

DEXUS Property Group (ASX: DXS) Appendix 4D

Results for announcement to the market

DEXUS Property Group
ARSN 089 324 541

Financial reporting for the half year ended 31 December 2014

DEXUS Diversified Trust	Note 1	31 Dec 2014	31 Dec 2013	%
		\$m	\$m	Change
Revenue from ordinary activities		419.6	309.0	35.8 %
Net profit attributable to security holders after tax		257.8	277.2	-7.0 %
Funds from operations (FFO) ¹		258.4	206.0	25.4 %
Distribution to security holders		178.2	142.1	25.4 %
		CPS	CPS	
Funds from operations per security ^{1, 2}		28.54	26.57	7.4 %
Distributions per security for the period ²	Note 2	19.68	18.42	6.8 %
		\$m	\$m	
Total assets		9,985.6	7,941.8	25.7 %
Total borrowings		2,959.1	2,335.5	26.7 %
Security holders equity		6,148.9	5,251.6	17.1 %
Market capitalisation		6,311.6	4,651.4	35.7 %
		\$ per unit	\$ per unit	
Net tangible assets (excluding non-controlling interests) ²		6.47	6.49	-0.3 %
Securities price ²		6.97	6.03	15.9 %
Securities on issue ²		905,531,797	771,371,404	
Record date		31 Dec 2014	31 Dec 2013	
Payment date		27 Feb 2015	28 Feb 2014	

- On 1 July 2014, the Group adopted the Property Council of Australia definition of FFO. Comparative information has been adjusted to reflect this change. The Directors consider FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.
- On 29 October 2014, the Group announced a one-for-six consolidation of DEXUS Property Group stapled securities. The consolidation was completed on 14 November 2014. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.

DEXUS Property Group (ASX: DXS) Appendix 4D

Results for announcement to the market

Results commentary

Refer to the attached ASX release for a commentary on the results of DEXUS Property Group.

Details of joint ventures and associates

	Ownership Interest		Share of net profit after tax	
	31 December 2014	31 December 2013	For the 6 months ended 31 December 2014	For the 6 months ended 31 December 2013
Name of entity	%	%	\$m	\$m
Bent Street Trust	33.3	33.3	21.0	6.7
DEXUS Creek Street Trust	50.0	50.0	(1.5)	3.9
DEXUS Martin Place Trust	50.0	50.0	5.6	2.5
Grosvenor Place Holding Trust	50.0	50.0	7.0	8.7
Site 6 Homebush Bay Trust	50.0	50.0	1.1	1.3
Site 7 Homebush Bay Trust	50.0	50.0	0.9	1.9
DEXUS 480 Q Holding Trust	50.0	50.0	4.0	-
DEXUS Kings Square Trust	50.0	50.0	1.0	2.0
DEXUS Office Trust Australia	50.0	50.0	106.5	-
DEXUS Industrial Trust Australia	50.0	-	(0.1)	-

Distribution Reinvestment Plan (DRP)

As announced on 13 December 2010, the DRP has been suspended until further notice. As a consequence, the DRP will not operate for this distribution payment.

Notes

- For the purposes of statutory reporting, the stapled entity, known as DXS, must be accounted for as a consolidated group. Accordingly, one of the stapled entities must be the "deemed acquirer" of all other entities in the group. DEXUS Diversified Trust has been chosen as the deemed acquirer of the balance of the DXS stapled entities, comprising DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust.
- The distribution for the period 1 July 2014 to 31 December 2014 is the aggregate of the distributions from DEXUS Diversified Trust and DEXUS Office Trust (DEXUS Operations Trust and DEXUS Industrial Trust did not pay a distribution during the period). The Annual Tax Statement, issued as at 30 June 2015, will provide details of the components of DXS's distributions.



DEXUS Property Group

(ARSN 089 324 541)

Interim Report
31 December 2014



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DEXUS Property Group (DXS) (ASX Code: DXS) consists of DEXUS Diversified Trust (DDF) (ARSN 089 324 541), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT) and DEXUS Operations Trust (DXO), collectively known as DXS or the Group.

Under Australian Accounting Standards, DDF has been deemed the parent entity for accounting purposes. Therefore the DDF consolidated Financial Statements include all entities forming part of DXS.

All ASX and media releases, Financial Statements and other information are available on our website:
www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Diversified Trust (DDF or the Trust) present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2014. The consolidated Financial Statements represents DDF and its consolidated entities, DEXUS Property Group (DXS or the Group).

The Trust together with DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT) and DEXUS Operations Trust (DXO) form the DEXUS Property Group stapled security.

1 Directors

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

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Penny Bingham-Hall	10 June 2014
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

2 Review of results and operations

The Group's financial performance for the six months to 31 December 2014 is summarised below. To fully understand the results, please refer to the full Financial Statements included in this Financial Report.

A focus on driving portfolio performance and income generation for both security holders and third party clients contributed to a solid financial result. DEXUS delivered a net profit after tax of \$257.8 million and achieved Funds from Operations¹ (FFO) per security growth² of 7.4%, to 28.54 cents. Distributions per security² grew by 6.8% to 19.68 cents.

In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. FFO is a global financial measure of real estate operating performance after finance costs and taxes, and is adjusted for certain non-cash items.

The Directors consider FFO to be a measure that reflects the underlying performance of the Group. The following table reconciles between profit attributable to stapled security holders, FFO and distributions paid to stapled security holders.

¹ FFO is in line with the Property Council of Australia definition and comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

² All HY14 per security figures in this report are restated to reflect the one-for-six security consolidation completed on 14 November 2014.

2 Review of results and operations (continued)

	31 Dec 2014	31 Dec 2013	Change
	\$m	\$m	\$m
Net profit for the year attributable to stapled security holders	257.8	277.2	(19.4)
Add/(less):			
Net fair value gain of investment properties ³	(109.3)	(106.6)	(2.7)
Net fair value loss/ (gain) of derivatives and interest bearing liabilities	51.8	(5.8)	57.6
Net loss on sale of investment properties ³	1.3	0.5	0.8
CPA distribution less funding costs	-	5.2	(5.2)
Finance break costs attributable to sales transactions	-	2.5	(2.5)
Foreign currency translation reserve transfer on disposal of foreign operations	2.1	(0.8)	2.9
Incentive amortisation and rent straight-line ^{3,4}	38.9	30.6	8.3
Deferred tax and other	15.8	3.2	12.6
Funds from Operations (FFO)	258.4	206.0	52.4
Retained earnings⁵	(80.2)	(63.9)	(16.3)
Distributions⁵	178.2	142.1	36.1
FFO per security (cents)	28.54	26.57	+7.4%
Distribution per security (cents)	19.68	18.42	+6.8%

Net profit after tax was \$257.8 million or 28.47 cents per security, a decrease of \$19.4 million from the previous corresponding period (HY14: \$277.2 million). The key drivers of this movement included:

- Net fair value losses of \$51.8 million as a result of mark to market losses on derivatives and interest bearing liabilities, primarily to account for lower market interest rates, were \$57.6 million higher than the corresponding period (HY14: gain of \$5.8 million), partially offset by:
- Core operational earnings, or FFO, increased by \$52.4 million.
- Net revaluation gains of investment properties of \$109.3 million, representing a 1.2% uplift across the portfolio, were \$2.7 million higher than the prior corresponding period gains.

Revaluation gains achieved in our office portfolio primarily drove an 11 cent increase in NTA per security to \$6.47, reflecting the contribution of leasing success on capital values and capitalisation rate compression at properties with strong tenant covenants.

³ Including DEXUS's share of equity accounted investments.

⁴ Including cash, rent free and fit out incentives amortisation.

⁵ DEXUS's distribution policy is to distribute free cash flow. The payout ratio equated to 69% of FFO in HY15 and HY14.

2 Review of results and operations (continued)

The following table provides a summary of the key components of FFO based on the information provided in note 13 included in this Financial Report.

	31 Dec 2014	31 Dec 2013
	\$m	\$m
Office Property FFO	262.8	201.7
Industrial Property FFO	52.0	61.5
Total Property FFO	314.8	263.2
Management operations	19.2	12.7
Development and trading	18.3	(0.3)
Group corporate	(14.8)	(12.9)
Finance costs	(78.6)	(61.3)
Other	(0.5)	4.6
Total FFO⁶	258.4	206.0
Maintenance capex, lease incentives and leasing costs paid	(69.7)	(55.9)
Total AFFO⁶	188.7	150.1

Operationally, FFO increased 25.4% to \$258.4 million (HY14: \$206.0 million).

The key drivers of the \$52.4 million increase included:

- Office Property FFO increased by \$61.1 million to \$262.8 million, driven by additional property income from DEXUS Office Trust Australia (DEXUS Office Partnership). This was partially offset by a \$9.5 million reduction in Industrial Property FFO to \$52.0 million as a result of divestments and lower occupancy at Auburn, Gladesville and Rosebery
- Management operations income increased by \$6.5 million to \$19.2 million, driven by the DEXUS Office Partnership and growth in other third party Funds Under Management (FUM)
- Development and trading income increased by \$18.6 million to \$18.3 million after tax, predominantly as a result of \$18.1 million of trading profits net of tax being realised in the period
- Group corporate costs increased by \$1.9 million despite the significant increase in revenues and FUM, demonstrating the scalability of DEXUS's business
- Finance costs net of interest revenue increased by \$17.3 million to \$78.6 million, due to an increase in debt to fund the CPA transaction, partially offset by lower interest costs.

On a per security basis, FFO increased 7.4% to 28.54 cents. The per security result takes into account the scrip issued in April 2014 as part of the CPA transaction, explaining the difference in growth rates between the aggregate total dollar value of FFO and FFO per security.

Distributions per security for the six months to 31 December 2014 were 19.68 cents per security, up 6.8% on the previous corresponding period (HY14: 18.42 cents). The distribution payout for the six months to 31 December 2014 was in line with free cash flow, in accordance with DEXUS's distribution policy.

⁶ FFO and AFFO are in line with the Property Council of Australia definitions.

2 Review of results and operations (continued)

Valuations

Recent leasing success, the weight of capital seeking quality Australian office property and strong tenant covenants all contributed to a \$105.8 million or 1.4% increase in valuations on prior book values across the office portfolio. The weighted average capitalisation rate for the DEXUS office portfolio tightened eight basis points from 6.87%⁷ at 30 June 2014 to 6.79% at 31 December 2014. A 3.8% increase in valuations on prior book values was achieved across the DEXUS Office Partnership properties.

The limited supply of prime quality facilities aligned to key transport corridors combined with less speculative development in core precincts contributed to a 25 basis point tightening of capitalisation rates in the DEXUS industrial portfolio from 8.32% at 30 June 2014 to 8.07% at 31 December 2014, resulting in a marginal uplift in valuations of \$3.5 million or 0.2% increase on prior book values.

Third Party Funds Management

The third party funds management business continued to deliver on the investment objectives of its clients and is set up for strong organic growth with a committed development pipeline of \$2.2 billion over the next few years.

Third party funds under management increased by 6.3% compared to 30 June 2014 through a number of transactions including the acquisition of three sub-regional shopping centres for DEXUS Wholesale Property Fund (DWPF) and a further three properties for DEXUS Industrial Trust Australia (DEXUS Industrial Partnership).

The potential end value (on completion of development projects) of the DEXUS Industrial Partnership, established in June 2014, increased to \$360 million following the acquisition of three industrial properties. The partnership exchanged contracts to acquire 112 Cullen Avenue, Eagle Farm in Queensland in late December 2014. This strategically located property introduces the first income producing asset to the partnership's portfolio and follows the acquisition of two development sites in Queensland over the period.

In DWPF, four development projects were approved in the period, boosting activity and increasing the number of committed projects underway to eight. These developments provide an opportunity to improve the quality of DWPF's property portfolio.

