at 30 June 2023 (2022: \$1,319.5 million). • The Group's share of investment properties valued at \$452.0 million at 30 June 2023 (2022: \$412.1 million) held through associates and joint ventures included in the Consolidated Statement of Financial Position as Investments accounted for using the equity method. <p>Investment properties are carried at fair value at reporting date using the Group's policy as described in Note 7. The value of investment properties is dependent on the valuation methodology adopted and the inputs and assumptions in the valuation models.</p> <p>Significant assumptions in establishing fair value include the:</p> <ul style="list-style-type: none"> • Capitalisation rate, and • Discount rate. <p>At each reporting period, the Group determines the fair value of its investment property portfolio in line with the Group's valuation policy, which requires all properties to be independently valued by a member of the Australian Property Institute of Valuers at least once every three years. It has been the Group's practice in the majority of cases to have such valuations performed every six months.</p> <p>We considered the valuation of investment properties to be a key audit matter due to the:</p> <ul style="list-style-type: none"> • Financial significance of investment properties in the Consolidated Statement of Financial Position (including those within investments accounted for 	<p>To assess the valuation of investment properties, the following procedures were performed, amongst others:</p> <ul style="list-style-type: none"> • Comparing the valuation methodology adopted by the Group with commonly accepted valuation approaches used in the real estate industry for investment properties, and with the Group's valuation policy. • Obtaining a selection of recent property market reports to develop an understanding of the prevailing market conditions and their expected impact on the Group's investment properties. • Assessing the design and tested the operating effectiveness of certain controls supporting the Group's investment property valuation process. • Agreeing the adopted investment property fair values in the Group's accounting records to their respective valuation models. • For selected data inputs to the valuation models, on a sample basis we agreed relevant details to supporting documentation. • For a sample of properties that were assessed as being at greater risk of material misstatement, performing the following procedures, amongst others, to assess the appropriateness of certain assumptions used in the Group's assessment of fair value: <ul style="list-style-type: none"> • Discussing with management the specifics of the selected individual properties, including, where relevant, any new leases signed during the year, lease expiries, incentives, capital expenditure and vacancy rates. • Assessing the appropriateness of the capitalisation rate and discount rate adopted in the valuations, by reference to market data for comparable properties. • Testing the mathematical accuracy of the relevant valuation calculations.



Key audit matter	How our audit addressed the key audit matter
<p>using the equity method).</p> <ul style="list-style-type: none"> • Potential for changes in the fair value of investment properties to have a significant effect on the Consolidated Statement of Comprehensive Income. • The inherently subjective nature of the significant assumptions that underpin the valuations. 	<ul style="list-style-type: none"> • As the Group engaged valuation firms to assist in the determination of the fair value of certain investment properties, considering the independence, experience and competency of the independent valuation firms, as well as the results of their work. • Inquiring with a selection of valuation firms used by the Group to develop an understanding of their processes, judgements and observations. • Assessing the reasonableness of the disclosures in the financial report against the requirements of Australian Accounting Standards.

Other information

The Directors of Dexus Asset Management Limited, the Responsible Entity of the Trust (the Directors), are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included on page 32 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the remuneration report of the Group for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Samantha Johnson
Partner

Sydney
9 August 2023

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



Jandakot Airport and industrial precinct, Perth WA

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

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

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

Annual General Meeting

Dexus Industria REIT's Annual General Meeting (AGM) will be held on Thursday 23 November 2023 commencing at 10.00am.

We are planning to host a hybrid AGM with an in-person meeting and utilising Link Market Services virtual online meeting platform for Security holders who cannot join us in Sydney.

We encourage all Security holders and proxy holders to participate in the AGM, either by attending the meeting in-person, or via a virtual online meeting platform or by a webcast at www.dexus.com/investor-centre.

Details relating to the meeting and how it will be conducted will be provided in the 2023 Notice of Annual General Meeting when it is released in October 2023.



Investor information continued

Distribution payments

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

Unclaimed distribution income

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

AMMA Statement

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

Reporting calendar¹

2023 General Meeting	23 November 2023
2024 Half year results	7 February 2024
2024 Annual results	14 August 2024
2024 General Meeting	21 November 2024

Reporting calendar¹

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

1. Please note that these dates are indicative and are subject to change without prior notice. Any changes in our key dates will be published on our website at www.dexus.com/industria.

Go electronic for convenience and speed

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

Investor communications

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

DXI's website

www.dexus.com/industria

Online enquiry

www.dexus.com/get-in-touch

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

Investor login

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

Enables investors to update their details and download statements.

Subscribe for news

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

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

Key dates

Notifies investors on key events and reporting dates.