Capital management

- Cost of debt 5.2%
- Duration of debt 5.9 years
- Gearing (look through)⁸ 32.0%
- S&P/Moody's credit rating: A-/A3

DEXUS maintained the strength of its balance sheet with gearing⁸ at 32.0%, securing new debt at competitive margins and extending the duration of its debt to 5.9 years. DEXUS has minimal short term refinancing requirements and will continue to take advantage of its improved credit ratings to secure new debt funding.

DEXUS implemented a one-for-six security consolidation which has reduced the total number of securities on issue.

DEXUS remains within all of its debt covenant limits and target ranges.

On market securities buy-back

On 14 October 2014, as a result of share market volatility, DEXUS announced a new on-market securities buy-back of up to 5% of DEXUS securities on issue, which is yet to be utilised. The buy-back provides the flexibility for DEXUS to acquire securities on market should conditions permit, with a focus on enhancing returns for investors.

⁷ Excluding DEXUS Office Partnership properties.

⁸ Adjusted for cash and for debt in equity accounted investments. Pro-forma gearing is 33.0% post the acquisition of Lakes Business Park, Botany which settled on 16 January 2015.

2 Review of results and operations (continued)

Operations

Office portfolio

▪ Portfolio value:	\$7.6 billion
▪ Area leased during the period:	102,593 square metres ⁹
▪ Like-for-like income growth	0.0%
▪ Occupancy by income	95.0%
▪ Weighted average lease expiry by income	4.4 years

Positive momentum in office leasing enquiry in Sydney and Melbourne resulted in increased activity in the DEXUS office portfolio. A broader improvement in tenant demand for well-located, quality office space in these markets is supporting more leasing and increased occupancy to 95%.

Average incentives have reduced from June 2014, supporting the strategy to hold or pull back on incentives in those properties that have good momentum and high occupancy.

The leasing enquiry and activity from corporates in the financial services sector continues, with many having briefs in the market, which is expected to translate into additional leasing and a further improvement in net absorption in the Sydney market.

A key highlight for the period was securing Challenger as a tenant at the development project underway at 5 Martin Place, Sydney, which has increased the office space committed to 72%.

Office FFO increased by \$61.1 million to \$262.8 million underpinned by the additional income from the DEXUS Office Partnership properties. Office like-for-like income growth was flat.

During the period, DEXUS leased 102,593 square metres⁹ across 131 transactions on average lease terms of 5.2 years. Office portfolio occupancy by income improved from 94.6% at 30 June 2014 to 95.0%, and importantly DEXUS's FY15 office lease expiry risk reduced from 8.2% to 2.7%. Portfolio weighted average lease expiry (WALE) was 4.4 years and tenant retention was maintained at 61%. New rents increased by 0.7% on average compared with prior rents, with average incentives across all office leasing reducing from 18.6% at 30 June 2014 to 16.1%.

The DEXUS Office Partnership properties acquired in April 2014 have also performed well and are on track to deliver a total return¹⁰ of 12% for the 12 months ending 31 March 2015. Key achievements since acquisition include: 73,710 square metres of space leased; occupancy increasing from 92.2%¹¹ to 94.6%; property values increasing by \$125.3 million¹²; and the DEXUS Office Partnership portfolio weighted average capitalisation rate tightening from circa 7.24%¹³ to 7.06%.

During the period, DEXUS settled on a number of property divestments including Lumley Centre, Auckland, sold for NZ\$146 million, 201 Kent Street, Sydney, sold for \$173 million¹², and 50 Carrington Street, Sydney, sold for \$88 million. Sale proceeds were used to repay debt.

⁹ Including Heads of Agreement.

¹⁰ Forecast unlevered total return based on acquisition price.

¹¹ Occupancy of 92.2% excludes the five properties sold. Occupancy was 93.5% including these five properties at acquisition.

¹² 100% share of which DEXUS owns a 50% interest.

¹³ Represents the implied capitalisation rate of the DEXUS Office Partnership portfolio, based on acquisition price.

2 Review of results and operations (continued)

Operations (continued)

Industrial portfolio

▪ Portfolio value:	\$1.5 billion
▪ Area leased during the period:	97,968 square metres ⁹
▪ Like-for-like income growth	0.0%
▪ Occupancy by income	92.8%
▪ Weighted average lease expiry by income	4.0 years

Increased demand from third party logistics service providers supporting general merchandise retail has driven leasing activity across DEXUS's industrial portfolio.

During the period, DEXUS leased 97,968 square metres⁹ of industrial space across 43 transactions.

Industrial portfolio occupancy by income reduced marginally from 93.0% at 30 June 2014 to 92.8% primarily due to the departure of QLS at Pound Road West, Dandenong and Salmat at 2-4 Military Road, Matraville.

Portfolio WALE remained steady at 4.0 years and tenant retention increased to 52%. New rents reduced 4.2% on average compared with prior rents, with average incentives across all industrial leasing reducing from 11.0% at 30 June 2014 to 9.6%.

The acquisition of Lakes Business Park, Botany, for \$153.5 million which comprises a northern site of 48,946 square metres and southern site of 29,769 square metres was announced in December 2014 and settled on 16 January 2015. DEXUS's intention is to utilise its industrial capabilities to actively manage the northern site which comprises 40 tenants and has a WALE of 3.7 years and is located adjacent to DWPF's Sir Joseph Banks Corporate Park, as well as progress works on the potential for residential rezoning for the southern site in the medium term.

Development

DEXUS progressed the Group's \$3.5 billion development pipeline in the period which includes \$1.3 billion in the DEXUS portfolio allocated to high quality industrial and office developments, trading and repositioning opportunities and development fund-through investments.

Construction works were progressed with key milestones being reached at 5 Martin Place, Sydney¹⁴ and at both of DEXUS and DWPF's fund-through developments at 480 Queen Street, Brisbane and Kings Square, Perth.

At Quarrywest in Greystanes, Boral is ahead of schedule on the landform works to deliver serviced and benched land to enable the development to commence in mid-2015. Planning approval and concept design processes, as well as pre-lease marketing, have now commenced.

Trading

During the period trading profits of \$18.1 million¹⁵ net of tax were generated through the sale of 30 Distribution Drive, Laverton North and 50 Carrington Street, Sydney. DEXUS also contracted on the sale of 40 Market Street, Melbourne and Rothschild Avenue and Rosebery Avenue, Rosebery which will contribute to the FY15 trading profit forecast of approximately \$40 million. The initial payment for Rosebery, net of tax, contributes to trading profits in both the first and second half of FY15.

Capital works, as part of the new 15 year lease renewal secured with Powercor at 40 Market Street, Melbourne are progressing on plan to achieve a practical completion later in FY15. The property is expected to settle ten days post practical completion of the works.

¹⁴ 5 Martin Place, Sydney is co-owned by DEXUS Office Partnership (50%) and Cbus Property (50%).

¹⁵ Trading profits generated less FFO tax expense recognised for Rosebery in the period.

2 Review of results and operations (continued)

FY15 guidance

DEXUS has upgraded its guidance¹⁶ for the 12 months ending 30 June 2015 for FFO to 59.48 cents per security, reflecting 9.3% growth from FY14. The upgrade is primarily supported by lower debt costs and recent acquisitions. DEXUS is targeting to payout in line with free cash flow for FY15 which is expected to deliver a distribution of 41.04 cents per security, also reflecting 9.3% growth from FY14.

3 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 8 and forms part of this Directors' Report.

4 Rounding of amounts and currency

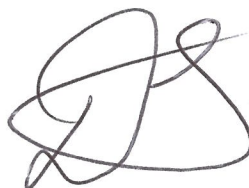
The Group is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest tenth of a million dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 17 February 2015. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
17 February 2015



Darren J Steinberg
Chief Executive Officer
17 February 2015

¹⁶ Assumptions barring unforeseen circumstances: Targeting positive like-for-like income growth across the office and industrial portfolios, weighted average cost of debt of 5.2%, trading profits of approximately \$40m, Management Operations revenue of approximately \$35-40m, excluding any buy-back of DEXUS securities, and excluding any further transactions.



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Diversified Trust for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of DEXUS Diversified Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'E A Barron', with a star symbol next to the first name.

E A Barron
Partner
PricewaterhouseCoopers

Sydney

17 February 2015

DEXUS Diversified Trust
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2014

	Note	31 Dec 2014 \$m	31 Dec 2013 \$m
Revenue from ordinary activities			
Property revenue		271.8	280.4
Proceeds from sale of inventory		104.4	3.3
Interest revenue		0.1	0.1
Management fee revenue		43.3	25.2
Total revenue from ordinary activities		419.6	309.0
Net fair value gain of investment properties		31.6	104.6
Share of net profit of investments accounted for using the equity method		145.5	27.0
Net fair value gain/(loss) of derivatives		31.0	(13.5)
Total income		627.7	427.1
Expenses			
Property expenses		(70.9)	(68.3)
Cost of sale of inventory		(84.0)	(3.3)
Finance costs	2	(126.3)	(65.5)
Net fair value (loss)/gain of interest bearing liabilities		(31.6)	20.9
Net loss on sale of investment properties		(1.3)	(0.5)
Management operations, corporate and administration expenses		(41.9)	(33.3)
Total expenses		(356.0)	(150.0)
Foreign currency translation reserve transfer on disposal of foreign operations		(2.1)	0.8
Profit before tax		269.6	277.9
Income tax expense		(11.8)	(0.7)
Net profit for the period		257.8	277.2
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(0.3)	5.2
Foreign currency translation reserve transfer on disposal of foreign operations		2.1	(0.8)
Changes in the fair value of cash flow hedges		16.5	(2.9)
Total comprehensive income for the period		276.1	278.7
Profit for the period attributable to:			
Unitholders of the parent entity		80.9	67.1
Unitholders of other stapled entities (non-controlling interests)		176.9	210.1
Total profit for the period		257.8	277.2
Total comprehensive income for the period attributable to:			
Unitholders of the parent entity		97.4	64.2
Unitholders of other stapled entities (non-controlling interests)		178.7	214.5
Total comprehensive income for the period		276.1	278.7
		Cents	Cents ¹
Earnings per unit on profit attributable to unitholders of the parent entity			
Basic earnings per unit		8.93	8.65
Diluted earnings per unit		8.93	8.65
Earnings per stapled security on profit attributable to stapled security holders			
Basic earnings per unit		28.47	35.75
Diluted earnings per unit		28.47	35.75

¹ Restated to reflect the one-for-six security consolidation

DEXUS Diversified Trust
Consolidated Statement of Financial Position
As at 31 December 2014

	Note	31 Dec 2014 \$m	30 Jun 2014 \$m
Current assets			
Cash and cash equivalents		14.3	14.1
Receivables		54.6	111.6
Non-current assets classified as held for sale		7.2	139.6
Inventories	3	181.6	80.3
Derivative financial instruments	10	5.0	8.7
Other		20.3	8.1
Total current assets		283.0	362.4
Non-current assets			
Investment properties	4	5,943.5	5,926.5
Plant and equipment		15.0	10.8
Inventories	3	103.8	235.9
Investments accounted for using the equity method	5	3,022.6	2,813.9
Derivative financial instruments	10	301.1	71.5
Deferred tax assets		23.5	35.9
Intangible assets	6	292.4	292.6
Other		0.7	1.4
Total non-current assets		9,702.6	9,388.5
Total assets		9,985.6	9,750.9
Current liabilities			
Payables		117.0	112.4
Interest bearing liabilities	7	13.4	149.5
Provisions		194.3	197.2
Derivative financial instruments	10	31.1	2.4
Total current liabilities		355.8	461.5
Non-current liabilities			
Interest bearing liabilities	7	2,945.7	2,782.1
Loan from related party		372.6	338.4
Derivative financial instruments	10	144.8	85.7
Deferred tax liabilities		13.0	21.1
Provisions		1.9	4.9
Other		2.9	3.9
Total non-current liabilities		3,480.9	3,236.1
Total liabilities		3,836.7	3,697.6
Net assets		6,148.9	6,053.3
Equity			
Equity attributable to unitholders of the parent entity			
Contributed equity	8	1,833.4	1,833.4
Reserves		7.2	(9.3)
Retained profits		207.0	193.0
Parent entity unitholders' interest		2,047.6	2,017.1
Equity attributable to unitholders of other stapled entities			
Contributed equity	8	3,625.7	3,625.7
Reserves		40.7	41.2
Retained profits		434.9	369.3
Other stapled unitholders' interest		4,101.3	4,036.2
Total equity		6,148.9	6,053.3

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

DEXUS Diversified Trust
Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

	Note	Attributable to unitholders of the parent entity				Attributable to unitholders of other stapled entities				Total equity \$m
		Contributed equity	Reserves	Retained profits	Total	Contributed equity	Reserves	Retained profits	Total	
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Opening balance as at 1 July 2013		1,577.7	-	181.2	1,758.9	3,106.3	36.6	289.9	3,432.8	5,191.7
Net profit for the period		-	-	67.1	67.1	-	-	210.1	210.1	277.2
Other comprehensive income/(loss) for the period		-	(2.9)	-	(2.9)	-	4.4	-	4.4	1.5
Total comprehensive income for the period		-	(2.9)	67.1	64.2	-	4.4	210.1	214.5	278.7
Transactions with owners in their capacity as owners										
Buy-back of contributed equity, net of transaction costs	8	(25.5)	-	-	(25.5)	(49.8)	-	-	(49.8)	(75.3)
Purchase of securities, net of transaction costs		-	-	-	-	-	(3.1)	-	(3.1)	(3.1)
Issue of securities to employees		-	-	-	-	-	1.7	-	1.7	1.7
Movement in security-based payments reserve		-	-	-	-	-	-	-	-	-
Distributions paid or provided for	9	-	-	(63.0)	(63.0)	-	-	(79.1)	(79.1)	(142.1)
Total transactions with owners in their capacity as owners		(25.5)	-	(63.0)	(88.5)	(49.8)	(1.4)	(79.1)	(130.3)	(218.8)
Closing balance as at 31 December 2013		1,552.2	(2.9)	185.3	1,734.6	3,056.5	39.6	420.9	3,517.0	5,251.6
Opening balance as at 1 July 2014		1,833.4	(9.3)	193.0	2,017.1	3,625.7	41.2	369.3	4,036.2	6,053.3
Net profit for the period		-	-	80.9	80.9	-	-	176.9	176.9	257.8
Other comprehensive income for the period		-	16.5	-	16.5	-	1.8	-	1.8	18.3
Total comprehensive income for the period		-	16.5	80.9	97.4	-	1.8	176.9	178.7	276.1
Transactions with owners in their capacity as owners										
Purchase of securities, net of transaction costs		-	-	-	-	-	(4.0)	-	(4.0)	(4.0)
Issue of securities to employees		-	-	-	-	-	1.3	-	1.3	1.3
Movement in security-based payments reserve		-	-	-	-	-	0.4	-	0.4	0.4
Distributions paid or provided for	9	-	-	(66.9)	(66.9)	-	-	(111.3)	(111.3)	(178.2)
Total transactions with owners in their capacity as owners		-	-	(66.9)	(66.9)	-	(2.3)	(111.3)	(113.6)	(180.5)
Closing balance as at 31 December 2014		1,833.4	7.2	207.0	2,047.6	3,625.7	40.7	434.9	4,101.3	6,148.9

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

DEXUS Diversified Trust
Consolidated Statement of Cash Flows
For the half year ended 31 December 2014

	31 Dec 2014	31 Dec 2013
	\$m	\$m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	356.3	336.3
Payments in the course of operations (inclusive of GST)	(153.3)	(140.6)
Interest received	0.1	0.1
Finance costs paid to financial institutions	(73.9)	(61.6)
Distributions received from investments accounted for using the equity method	128.5	26.6
Proceeds from sale of property classified as inventory	116.5	3.3
Payments for property classified as inventory	(21.6)	(9.8)
Net cash inflow from operating activities	352.6	154.3
Cash flows from investing activities		
Proceeds from sale of investment properties	141.2	40.4
Payments for capital expenditure on investment properties	(45.6)	(53.8)
Payments for acquisition of subsidiaries	(15.4)	-
Payments for investments accounted for using the equity method	(139.4)	(45.1)
Payments for plant and equipment	(5.4)	(1.4)
Net cash outflow from investing activities	(64.6)	(59.9)
Cash flows from financing activities		
Proceeds from borrowings	1,527.8	1,753.7
Repayment of borrowings	(1,672.5)	(1,628.2)
Proceeds from loan with related party	34.2	-
Payments for buy-back of contributed equity	-	(75.3)
Purchase of securities for security-based payments plans	(4.0)	(3.1)
Distributions paid to security holders	(173.3)	(146.2)
Net cash outflow from financing activities	(287.8)	(99.1)
Net increase/ (decrease) in cash and cash equivalents	0.2	(4.7)
Cash and cash equivalents at the beginning of the period	14.1	14.9
Effects of exchange rate changes on cash and cash equivalents	-	0.1
Cash and cash equivalents at the end of the period	14.3	10.3

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

In accordance with Australian Accounting Standards, the entities within the Group must be consolidated. The parent entity and deemed acquirer of DIT, DOT and DXO is DDF. These Financial Statements represent the consolidated results of DDF, which comprises DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities.

Equity attributable to other trusts stapled to DDF is a form of non-controlling interest and represents the equity of DIT, DOT and DXO. The amount of non-controlling interest attributable to stapled security holders is disclosed in the Statement of Financial Position. DDF is a for-profit entity for the purpose of preparing Financial Statements.

DEXUS Property Group stapled securities are quoted on the Australian Securities Exchange under the "DXS" code and comprise one unit in each of DDF, DIT, DOT and DXO. 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 Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These interim Financial Statements for the half year ended 31 December 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2014 and any public pronouncements made by the Group during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The Group has unutilised facilities of \$645.0 million (June 2014: \$462.3 million) (refer note 7) and sufficient working capital and cash flows in order to fund all requirements arising from the net current asset deficiency of \$72.8 million (June 2014: \$99.1 million).

Critical accounting estimates

The preparation of 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. Other than the estimation of fair values relating to derivatives and other financial instruments, taxation, inventories, investment properties, intangible assets and security-based payments, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

Note 2**Finance costs**

	31 Dec 2014	31 Dec 2013
	\$m	\$m
Interest paid/payable	71.5	62.8
Amount capitalised	(2.6)	(4.2)
Other finance costs	2.4	1.9
Net fair value loss of interest rate swaps	55.0	2.5
Finance costs attributable to sales transactions	-	2.5
Total finance costs	126.3	65.5

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2013: 7.00%).

Note 3**Inventories****(a) Inventories - land and properties held for resale**

	31 Dec 2014	30 Jun 2014
	\$m	\$m
Current assets		
Land and properties held for resale	181.6	80.3
Total current assets - inventories	181.6	80.3
Non-current assets		
Land and properties held for resale	103.8	235.9
Total non-current assets - inventories	103.8	235.9
Total assets - inventories	285.4	316.2

(b) Reconciliation

		For the 6 months to 31 Dec 2014	For the 12 months to 30 Jun 2014
	Note	\$m	\$m
Opening balance at the beginning of the period		316.2	252.9
Transfer from investment properties	4	30.4	101.4
Disposals		(84.0)	(65.3)
Acquisitions and additions		22.8	27.2
Closing balance at the end of the period		285.4	316.2

Disposals

- On 1 July 2014, 30 Distribution Drive, Laverton, VIC was disposed of for gross proceeds of \$19.0 million. 50% of this property was classified as investment property at 30 June 2014. Refer note 4.
- On 13 August 2014, the Group exchanged contracts for the sale of 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery, NSW for \$190.0 million, represented by a \$19.0 million option fee and \$171.0 million settlement payment. The Group will recognise the option fee over the term of the option and has therefore recognised \$6.9 million during the half year ended 31 December 2014. A further \$10.4 million will be recognised in the half year ended 30 June 2015 with the balance of \$1.7 million and the settlement amount of \$171.0 million recognised in the year ended 30 June 2016.
- On 1 December 2014, 50 Carrington Street, Sydney, NSW was disposed of for gross proceeds of \$88.0 million.

Note 4**Non-current assets - investment properties**

(a) Properties	Ownership	Acquisition date	Independent valuation date	Independent valuation amount	Independent valuer	Book value 31 Dec 2014	Book value 30 Jun 2014
	%			\$m		\$m	\$m
Kings Park Industrial Estate, Bowmans Road, Marayong, NSW	100	May 1990	Dec 2012	90.5	(d)	93.3	93.2
Target Distribution Centre, Lot 1, Tara Avenue, Altona North, VIC	50	Oct 1995	Jun 2014	15.3	(c)	15.3	15.3
Axxess Corporate Park, Mount Waverley, VIC	100	Oct 1996	Dec 2012	187.2	(b)	190.6	190.1
Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC	100	Aug 1996	Sep 2013	37.7	(g)	38.9	37.9
12 Frederick Street, St Leonards, NSW	100	Jul 2000	Sep 2013	37.0	(a)	41.2	39.0
2 Alspec Place, Eastern Creek, NSW	100	Mar 2004	Dec 2014	23.6	(c)	23.6	24.9
108-120 Silverwater Road, Silverwater, NSW	100	May 2010	Jun 2013	23.4	(a)	18.4	23.8
44 Market Street, Sydney, NSW	100	Sep 1987	Jun 2014	261.0	(d)	264.0	261.0
8 Nicholson Street, Melbourne, VIC	100	Nov 1993	Dec 2013	105.0	(a)	111.8	106.5
130 George Street, Parramatta, NSW	100	May 1997	Jun 2014	78.5	(f)	78.5	78.5
Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane, Melbourne, VIC	100	Mar 1999	Jun 2014	34.1	(a)	34.3	34.1
383-395 Kent Street, Sydney, NSW	100	Sep 1987	Sep 2013	137.0	(a)	153.6	151.1
Sydney CBD Floor Space ¹	100	Jul 2000	Dec 2014	0.1	(f)	0.1	0.1
34-60 Little Collins Street, Melbourne, VIC **	100	Nov 1984	Jun 2014	28.1	(a)	28.3	28.1
32-44 Flinders Street, Melbourne, VIC ²	100	Jun 1998	Jun 2014	30.4	(c)	-	30.4
Flinders Gate Carpark, 172-189 Flinders Street, Melbourne, VIC	100	Mar 1999	Jun 2014	52.8	(a)	53.0	52.8
383-395 Kent Street Car Park, Sydney, NSW	100	Sep 1987	Sep 2013	65.0	(a)	65.4	65.2
123 Albert St, Brisbane, QLD	100	Oct 1984	Mar 2013	400.0	(e)	405.2	404.4
2 - 4 Military Rd, Matraville, NSW	100	Dec 2009	Jun 2012	52.9	(c)	56.0	56.2
79-99 St Hilliers Road, Auburn, NSW	100	Sep 1997	Dec 2014	35.8	(e)	35.8	35.6
3 Brookhollow Avenue, Baulkham Hills, NSW	100	Dec 2002	Jun 2012	42.0	(f)	44.0	43.9
1 Garigal Road, Belrose, NSW	100	Dec 1998	Jun 2012	16.3	(a)	21.0	20.1
145 - 151 Arthur Street, Flemington, NSW	100	Sep 1997	Jun 2014	27.5	(e)	26.3	27.5
436 - 484 Victoria Road, Gladesville, NSW	100	Sep 1997	Dec 2014	41.6	(f)	41.6	40.4
1 Foundation Place, Greystanes, NSW	100	Feb 2003	Dec 2013	47.5	(c)	48.0	47.4

¹ Heritage floor space retained following the disposal of 1 Chifley Square, Sydney.