Complaints handling process

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

Complaints Officer

Dexus Asset Management Limited

PO Box R1822
Royal Exchange NSW 1225

Phone: +612 9017 1100

Email: complaints@dexus.com.au

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

Australian Financial Complaints Authority Limited

GPO Box 3
Melbourne VIC 3001

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

Fax: +61 3 9613 6399

Email: info@afca.org.au

Website: www.afca.org.au

Making contact

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

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

Dexus Industria REIT

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

Phone: +61 1800 819 675

Email: dexus@linkmarketservices.com.au

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

Our contact details are:

Investor Relations

Dexus Industria REIT
PO Box R1822
Royal Exchange NSW 1225

Email: ir@dexus.com

Additional information

Top 20 Security holders as at 28 July 2023

Rank	Name	No. of stapled securities	% of issued capital
1	Growthpoint Properties Australia Limited < RE GPAT A/C>	49,051,035	15.46
2	Perpetual Corporate Trust Ltd <APD A/C>	44,261,005	13.95
3	JP Morgan Nominees Australia Pty Limited	38,040,157	11.99
4	HSBC Custody Nominees (Australia) Limited	36,554,826	11.52
5	Citicorp Nominees Pty Limited	21,400,350	6.75
6	Dexus Funds Management Limited <Dexus Diversified A/C>	11,382,460	3.59
7	National Nominees Limited	9,175,688	2.89
8	BNP Paribas Noms Pty Ltd <DRP>	5,333,252	1.68
9	Netwealth Investments Limited <Wrap Services A/C>	4,595,100	1.45
10	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	2,245,935	0.71
11	John E Gill Trading Pty Ltd	1,208,931	0.38
12	The CASS Foundation Limited	1,165,100	0.37
13	Charter Hall Wholesale Management Ltd <DVAP3 A/C>	995,000	0.31
14	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	843,384	0.27
15	Neweconomy Com AU Nominees Pty Limited <900 Account>	703,372	0.22
16	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	690,441	0.22
17	Netwealth Investments Limited <Super Services A/C>	626,095	0.20
18	BNP Paribas Noms(NZ) Ltd <DRP>	591,181	0.19
19	Certane Ct Pty Ltd <Ect Cap Stbl Fnd>	495,000	0.16
20	Mandel Pty Ltd <Mandel Super Fund A/C>	410,000	0.13
Total Top 20		229,768,312	72.42
Balance of register		87,501,600	27.58
Total issued capital		317,269,912	100

Spread of securities at 28 July 2023

Range	Securities	No. of holders	%
100,001 and over	240,195,011	76	75.71
10,001 to 100,000	58,034,453	2,372	18.29
5,001 to 10,000	12,049,938	1,588	3.80
1,001 to 5,000	6,484,000	2,155	2.04
1 to 1,000	506,510	1,247	0.16
Total	317,269,912	7,438	100
Unmarketable parcels	7,925	370	n.a.

Substantial Holder Notices as at 28 July 2023

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

Date	Name	Number of securities	% voting
21-Oct-21	Dexus Nominees Pty Limited and Dexus Funds Management Ltd as responsible entity for Dexus Diversified Trust	59,920,585	18.81
7-Oct-21	Growthpoint Properties Australia Limited in its own capacity and as responsible entity for Growthpoint Properties Australia Trust, Growthpoint Properties Limited of South Africa and related entities	46,305,185	16.04
19-Mar-21	Vanguard Group (the Vanguard Group, Inc and its controlled entities)	13,127,609	6.05

Note: DXI issued capital changed from 317,270,012 securities at 30 June 2022 to 317,269,912 securities at 30 June 2023 as a result of an on-market securities buy-back facility that was announced to the ASX on 11 February 2022 and extended for 12 months on 2 February 2023.

On-market buy back

Dexus Industria REIT announced an on-market securities buy-back program on 11 February 2022 for up to 5% of securities. On 2 February 2023, the buy-back was extended for 12 months. Throughout the year, DXI acquired 100 securities for \$310 at an average price of \$3.10 under the on-market securities buy-back program. As at the date of this report the buy-back program is still open.

Cost base apportionment

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

Date	Industria Trust No. 1	Industria Trust No. 2	Industria Trust No. 3	Industria Trust No. 4	Industria Company No. 1 Ltd
1 Jul 2022 to 31 Dec 2022	77.18%	3.70%	2.68%	1.74%	14.70%
1 Jan 2023 to 30 Jun 2023	76.61%	3.55%	2.77%	1.88%	15.19%

Historical cost base details are available at www.dexus.com/industria.

Class of securities

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

Voting rights

At meetings of the Security holders of Industria Company No. 1 Limited, and of Industria Trust No. 1, Industria Trust No. 2, Industria Trust No. 3 and Industria Trust No. 4, together being the company and trusts that comprise the stapled group Dexus Industria REIT, on a poll, each Security holder has one vote for each security held.

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

Directory

Dexus Industria REIT

Industria Trust No. 1 ARSN 125 862 875
Industria Trust No. 2 ARSN 125 862 491
Industria Trust No. 3 ARSN 166 150 938
Industria Trust No. 4 ARSN 166 163 186
Industria Company No. 1 Ltd ACN 010 794 957

Responsible Entity

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

Directors of the Responsible Entity and Industria Company No. 1 Limited

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

Secretaries of the Responsible Entity and Industria Company No. 1 Limited

Brett Cameron
Scott Mahony

Manager

Dexus Asset Management Limited

Registered Office

Level 30, 50 Bridge Street
Sydney NSW 2000

T: +61 2 9017 1100

E: ir@dexus.com

W: www.dexus.com

Auditors

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

Investor Enquiries

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

Security Registry

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

T: +61 1800 819 675 (free call)

F: +61 2 9287 0303

E dexus@linkmarketservices.com.au

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

Stock Exchange Listing

Dexus Industria REIT stapled securities are listed on the Australian Securities Exchange (ASX: DXI)

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

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