² Transferred to inventory during the period ended 31 December 2014.

The title to all properties is freehold, with the exception of the properties marked ** which are leasehold.

Note 4**Non-current assets - investment properties (continued)**

(a) Properties (continued)	Ownership %	Acquisition date	Independent valuation date	Independent valuation amount \$m	Independent valuer	Book value 31 Dec 2014 \$m	Book value 30 Jun 2014 \$m
Pound Road West, Dandenong, VIC	100	Jan 2004	Dec 2014	73.2	(f)	73.2	69.7
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Visy	50	Jul 2002	Jun 2014	9.7	(c)	9.7	9.7
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Wrightson	50	Jul 2002	Jun 2014	3.6	(c)	3.8	3.6
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Fosters	50	Jul 2002	Jun 2014	18.6	(c)	18.5	18.6
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - BestBar	50	Jul 2002	Jun 2014	6.1	(c)	6.1	6.1
12-18 Distribution Drive, Laverton North, VIC	50	Jul 2002	Jun 2014	53.2	(c)	53.2	53.2
250 Forest Road, South Lara, VIC	100	Dec 2002	Jun 2012	52.3	(e)	55.0	54.9
15 - 23 Whicker Road, Gillman, SA	100	Dec 2002	Jun 2014	24.5	(d)	25.3	24.5
52 Holbeche Road, Arndell Park, NSW	100	Jul 1998	Jun 2012	12.5	(f)	13.0	12.4
27 - 29 Liberty Road, Huntingwood, NSW	100	Jul 1998	Sep 2012	8.8	(d)	8.9	9.3
11 Talavera Road, Macquarie Park, NSW	100	Jun 2002	Mar 2013	145.0	(a)	151.3	150.8
131 Mica Road, Carole Park, NSW	100	Jan 2013	n/a	n/a	n/a	23.0	22.8
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	100	May 1997	Jun 2012	35.0	(g)	27.5	29.1
114 Fairbank Road, Clayton, VIC	100	Jul 1997	Mar 2013	15.4	(b)	15.4	15.4
30 Bellrick Street, Acacia Ridge, QLD	100	Jun 1997	Dec 2014	20.0	(d)	20.0	21.1
Quarry Greystanes, NSW - Solaris	50	Dec 2007	Jun 2014	14.2	(c)	14.2	14.2
Quarry Greystanes, NSW - Symbion	50	Dec 2007	Jun 2014	18.1	(c)	18.2	18.1
Quarry Greystanes, NSW - Fujitsu	50	Dec 2007	Jun 2014	23.3	(c)	23.4	23.3
Quarry Greystanes, NSW - Camerons Transport	50	Dec 2007	Jun 2014	16.8	(c)	16.9	16.8
Quarry Greystanes, NSW - UPS	50	Dec 2007	Jun 2014	4.6	(c)	4.6	4.6
Quarry Greystanes, NSW - WH9	50	Dec 2007	Jun 2014	14.7	(c)	14.7	14.7
Quarry Greystanes, NSW - Brady	50	Dec 2007	Jun 2014	12.0	(c)	12.1	12.0
Quarry Greystanes, NSW - Roche	50	Dec 2007	Jun 2014	8.0	(c)	8.4	8.0
Quarry Greystanes, NSW - Blackwoods	50	Dec 2007	Jun 2014	16.2	(c)	16.6	16.2
Quarry Greystanes, NSW - WH10	50	Dec 2007	Jun 2014	14.6	(c)	14.7	14.6
Boundary Road, Laverton, VIC - Fastline	50	Jun 2010	Jun 2014	7.6	(c)	7.5	7.6

Note 4**Non-current assets - investment properties (continued)**

(a) Properties (continued)	Ownership %	Acquisition date	Independent valuation date	Independent valuation amount \$m	Independent valuer	Book value 31 Dec 2014 \$m	Book value 30 Jun 2014 \$m
27 Distribution Drive, Laverton - Toll	50	Jun 2010	Jun 2014	6.8	(c)	6.8	6.8
28 Distribution Drive, Laverton - ACFS	100	Jun 2010	Dec 2014	6.4	(c)	6.4	6.4
25 Distribution Drive, Laverton - Spec 4	50	Jun 2010	Dec 2014	5.2	(c)	5.2	4.8
45 Clarence Street, Sydney, NSW	100	Dec 1998	Sep 2013	270.0	(f)	279.2	276.3
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW	50	Dec 1998	Dec 2012	670.0	(a)	689.4	679.2
309-321 Kent Street, Sydney, NSW	50	Dec 1998	Jun 2012	191.0	(d)	197.1	195.6
1 Margaret Street, Sydney, NSW	100	Dec 1998	Jun 2014	212.0	(a)	216.8	212.0
Victoria Cross 60 Miller Street, North Sydney, NSW	100	Dec 1998	Sep 2012	146.0	(c)	148.9	148.7
The Zenith, 821-843 Pacific Highway, Chatswood, NSW	50	Dec 1998	Dec 2013	125.0	(e)	127.8	126.2
Woodside Plaza, 240 St Georges Terrace, Perth, WA	100	Jan 2001	Dec 2013	500.0	(f)	480.2	500.6
30 The Bond, 30-34 Hickson Road, Sydney, NSW	100	May 2002	Dec 2014	197.0	(f)	197.0	178.7
Southgate Complex, 3 Southgate Avenue, Southbank, VIC	100	Aug 2000	Dec 2013	460.0	(c)	462.1	458.5
201-217 Elizabeth Street, Sydney, NSW	50	Aug 2000	Jun 2014	160.0	(f)	162.7	160.0
Garema Court, 140-180 City Walk, Civic, ACT **	100	Aug 2000	Dec 2014	57.0	(e)	57.0	57.1
Australia Square Complex, 264-278 George Street, Sydney, NSW	50	Aug 2000	Jun 2013	305.0	(e)	324.3	317.8
Total investment properties excluding development properties						5,904.3	5,887.5
Total development properties held as investment property						39.2	39.0
Total investment properties						5,943.5	5,926.5

The title to all properties is freehold, with the exception of the properties marked ** which are leasehold.

- (a) Colliers International
- (b) Urbis
- (c) CB Richard Ellis
- (d) Jones Lang LaSalle
- (e) Knight Frank
- (f) FPD Savills
- (g) m3property

Note 4**Non-current assets - investment properties (continued)****(b) Reconciliation**

		For the 6 months to 31 Dec 2014	For the 12 months to 30 Jun 2014
	Note	\$m	\$m
Opening balance at the beginning of the period		5,926.5	6,085.0
Additions		21.6	71.9
Lease incentives		32.0	75.4
Amortisation of lease incentives		(29.1)	(57.4)
Rent straightlining		1.5	8.4
Disposals		(3.0)	(172.5)
Transfer to non-current assets classified as held for sale		(7.2)	(139.6)
Transfer to inventories	3	(30.4)	(101.4)
Net fair value gain of investment properties		31.6	145.7
Foreign exchange differences		-	11.0
Closing balance at the end of the period		5,943.5	5,926.5

Disposals

- On 1 July 2014, 30 Distribution Drive, Laverton, VIC was disposed of for gross proceeds of \$19.0 million. 50% of this property was classified as inventory at 30 June 2014. Refer note 3.
- On 12 November 2014, a land parcel of Quarry Greystanes was disposed of for gross proceeds of \$3.6 million.

Note 5**Non-current assets - investments accounted for using the equity method**

Investments are accounted for in the Financial Statements using the equity method of accounting.

Information relating to these entities is set out below:

Name of entity	Ownership interest		31 Dec 2014 \$m	30 Jun 2014 \$m
	31 Dec 2014 %	30 Jun 2014 %		
Bent Street Trust	33.3	33.3	263.5	250.2
DEXUS Creek Street Trust	50.0	50.0	127.7	131.8
DEXUS Martin Place Trust	50.0	50.0	84.3	81.5
Grosvenor Place Holding Trust ^{1, 2}	50.0	50.0	296.7	293.5
Site 6 Homebush Bay Trust ¹	50.0	50.0	37.2	37.5
Site 7 Homebush Bay Trust ¹	50.0	50.0	49.9	50.8
DEXUS 480 Q Holding Trust	50.0	50.0	111.9	82.9
DEXUS Kings Square Trust	50.0	50.0	135.3	88.8
DEXUS Office Trust Australia	50.0	50.0	1,867.3	1,777.8
DEXUS Industrial Trust Australia	50.0	50.0	48.8	19.1
Total non-current assets - investments accounted for using the equity method			3,022.6	2,813.9

¹ Ownership interest is 75% when combined with the interest held by DEXUS Office Trust Australia. These investments are classified as joint ventures and accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

² Grosvenor Place Holding Trust owns 50% of Grosvenor Place, 225 George Street, Sydney, NSW. The Group's economic interest in this property is therefore 37.5%.

The above entities were formed in Australia and their principal activity is property investment in Australia.

Note 6**Non-current assets - intangible assets**

	For the 6 months to 31 Dec 2014 \$m	For the 12 months to 30 Jun 2014 \$m
Management rights		
Opening balance at the beginning of the period	291.1	242.1
Acquisition of management rights	-	42.0
Amortisation charge	(0.2)	(0.3)
Reversal of previous impairment	-	7.3
Closing balance at the end of the period	290.9	291.1
Cost	294.4	294.4
Accumulated amortisation	(3.5)	(3.3)
Total management rights	290.9	291.1
Goodwill		
Opening balance at the beginning of the period	1.5	1.6
Impairment	-	(0.1)
Closing balance at the end of the period	1.5	1.5
Cost	3.0	3.0
Accumulated impairment	(1.5)	(1.5)
Total goodwill	1.5	1.5
Total non-current assets - intangible assets	292.4	292.6

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited, a wholly owned subsidiary of DXO, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of \$4.9 million (June 2014: \$5.1 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 18 years. Management rights that are deemed to have an indefinite life are held at a value of \$286.0 million (June 2014: \$286.0 million).

As at 31 December 2014, management had not identified any events or circumstances that would indicate an impairment of the carrying amount of management rights associated with indefinite life trusts.

Note 7**Interest bearing liabilities**

	Note	31 Dec 2014 \$m	30 Jun 2014 \$m
Current			
Unsecured			
US senior notes	(b)	13.4	94.5
Medium term notes	(e)	-	55.0
Total unsecured		13.4	149.5
Total current liabilities - interest bearing liabilities		13.4	149.5
Non-current			
Unsecured			
US senior notes	(a), (b)	1,288.9	827.8
Bank loans	(c)	1,154.0	1,450.7
Commercial paper	(d)	100.0	100.0
Medium term notes	(e)	418.3	418.9
Total unsecured		2,961.2	2,797.4
Deferred borrowing costs		(15.5)	(15.3)
Total non-current liabilities - interest bearing liabilities		2,945.7	2,782.1
Total interest bearing liabilities		2,959.1	2,931.6

Note 7**Interest bearing liabilities (continued)****Financing arrangements**

Type of facility	Note	Currency	Security	Maturity date	31 Dec 2014	31 Dec 2014
					Utilised ¹	Facility limit
US senior notes (144A)	(a)	US\$	Unsecured	Mar-21	304.1	304.1
US senior notes (USPP)	(b)	US\$	Unsecured	Mar-15 to Jul-28	978.0	978.0
Medium term notes	(e)	A\$	Unsecured	Apr-17 to Sept-18	418.3	418.3
Commercial paper	(d)	A\$	Unsecured	Aug-16	100.0	100.0
Multi-option revolving credit facilities	(c)	Multi Currency	Unsecured	Jul-16 to Jun-20	1,154.0	1,820.0
Total					2,954.4	3,620.4
Bank guarantee utilised					21.0	
Unused at balance date					645.0	

¹ Includes drawn amounts and excludes fair value adjustments recorded in interest bearing liabilities in relation to effective fair value hedges.

Each of the Group's unsecured borrowing facilities are supported by guarantee arrangements, and have negative pledge provisions which limit the amount and type of encumbrances that the Group can have over their assets and ensures that all senior unsecured debt ranks pari passu.

(a) US senior notes (144A)

This includes a total of US\$250.0 million (A\$304.1 million) of US senior notes with a maturity of March 2021.

(b) US senior notes (USPP)

This includes a total of US\$802.0 million (A\$978.0 million) of US senior notes with a weighted average maturity of September 2024.

(c) Multi-option revolving credit facilities

This includes 17 facilities maturing between July 2016 and June 2020 with a weighted average maturity of April 2018. A\$21.0 million is utilised as bank guarantees for developments and AFSL requirements.

(d) Commercial paper

This includes a total of A\$100.0 million of commercial paper which is supported by a standby facility of A\$100.0m with a weighted average maturity of August 2016. The standby facility has same day availability.

(e) Medium term notes

This includes a total of A\$415.0 million of medium term notes with a weighted average maturity of December 2017.

Additional information

The facilities noted above are committed and available, free of encumbrances or limitations.

In addition, the Group has commitments totalling A\$100.0m that are available for 3 months out of every 6 months.

Note 8

Contributed equity

(a) Contributed equity of unitholders of the parent entity

	For the 6 months to 31 Dec 2014 \$m	For the 12 months to 30 Jun 2014 \$m
Opening balance at the beginning of the period	1,833.4	1,577.7
Buy-back of contributed equity	-	(25.5)
Issue of additional equity	-	281.2
Closing balance at the end of the period	1,833.4	1,833.4

(b) Contributed equity of unitholders of other stapled entities

	For the 6 months to 31 Dec 2014 \$m	For the 12 months to 30 Jun 2014 \$m
Opening balance at the beginning of the period	3,625.7	3,106.3
Buy-back of contributed equity	-	(49.8)
Issue of additional equity	-	569.2
Closing balance at the end of the period	3,625.7	3,625.7

(c) Number of securities on issue

	For the 6 months to 31 Dec 2014 No. of securities	For the 12 months to 30 Jun 2014 No. of securities
Opening balance at the beginning of the period	5,433,110,810	4,701,957,390
Buy-back of contributed equity	-	(73,728,964)
Issue of additional equity	-	804,882,384.0
One-for-six security consolidation	(4,527,579,013)	-
Closing balance at the end of the period	905,531,797	5,433,110,810

On 29 October 2014, the Group announced a one-for-six consolidation of DEXUS Property Group stapled securities. The consolidation was completed on 14 November 2014. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.

Note 9**Distributions paid and payable**

(a) Distribution to security holders

	31 Dec 2014	31 Dec 2013
	\$m	\$m
31 December (payable 27 February 2015)	178.2	142.1
Total distributions	178.2	142.1

(b) Distribution rate

	31 Dec 2014	31 Dec 2013
	Cents per security	Cents per security ¹
31 December (payable 27 February 2015) ¹	19.68	18.42
Total distributions	19.68	18.42

¹ Restated to reflect the one-for-six Security Consolidation

Note 10**Fair value of financial instruments**

As at 31 December 2014 and 30 June 2014, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2014	31 Dec 2014	30 Jun 2014	30 Jun 2014
	Carrying amount ¹	Fair value ²	Carrying amount ¹	Fair value ²
	\$m	\$m	\$m	\$m
Financial assets				
Cash and cash equivalents	14.3	14.3	14.1	14.1
Loans and receivables (current)	54.6	54.6	111.6	111.6
Derivative assets	306.1	306.1	80.2	80.2
Total financial assets	375.0	375.0	205.9	205.9
Financial liabilities				
Trade payables	117.0	117.0	112.4	112.4
Non-interest bearing loan from related party	372.6	372.6	338.4	338.4
Derivative liabilities	175.9	175.9	88.1	88.1
Interest bearing liabilities				
Fixed interest bearing liabilities	1,820.6	1,898.7	1,396.2	1,491.0
Floating interest bearing liabilities	1,154.0	1,154.0	1,550.7	1,550.7
Total financial liabilities	3,640.1	3,718.2	3,485.8	3,580.6

¹ Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.

² Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

The fair value of interest bearing liabilities and derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates, and basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Group.

Note 10**Fair value of financial instruments (continued)**

The Group uses methods in the determination and disclosure of the fair value of financial instruments. These methods comprise:

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.

The following tables present the assets and liabilities measured and recognised as at fair value at 31 December 2014 and 30 June 2014.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
31 Dec 2014				
Financial assets				
Derivative assets				
Interest rate derivatives	-	19.2	-	19.2
Cross currency swaps	-	286.9	-	286.9
	-	306.1	-	306.1
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	-	1,898.7	-	1,898.7
Floating interest bearing liabilities	-	1,154.0	-	1,154.0
	-	3,052.7	-	3,052.7
Derivative liabilities				
Interest rate derivatives	-	125.3	-	125.3
Cross currency swaps	-	50.6	-	50.6
	-	175.9	-	175.9
30 Jun 2014				
Financial assets				
Derivative assets				
Interest rate derivatives	-	24.8	-	24.8
Cross currency swaps	-	55.4	-	55.4
	-	80.2	-	80.2
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	-	1,491.0	-	1,491.0
Floating interest bearing liabilities	-	1,550.7	-	1,550.7
	-	3,041.7	-	3,041.7
Derivative liabilities				
Interest rate derivatives	-	81.7	-	81.7
Cross currency swaps	-	6.4	-	6.4
	-	88.1	-	88.1

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

Note 11

Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

	31 Dec 2014	30 Jun 2014
	\$m	\$m
Bank guarantees by the Group in respect of variations and other financial risks associated with the development of:		
Boundary Road, Laverton North, VIC	0.2	0.3
123 Albert Street, Brisbane, QLD	-	0.1
1 Foundation Place, Greystanes, NSW	0.4	0.4
Contingent liabilities in respect of developments	0.6	0.8

DDF together with DIT, DOT and DXO is also a guarantor of A\$1,250.0 million of bank bilateral facilities, A\$570.0 million of syndicated bank debt facilities, A\$415.0 million of medium term notes, US\$802.0 million (A\$978.0 million) of privately placed notes and US\$250.0 million (A\$304.1 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Group has bank guarantees of \$20.2 million held on behalf of DEXUS Funds Management Limited, DEXUS Wholesale Property Limited and DEXUS Wholesale Management Limited to comply with the terms of their Australian Financial Services Licences (AFSL).

The above guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

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 Financial Statements, which should be brought to the attention of security holders as at the date of completion of this report.

Note 12

Events occurring after reporting date

On 16 January 2015, settlement occurred on the acquisition of Lakes Business Park, 2-13 Lord Street, Botany, for \$153.5 million excluding acquisition costs.

Since the end of the period, other than the matter disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the 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.

Note 13**Operating segments****(a) Description of segments**

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified the Group's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Funds management	This comprises funds management of third party client assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.

Note 13

Operating segments (continued)

(b) Segment information provided to the CODM

	Office	Industrial	Property	Funds	Development	All other	Eliminations	Total
	\$m	\$m	management	management	and trading	segments	\$m	\$m
31 December 2014			\$m	\$m	\$m	\$m		
Segment performance measures								
Property revenue and property management fees	302.4	62.6	8.3	-	-	-	(0.3)	373.0
Proceeds from sale of inventory	-	-	-	-	104.4	-	-	104.4
Management fee revenue	-	-	16.5	19.8	2.9	-	-	39.2
Total operating segment revenue	302.4	62.6	24.8	19.8	107.3	-	(0.3)	516.6
Property expenses & property management salaries	(79.0)	(12.3)	(5.8)	-	-	-	-	(97.1)
Management operations expenses	-	-	(11.5)	(8.1)	(2.7)	-	-	(22.3)
Corporate and administration expenses	(3.6)	(1.0)	-	-	-	(14.8)	0.3	(19.1)
Cost of sale of inventory	-	-	-	-	(84.0)	-	-	(84.0)
Interest revenue	-	-	-	-	-	0.5	-	0.5
Finance costs	-	-	-	-	-	(79.1)	-	(79.1)
Incentive amortisation and rent straight-line	36.2	2.7	-	-	-	-	-	38.9
Tax expense	-	-	-	-	(2.3)	(0.5)	-	(2.8)
Coupon income	6.8	-	-	-	-	-	-	6.8
Funds From Operations (FFO)	262.8	52.0	7.5	11.7	18.3	(93.9)	-	258.4
Net fair value gain of investment properties	105.8	3.5	-	-	-	-	-	109.3
Net fair value loss of derivatives	-	-	-	-	-	(20.2)	-	(20.2)
Foreign currency translation reserve transfer	-	-	-	-	-	(2.1)	-	(2.1)
Net (loss)/ gain on sale of investment properties	(1.6)	0.3	-	-	-	-	-	(1.3)
Net fair value loss of interest bearing liabilities	-	-	-	-	-	(31.6)	-	(31.6)
Incentive amortisation and rent straight-line	(36.2)	(2.7)	-	-	-	-	-	(38.9)
Deferred tax expense	-	-	-	-	-	(9.0)	-	(9.0)
Coupon income	(6.8)	-	-	-	-	-	-	(6.8)
Net profit/(loss) attributable to stapled security holders	324.0	53.1	7.5	11.7	18.3	(156.8)	-	257.8
31 December 2014								
Segment asset measures								
Investment properties	4,687.9	1,255.6	-	-	-	-	-	5,943.5
Non-current assets held for sale	-	7.2	-	-	-	-	-	7.2
Inventories	-	-	-	-	285.4	-	-	285.4
Equity accounted investment properties	2,814.7	51.9	-	-	-	-	-	2,866.6
Direct property portfolio	7,502.6	1,314.7	-	-	285.4	-	-	9,102.7

Note 13

Operating segments (continued)

(b) Segment information provided to the CODM

	Office	Industrial	Property	Funds	Development	All other	Eliminations	Total
	\$m	\$m	management	management	and trading	segments	\$m	\$m
31 December 2013			\$m	\$m	\$m	\$m	\$m	\$m
Segment performance measures								
Property revenue and property management fees	232.9	72.5	6.7	-	-	-	(0.3)	311.8
Proceeds from sale of inventory	-	-	-	-	3.3	-	-	3.3
Management fee revenue	-	-	9.9	14.5	0.8	-	-	25.2
Total operating segment revenue	232.9	72.5	16.6	14.5	4.1	-	(0.3)	340.3
Property expenses & property management salaries	(57.6)	(13.0)	(4.3)	-	-	-	-	(74.9)
Management operations expenses	-	-	(7.8)	(6.3)	(1.1)	-	-	(15.2)
Corporate and administration expenses	(3.9)	(1.6)	-	-	-	(12.9)	0.3	(18.1)
Cost of sale of inventory	-	-	-	-	(3.3)	-	-	(3.3)
Interest revenue	-	-	-	-	-	0.1	-	0.1
Finance costs	-	-	-	-	-	(61.4)	-	(61.4)
Incentive amortisation and rent straight-line	27.0	3.6	-	-	-	-	-	30.6
Tax expense	-	-	-	-	-	(0.8)	-	(0.8)
Coupon income and net CPA distribution income	3.3	-	-	-	-	5.4	-	8.7
Funds From Operations (FFO)	201.7	61.5	4.5	8.2	(0.3)	(69.6)	-	206.0
Net fair value gain of investment properties	98.7	7.9	-	-	-	-	-	106.6
Net fair value loss of derivatives	-	-	-	-	-	(15.1)	-	(15.1)
Finance costs attributable to sales transactions	-	-	-	-	-	(2.5)	-	(2.5)
Foreign currency translation reserve transfer	-	-	-	-	-	0.8	-	0.8
Net (loss)/gain on sale of investment properties	(2.3)	1.8	-	-	-	-	-	(0.5)
Net fair value gain of interest bearing liabilities	-	-	-	-	-	20.9	-	20.9
Incentive amortisation and rent straight-line	(27.0)	(3.6)	-	-	-	-	-	(30.6)
Deferred tax benefit	-	-	-	-	-	0.1	-	0.1
Coupon income and net CPA distribution income	(3.3)	-	-	-	-	(5.2)	-	(8.5)
Net profit/(loss) attributable to stapled security holders	267.8	67.6	4.5	8.2	(0.3)	(70.6)	-	277.2
30 June 2014								
Segment asset measures								
Investment properties	4,673.6	1,252.9	-	-	-	-	-	5,926.5
Non-current assets held for sale	130.1	9.5	-	-	-	-	-	139.6
Inventories	-	-	-	-	316.2	-	-	316.2
Equity accounted investment properties	2,717.8	29.3	-	-	-	-	-	2,747.1
Direct property portfolio	7,521.5	1,291.7	-	-	316.2	-	-	9,129.4

Note 13**Operating segments (continued)****(c) Other segment information****(i) Funds From Operations (FFO)**

On 1 July 2014, the Group adopted the Property Council of Australia definition of FFO. Comparative information has been adjusted to reflect this change. The Directors consider FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

(ii) Reconciliation of segment revenue to the Statement of Comprehensive Income

	31 Dec 2014	31 Dec 2013
	\$m	\$m
Gross operating segment revenue	516.6	340.3
Share of property revenue from joint ventures	(101.2)	(31.4)
Share of management fees charged to joint ventures	4.1	-
Interest revenue	0.1	0.1
Total revenue from ordinary activities	419.6	309.0

(iii) Reconciliation of segment assets to the Statement of Financial Position

The amounts provided to the CODM as a measure of segment assets is the direct property portfolio. The direct property portfolio values are allocated based on the operations of the segment and physical location of the asset and are measured in a manner consistent with the Statement of Financial Position. The reconciliation below reconciles the total direct property portfolio balance to total assets in the Statement of Financial Position.

	31 Dec 2014	30 Jun 2014
	\$m	\$m
Investment properties	5,943.5	5,926.5
Investment properties classified as held for sale	7.2	139.6
Inventories	285.4	316.2
Investment properties accounted for using the equity method ¹	2,866.6	2,747.1
Direct property portfolio	9,102.7	9,129.4
Cash and cash equivalents	14.3	14.1
Receivables	54.6	111.6
Intangible assets	292.4	292.6
Derivative financial instruments	306.1	80.2
Deferred tax assets	23.5	35.9
Plant and equipment	15.0	10.8
Prepayments and other assets ²	177.0	76.3
Total assets	9,985.6	9,750.9

¹ This represents the Group's portion of investment properties accounted for using the equity method.

² Other assets include the Group's share of total net assets of its investments accounted for using the equity method less the Group's share of the investment property value which is included in the direct property portfolio.

DEXUS Diversified Trust

Directors' Declaration

For the half year ended 31 December 2014

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 9 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Christopher T Beare

Chair

17 February 2015



Independent auditor's review report to the stapled security holders of DEXUS Diversified Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Diversified Trust (the Trust), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for DEXUS Diversified Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Diversified Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DEXUS Diversified Trust is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'E A Barron', with a stylized flourish at the end.

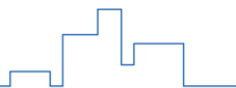
E A Barron
Partner

Sydney
17 February 2015

DEXUS Industrial Trust

(ARSN 090 879 137)

Interim Report
31 December 2014



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DEXUS Property Group (DXS) (ASX Code: DXS) consists of DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT) and DEXUS Operations Trust (DXO), collectively known as DXS or the Group.

Under Australian Accounting Standards, DDF has been deemed the parent entity for accounting purposes. Therefore the DDF consolidated Financial Statements include all entities forming part of DXS. The DDF consolidated Financial Statements are presented in separate Financial Statements.

All ASX and media releases, Financial Statements and other information are available on our website: www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Industrial Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2014. The consolidated Financial Statements represents DEXUS Industrial Trust and its consolidated entities (DIT or the Trust).

The Trust together with DEXUS Diversified Trust (DDF), DEXUS Office Trust (DOT) and DEXUS Operations Trust (DXO) form the DEXUS Property Group (DXS or the Group) stapled security.

1 Directors

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

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Penny Bingham-Hall	10 June 2014
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

2 Review and results of operations

The results for the half year ended 31 December 2014 were:

- profit attributable to unitholders was \$15.6 million (December 2013: \$24.5 million);
- total assets were \$966.5 million (June 2014: \$944.3 million); and
- net assets were \$883.6 million (June 2014: \$868.0 million).

A review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Directors' Report of the DEXUS Property Group Interim Report.

3 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 3 and forms part of this Directors' Report.

4 Rounding of amounts and currency

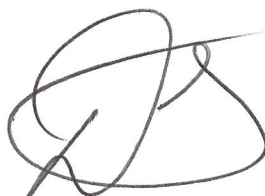
The Trust is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 17 February 2015. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
17 February 2015



Darren J Steinberg
Chief Executive Officer
17 February 2015



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Industrial Trust for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of DEXUS Industrial Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'E A Barron', with a star symbol integrated into the signature.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
17 February 2015

DEXUS Industrial Trust
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2014

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue from ordinary activities			
Property revenue		32,959	46,592
Interest revenue	2	1,391	11
Total revenue from ordinary activities		34,350	46,603
Net fair value gain of investment properties		2,845	1,508
Net fair value gain of derivatives		293	7
Other income		-	26
Total income		37,488	48,144
Expenses			
Property expenses		(7,229)	(10,781)
Responsible Entity fees		(1,080)	(1,389)
Finance costs	3	(6,730)	(10,412)
Net loss on sale of investment properties		(104)	(30)
Net foreign exchange loss		(6,338)	(1,512)
Other expenses		(387)	(282)
Total expenses		(21,868)	(24,406)
Profit before tax		15,620	23,738
Income tax expense		-	(10)
Profit after tax from continuing operations		15,620	23,728
Profit from discontinued operations		-	812
Net profit for the period		15,620	24,540
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		-	132
Foreign currency translation reserve transfer on disposal of foreign operations		-	(812)
Total comprehensive income for the period		15,620	23,860
		Cents	Cents
Earnings per unit attributable to unitholders of the parent entity			
Basic earnings per unit ¹		0.65	2.10
Diluted earnings per unit ¹		0.65	2.10

1 Restated to reflect the one for six security consolidation

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

DEXUS Industrial Trust
Consolidated Statement of Financial Position
As at 31 December 2014

	Note	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Current assets			
Cash and cash equivalents		2,242	2,197
Receivables		4,521	5,758
Non-current assets classified as held for sale		1,710	-
Loans with related parties	4	138,948	138,948
Derivative financial instruments		1,809	4,375
Other		205	1,095
Total current assets		149,435	152,373
Non-current assets			
Investment properties	5	730,964	726,391
Loans with related parties	4	78,346	59,962
Derivative financial instruments		7,757	5,566
Total non-current assets		817,067	791,919
Total assets		966,502	944,292
Current liabilities			
Payables		58,460	54,679
Derivative financial instruments		3,179	-
Total current liabilities		61,639	54,679
Non-current liabilities			
Derivative financial instruments		21,230	21,401
Other		2	201
Total non-current liabilities		21,232	21,602
Total liabilities		82,871	76,281
Net assets		883,631	868,011
Equity			
Contributed equity	6	1,190,969	1,190,969
Accumulated losses		(307,338)	(322,958)
Total equity		883,631	868,011

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

DEXUS Industrial Trust
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2014

	Note	Contributed equity \$'000	Accumulated losses \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2013		1,082,464	(362,986)	680	720,158
Profit after tax for the period		-	24,540	-	24,540
Other comprehensive loss for the period		-	-	(680)	(680)
Transactions with owners in their capacity as owners:					
Buy-back of contributed equity, net of transaction costs	6	(10,464)	-	-	(10,464)
Closing balance as at 31 December 2013		1,072,000	(338,446)	-	733,554
Opening balance as at 1 July 2014		1,190,969	(322,958)	-	868,011
Profit after tax for the period		-	15,620	-	15,620
Closing balance as at 31 December 2014		1,190,969	(307,338)	-	883,631

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

DEXUS Industrial Trust
Consolidated Statement of Cash Flows
For the half year ended 31 December 2014

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	35,458	50,995
Payments in the course of operations (inclusive of GST)	(12,749)	(21,943)
Interest received	8	11
Finance costs paid	(3,980)	(3,051)
Net cash inflow from operating activities	18,737	26,012
Cash flows from investing activities		
Proceeds from sale of investment properties	1,283	101,233
Payments for capital expenditure on investment properties	(3,605)	(2,929)
Net cash (outflow)/inflow from investing activities	(2,322)	98,304
Cash flows from financing activities		
Payments for buy-back of contributed equity	-	(10,464)
Borrowings provided by entities within DXS	58,234	50,699
Borrowings provided to entities within DXS	(74,623)	(155,309)
Distributions paid to unitholders	-	(10,000)
Net cash outflow from financing activities	(16,389)	(125,074)
Net increase/(decrease) in cash and cash equivalents	26	(758)
Cash and cash equivalents at the beginning of the period	2,197	2,836
Effects of exchange rate changes on cash and cash equivalents	19	107
Cash and cash equivalents at the end of the period	2,242	2,185

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

Note 1

Summary of significant accounting policies

Basis of preparation

DEXUS Property Group stapled securities are quoted on the Australian Securities Exchange under the “DXS” code and comprise one unit in each of DDF, DIT, DOT and DXO. Each entity forming part of DXS 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 Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These interim Financial Statements for the half year ended 31 December 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2014 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing Financial Statements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust’s accounting policies. Other than the estimation of fair values relating to certain derivatives and other financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

Note 2

Interest Revenue

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Interest revenue from financial institutions	8	11
Interest revenue from related parties	1,383	-
Total interest revenue	1,391	11

Note 3

Finance costs

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Interest paid to related parties	-	9,459
Net fair value loss of interest rate swaps	6,576	656
Other finance costs	154	297
Total finance costs	6,730	10,412

Note 4

Loans with related parties

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Current assets - loans with related parties		
Non-interest bearing loans with entities within DXS ¹	138,948	138,948
Total current assets - loans with related parties	138,948	138,948
Non-current assets - loans with related parties		
Interest bearing loans with related parties ²	78,346	59,962
Total non-current assets - loans with related parties	78,346	59,962

1 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DDF, DOT and DXO. These loan balances eliminate on consolidation within DXS.

2 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

Note 5

Non-current assets - investment properties

	For the 6 months to	For the 12 months to
	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Opening balance at the beginning of the period	726,391	925,526
Additions	2,120	7,578
Lease incentives	3,747	8,820
Amortisation of lease incentives	(3,244)	(7,050)
Net fair value gain of investment properties	2,845	(683)
Rent straightlining	815	552
Disposals	-	(208,352)
Transfer to non-current assets classified as held for sale	(1,710)	-
Closing balance at the end of the period	730,964	726,391

Note 6**Contributed equity****(a) Contributed equity**

	For the 6 months to 31 Dec 2014	For the 12 months to 30 Jun 2014
	\$'000	\$'000
Opening balance at the beginning of the period	1,190,969	1,082,464
Buy-back of contributed equity	-	(10,464)
Issue of additional equity	-	118,969
Closing balance at the end of the period	1,190,969	1,190,969

(b) Number of units on issue

	For the 6 months to 31 Dec 2014	For the 12 months to 30 Jun 2014
	No. of units	No. of units
Opening balance at the beginning of the period	5,433,110,810	4,701,957,390
Buy-back of contributed equity	-	(73,728,964)
Issue of additional equity	-	804,882,384
One-for-six security consolidation	(4,527,579,013)	-
Closing balance at the end of the period	905,531,797	5,433,110,810

On 29 October 2014, the Group announced a one-for-six consolidation of DEXUS Property Group stapled securities. The consolidation was completed on 10 November 2014. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.

Note 7**Fair value of financial instruments**

As at 31 December 2014 and 30 June 2014, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2014 Carrying amount ¹ \$'000	31 Dec 2014 Fair value ² \$'000	30 Jun 2014 Carrying amount ¹ \$'000	30 Jun 2014 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	2,242	2,242	2,197	2,197
Loans and receivables (current)	4,521	4,521	5,758	5,758
Derivative assets	9,566	9,566	9,941	9,941
Non interest bearing loans with entities within DXS	138,948	138,948	138,948	138,948
Interest bearing loans with related parties	78,346	78,346	59,962	59,962
Total financial assets	233,623	233,623	216,806	216,806
Financial liabilities				
Trade payables	58,460	58,460	54,679	54,679
Derivative liabilities	24,409	24,409	21,401	21,401
Total financial liabilities	82,869	82,869	76,080	76,080

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.

2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

Note 7**Fair value of financial instruments (continued)**

The fair value of interest bearing liabilities and derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates, and basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Trust.

The Trust uses methods in the determination and disclosure of the fair value of financial instruments. These methods comprise:

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.

The following tables present the assets and liabilities measured and recognised as at fair value at 31 December 2014 and 30 June 2014.

31 Dec 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	3,147	-	3,147
Cross currency swaps	-	6,419	-	6,419
	-	9,566	-	9,566
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	24,409	-	24,409
	-	24,409	-	24,409

30 Jun 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	4,653	-	4,653
Cross currency swaps	-	5,288	-	5,288
	-	9,941	-	9,941
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	21,401	-	21,401
	-	21,401	-	21,401

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

Note 8

Contingent liabilities

The Trust together with DDF, DXO and DOT is a guarantor of a A\$1,250.0 million of bank bilateral facilities, A\$570.0 million of syndicated bank debt facilities, A\$415.0 million of medium term notes, a total of US\$802.0 million (A\$978.0 million) of privately placed notes, and a total of US\$250.0 million (A\$304.1 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

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

Note 9

Events occurring after reporting date

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

Note 10

Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified the DXS's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.

Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning DXS's operating segments, as well as the operating segments' key financial information provided to the CODM, are presented in the DEXUS Property Group Financial Statements.

DEXUS Industrial Trust

Directors' Declaration

For the half year ended 31 December 2014

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Industrial Trust will be able to pay its debts as and when they become due and payable.

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



Christopher T Beare

Chair

17 February 2015



Independent auditor's review report to the unitholders of DEXUS Industrial Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Industrial Trust (the Trust), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for DEXUS Industrial Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Industrial Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DEXUS Industrial Trust is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner

Sydney
17 February 2015

DEXUS Office Trust

(ARSN 090 768 531)

Interim Report
31 December 2014



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DEXUS Property Group (DXS) (ASX Code: DXS) consists of DEXUS Diversified Trust (DDF) (ARSN 089 324 541), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT) and DEXUS Operations Trust (DXO), collectively known as DXS or the Group.

Under Australian Accounting Standards, DDF has been deemed the parent entity for accounting purposes. Therefore the DDF consolidated Financial Statements include all entities forming part of DXS. The DDF consolidated Financial Statements are presented in separate Financial Statements.

All ASX and media releases, Financial Statements and other information are available on our website: www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Office Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2014. The consolidated Financial Statements represents DEXUS Office Trust and its consolidated entities (DOT or the Trust).

The Trust together with DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT) and DEXUS Operations Trust (DXO) form the DEXUS Property Group (DXS or the Group) stapled security.

1 Directors

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

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Penny Bingham-Hall	10 June 2014
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

2 Review of results and operations

The results for the half year ended 31 December 2014 were:

- profit attributable to unitholders was \$132.6 million (December 2013: \$171.6 million);
- total assets were \$6,351.5 million (June 2014: \$6,326.0 million); and
- net assets were \$2,992.0 million (June 2014: \$2,968.9 million).

A review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Directors' Report of the DEXUS Property Group Interim Report.

3 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 3 and forms part of this Directors' Report.

4 Rounding of amounts and currency

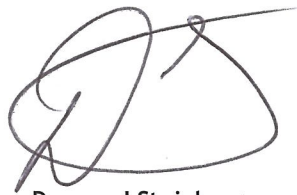
The Trust is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 17 February 2015. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
17 February 2015



Darren J Steinberg
Chief Executive Officer
17 February 2015



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Office Trust for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of DEXUS Office Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'E A Barron', with a circular mark around the first few letters.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
17 February 2015

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2014

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue from ordinary activities			
Property revenue		140,354	139,734
Interest revenue		54	51
Total revenue from ordinary activities		140,408	139,785
Net fair value gain of investment properties		15,394	85,747
Share of net profit of investments accounted for using the equity method		145,603	26,952
Net fair value gain of derivatives		-	13,833
Total income		301,405	266,317
Expenses			
Property expenses		(39,583)	(37,745)
Responsible Entity fees		(6,701)	(6,369)
Finance costs	2	(117,469)	(48,981)
Net loss on sale of investment properties		(1,404)	-
Other expenses		(868)	(673)
Total expenses		(166,025)	(93,768)
Foreign currency translation reserve transfer on disposal of foreign operations		(2,050)	-
Profit before tax		133,330	172,549
Income tax expense		(688)	(952)
Profit after tax		132,642	171,597
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(257)	5,126
Foreign currency translation reserve transfer on disposal of foreign operations		2,050	-
Total comprehensive income for the period		134,435	176,723
Earnings per unit			
		Cents	Cents
Basic earnings per unit attributable to unitholders of the parent entity ¹		(2.49)	11.99
Diluted earnings per unit attributable to unitholders of the parent entity ¹		(2.49)	11.99

1 Restated to reflect the one-for-six security consolidation

DEXUS Office Trust
Consolidated Statement of Financial Position
As at 31 December 2014

	Note	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Current assets			
Cash and cash equivalents		7,550	8,739
Receivables		23,053	76,069
Non-current assets classified as held for sale		-	130,071
Other		2,237	2,855
Total current assets		32,840	217,734
Non-current assets			
Investment properties	3	3,342,464	3,310,615
Derivative financial instruments		1,985	2,003
Investments accounted for using the equity method	4	2,973,731	2,794,740
Other		435	944
Total non-current assets		6,318,615	6,108,302
Total assets		6,351,455	6,326,036
Current liabilities			
Payables		50,925	64,585
Loans with related parties	5	55,684	55,684
Provisions		111,314	91,666
Total current liabilities		217,923	211,935
Non-current liabilities			
Loans with related parties	5	3,042,545	3,082,732
Derivative financial instruments		98,791	54,948
Deferred tax liabilities		-	6,766
Other		186	766
Total non-current liabilities		3,141,522	3,145,212
Total liabilities		3,359,445	3,357,147
Net assets		2,992,010	2,968,889
Equity			
Contributed equity	6	2,212,662	2,212,662
Reserves		-	(1,793)
Retained profits		779,348	758,020
Total equity		2,992,010	2,968,889

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

		Contributed equity	Retained profits	Foreign currency translation reserve	Total equity
	Note	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2013		1,825,984	735,948	(6,997)	2,554,935
Profit after tax		-	171,597	-	171,597
Other comprehensive income for the period		-	-	5,126	5,126
Transactions with owners in their capacity as owners:					
Buy-back of contributed equity, net of transaction costs	6	(37,071)	-	-	(37,071)
Distributions paid or provided for	7	-	(79,043)	-	(79,043)
Closing balance as at 31 December 2013		1,788,913	828,502	(1,871)	2,615,544
Opening balance as at 1 July 2014		2,212,662	758,020	(1,793)	2,968,889
Profit after tax		-	132,642	-	132,642
Other comprehensive income for the period		-	-	1,793	1,793
Transactions with owners in their capacity as owners:					
Distributions paid or provided for	7	-	(111,314)	-	(111,314)
Closing balance as at 31 December 2014		2,212,662	779,348	-	2,992,010

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2014

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	160,079	156,766
Payments in the course of operations (inclusive of GST)	(71,040)	(54,163)
Interest received	54	51
Finance costs paid to financial institutions	(6,685)	(3,757)
Distributions received from investments accounted for using the equity method	128,450	26,638
Net cash inflow from operating activities	210,858	125,535
Cash flows from investing activities		
Payments for capital expenditure on investment properties	(30,274)	(23,943)
Proceeds from the sale of investment properties	128,515	-
Payments for investments accounted for using the equity method	(110,761)	(45,146)
Net cash outflow from investing activities	(12,520)	(69,089)
Cash flows from financing activities		
Borrowings provided to entities within DXS	(573,584)	(264,551)
Borrowings provided by entities within DXS	431,472	343,000
Repayment of borrowings	-	(17,703)
Proceeds from loan with related party	34,196	-
Payments for buy-back of contributed equity	-	(37,071)
Distributions paid to unitholders	(91,666)	(78,547)
Net cash outflow from financing activities	(199,582)	(54,872)
Net (decrease)/increase in cash and cash equivalents	(1,244)	1,574
Cash and cash equivalents at the beginning of the period	8,739	5,007
Effects of exchange rate changes on cash and cash equivalents	55	7
Cash and cash equivalents at the end of the period	7,550	6,588

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

DEXUS Property Group stapled securities are quoted on the Australian Securities Exchange under the “DXS” code and comprise one unit in each of DDF, DIT, DOT and DXO. Each entity forming part of DXS 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 the Australian Accounting Standards.

DEXUS Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These general purpose interim Financial Statements for the half year ended 31 December 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2014 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing Financial Statements.

As at 31 December 2014, the Trust had a net current asset deficiency of \$185.1 million. The DXS Group has in place both external and internal funding arrangements to support the cashflow requirements of the Trust. The Trust is a going concern and the Financial Statements have been prepared on that basis.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Trust’s accounting policies. Other than the estimation of fair values relating to certain derivatives and other financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

Note 2

Finance costs

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Interest paid to related parties	67,059	49,131
Net fair value loss/(gain) of interest rate swaps	50,410	(150)
Total finance costs	117,469	48,981

Note 3

Non-current assets - investment properties

	For the 6 months to 31 Dec 2014	For the 12 months to 30 June 2014
	\$'000	\$'000
Opening balance at the beginning of the period	3,310,615	3,279,378
Additions	12,209	29,246
Lease incentives	22,869	43,174
Amortisation of lease incentives	(18,012)	(34,990)
Transfer to non-current assets classified as held for sale	-	(130,071)
Net fair value gain of investment properties	15,263	111,565
Rent straightlining	(480)	1,237
Foreign exchange differences on foreign currency translation	-	11,076
Closing balance at the end of the period	3,342,464	3,310,615

Note 4**Non-current assets - investments accounted for using the equity method**

Investments are accounted for in the Financial Statements using the equity method of accounting.

Information relating to these entities is set out below:

Name of entity	Ownership Interest		31 Dec 2014	30 Jun 2014
	31 Dec 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
	%	%	\$'000	\$'000
Bent Street Trust	33.3	33.3	263,455	250,183
DEXUS Creek Street Trust	50.0	50.0	127,691	131,839
DEXUS Martin Place Trust	50.0	50.0	84,261	81,472
Grosvenor Place Holding Trust ¹	50.0	50.0	296,673	293,487
Site 6 Homebush Bay Trust ¹	50.0	50.0	37,249	37,549
Site 7 Homebush Bay Trust ¹	50.0	50.0	49,840	50,812
DEXUS 480 Q Holding Trust	50.0	50.0	111,920	82,853
DEXUS Kings Square Trust	50.0	50.0	135,294	88,781
DEXUS Office Trust Australia	50.0	50.0	1,867,348	1,777,764
Total non-current assets - investments accounted for using the equity method			2,973,731	2,794,740

1 Ownership interest is 75% when combined with the interest held by DEXUS Office Trust Australia. These investments are classified as joint ventures and accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

2 Grosvenor Place Holding Trust owns 50% of Grosvenor Place, 225 George Street, Sydney, NSW. The Group's economic interest in this property is therefore 37.5%

The above entities were formed in Australia and their principal activity is office property investment.

Note 5**Loans with related parties**

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Current liabilities - loans with related parties		
Non-interest bearing loans with entities within DXS ¹	55,684	55,684
Total current liabilities - loans with related parties	55,684	55,684
Non-current liabilities - loans with related parties		
Interest bearing loans with related parties ²	2,669,990	2,744,373
Non-interest bearing loan from DEXUS Office Trust Australia	372,555	338,359
Total non-current liabilities - loans with related parties	3,042,545	3,082,732

1 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DIT, DDF and DXO. These loan balances eliminate on consolidation within DXS.

2 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

Note 6**Contributed equity****(a) Contributed equity**

	For the 6 months to 31 Dec 2014 \$'000	For the 12 months to 30 Jun 2014 \$'000
Opening balance at the beginning of the period	2,212,662	1,825,984
Buy-back of contributed equity	-	(37,071)
Issue of additional equity	-	423,749
Closing balance at the end of the period	2,212,662	2,212,662

(b) Number of units on issue

	For the 6 months to 31 Dec 2014 No. of units	For the 12 months to 30 Jun 2014 No. of units
Opening balance at the beginning of the period	5,433,110,810	4,701,957,390
Buy-back of contributed equity	-	(73,728,964)
Issue of additional equity	-	804,882,384
One-for-six security consolidation	(4,527,579,013)	-
Closing balance at the end of the period	905,531,797	5,433,110,810

On 29 October 2014, the Group announced a one-for-six consolidation of DEXUS Property Group stapled securities. The consolidation was completed on 10 November 2014. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.

Note 7**Distributions paid and payable****(a) Distribution to unitholders**

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
31 December (payable 27 February 2015)	111,314	79,043
Total distributions	111,314	79,043

(b) Distribution rate

	31 Dec 2014 Cents per unit	31 Dec 2013 Cents per unit ¹
31 December (payable 27 February 2015) ¹	12.29	10.26
Total distributions	12.29	10.26

¹ Restated to reflect the one-for-six security consolidation

Note 8**Fair value of financial instruments**

At 31 December 2014 and 30 June 2014, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2014	31 Dec 2014	30 Jun 2014	30 Jun 2014
	Carrying amount ¹	Fair value ²	Carrying amount ¹	Fair value ²
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	7,550	7,550	8,739	8,739
Loans and receivables (current)	23,053	23,053	76,069	76,069
Derivative assets	1,985	1,985	2,003	2,003
Total financial assets	32,588	32,588	86,811	86,811
Financial liabilities				
Trade payables	50,925	50,925	64,585	64,585
Derivative liabilities	98,791	98,791	54,948	54,948
Non-interest bearing loans with entities within DXS	55,684	55,684	55,684	55,684
Non-interest bearing loan from DEXUS Office Trust Australia	372,555	372,555	338,359	338,359
Interest bearing liabilities				
Interest bearing loans with related parties	2,669,990	2,669,990	2,744,373	2,744,373
Total financial liabilities	3,247,945	3,247,945	3,257,949	3,257,949

1 Carrying value is equal to the value of the financial instruments in the Statement of Financial Position.

2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

The fair value of interest bearing liabilities and derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates, and basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Trust.

Note 8**Fair value of financial instruments (continued)**

The Trust uses methods in the determination and disclosure of the fair value of financial instruments. These methods comprise:

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.

The following tables present the assets and liabilities measured and recognised as at fair value at 31 December 2014 and 30 June 2014.

31 Dec 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	1,985	-	1,985
	-	1,985	-	1,985
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	98,791	-	98,791
	-	98,791	-	98,791

30 Jun 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	2,003	-	2,003
	-	2,003	-	2,003
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	54,948	-	54,948
	-	54,948	-	54,948

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

Note 9

Contingent liabilities

The Trust together with DDF, DIT and DXO is also a guarantor of a total of A\$1,250.0 million of bank bilateral facilities, A\$570.0 million of syndicated bank debt facilities, A\$415.0 million of medium term notes, a total of US\$802.0 million (A\$978.0 million) of privately placed notes, and a total of US\$250.0 million (A\$304.1 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

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

Note 10

Events occurring after reporting date

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

Note 11

Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified DXS's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.

Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning DXS's operating segments, as well as the operating segments' key financial information provided to the CODM, are presented in the DEXUS Property Group Financial Statements.

DEXUS Office Trust
Directors' Declaration

For the half year ended 31 December 2014

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Office Trust will be able to pay its debts as and when they become due and payable.

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



Christopher T Beare
Chair
17 February 2015



Independent auditor's review report to the unitholders of DEXUS Office Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Office Trust (the Trust), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for DEXUS Office Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Office Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DEXUS Office Trust is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner

Sydney
17 February 2015

DEXUS Operations Trust

(ARSN 110 521 223)

Interim Report
31 December 2014



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DEXUS Property Group (DXS) (ASX Code: DXS) consists of DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT) and DEXUS Operations Trust (DXO), collectively known as DXS or the Group.

Under Australian Accounting Standards, DDF has been deemed the parent entity for accounting purposes. Therefore the DDF consolidated Financial Statements include all entities forming part of DXS. The DDF consolidated Financial Statements are presented in separate Financial Statements.

All ASX and media releases, Financial Statements and other information are available on our website:

www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Operations Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2014. The consolidated Financial Statements represents DEXUS Operations Trust and its consolidated entities (DXO or the Trust).

The Trust together with DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT) and DEXUS Office Trust (DOT) form the DEXUS Property Group (DXS or the Group) stapled security.

1 Directors

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

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Penny Bingham-Hall	10 June 2014
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

2 Review of results and operations

The results for the half year ended 31 December 2014 were:

- net profit for the half year was \$28.6 million (December 2013: \$13.5 million);
- total assets were \$957.8 million (June 2014: \$990.1 million); and
- net assets were \$221.5 million (June 2014: \$192.9 million).

A review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Directors' Report of the DEXUS Property Group Interim Report.

3 Auditor's Independence Declaration

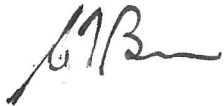
A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this Directors' Report.

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 17 February 2015. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
17 February 2015



Darren J Steinberg
Chief Executive Officer
17 February 2015



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Operations Trust for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of DEXUS Operations Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'E A Barron', with a stylized flourish extending to the right.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
17 February 2015

DEXUS Operations Trust
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2014

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue from ordinary activities			
Management fee revenue	2	61,535	42,662
Property revenue		25,288	20,341
Proceeds from sale of inventory		104,409	3,297
Interest revenue		44	18
Total revenue from ordinary activities		191,276	66,318
Net gain on sale of investment properties		522	1,839
Net fair value gain of investment properties		593	4,502
Net foreign exchange gain		217	-
Distribution income		240	152
Other income		-	2
Total income		192,848	72,813
Expenses			
Property expenses		(7,446)	(5,307)
Cost of sale of inventory	5	(84,039)	(3,311)
Finance costs	3	(14,842)	(13,868)
Depreciation and amortisation		(1,314)	(1,106)
Impairment of goodwill		(49)	(49)
Net foreign exchange loss		-	(16)
Employee benefits expense		(38,052)	(30,318)
Other expenses		(7,255)	(5,360)
Total expenses		(152,997)	(59,335)
Profit before tax		39,851	13,478
Income tax expense		(11,207)	(13)
Net profit for the period		28,644	13,465
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Changes in fair value of available for sale financial assets		(29)	(198)
Total comprehensive income for the period		28,615	13,267
Earnings per unit			
		Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity			
Earnings per unit ¹		3.16	0.84

*Restated to reflect the one-for-six security consolidation

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

DEXUS Operations Trust
Consolidated Statement of Financial Position
As at 31 December 2014

	Note	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Current assets			
Cash and cash equivalents	4	2,364	1,269
Receivables		37,921	40,633
Inventories	5	181,622	80,346
Assets classified as held for sale		-	9,500
Other		16,031	2,268
Total current assets		237,938	134,016
Non-current assets			
Investment properties	6	277,253	275,397
Plant and equipment		15,008	10,797
Inventories	5	103,773	235,931
Deferred tax assets		23,471	35,836
Intangible assets	7	292,372	292,586
Available for sale financial assets		7,904	5,470
Other		80	90
Total non-current assets		719,861	856,107
Total assets		957,799	990,123
Current liabilities			
Payables		28,301	15,891
Loans with related parties	8	48,932	48,932
Provisions		18,966	39,411
Derivative financial instruments		227	166
Other		764	719
Total current liabilities		97,190	105,119
Non-current liabilities			
Loans with related parties	8	621,303	668,052
Provisions		4,813	9,543
Deferred tax liabilities		10,369	11,527
Derivative financial instruments		-	297
Other		2,644	2,672
Total non-current liabilities		639,129	692,091
Total liabilities		736,319	797,210
Net assets		221,480	192,913
Equity			
Contributed equity	9	222,086	222,086
Reserves		42,987	43,064
Accumulated losses		(43,593)	(72,237)
Total equity		221,480	192,913

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

DEXUS Operations Trust

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2014

	Note	Contributed equity \$'000	Asset revaluation reserve \$'000	Treasury securities reserve \$'000	Security-based payments reserve \$'000	Available-for-sale financial assets \$'000	Accumulated losses \$'000	Total equity \$'000
Opening balance as at 1 July 2013		197,775	42,738	(56)	37	13	(89,121)	151,386
Net profit for the period		-	-	-	-	-	13,465	13,465
Other comprehensive loss for the period		-	-	-	-	(198)	-	(198)
Transactions with owners in their capacity as owners:								
Buy-back of contributed equity, net of transaction costs	9	(2,221)	-	-	-	-	-	(2,221)
Purchase of securities, net of transaction costs		-	-	(76)	-	-	-	(76)
Movement in security-based payments reserve		-	-	-	45	-	-	45
Closing balance as at 31 December 2013		195,554	42,738	(132)	82	(185)	(75,656)	162,401
Opening balance as at 1 July 2014		222,086	42,738	(165)	157	334	(72,237)	192,913
Net profit for the period		-	-	-	-	-	28,644	28,644
Other comprehensive loss for the period		-	-	-	-	(29)	-	(29)
Transactions with owners in their capacity as owners:								
Purchase of securities, net of transaction costs		-	-	(124)	-	-	-	(124)
Issue of securities to employees		-	-	45	-	-	-	45
Movement in security-based payments reserve		-	-	-	31	-	-	31
Closing balance as at 31 December 2014		222,086	42,738	(244)	188	305	(43,593)	221,480

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

DEXUS Operations Trust
Consolidated Statement of Cash Flows
For the half year ended 31 December 2014

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	96,473	55,663
Payments in the course of operations (inclusive of GST)	(67,109)	(51,435)
Proceeds from sale of property classified as inventory	116,500	3,297
Payments for property classified as inventory	(52,423)	(111,232)
Interest received	45	18
Finance costs paid	(293)	(1,316)
Income tax paid	-	(13)
Net cash inflow/(outflow) from operating activities	93,193	(105,018)
Cash flows from investing activities		
Proceeds from the sale of investment properties	13,069	4,737
Payments for the acquisition of investment properties	-	(77,405)
Payments for capital expenditure on investment properties	(1,817)	(12,977)
Payments for acquisition of subsidiaries	(15,350)	-
Payments for plant and equipment	(5,359)	(1,422)
Net cash outflow from investing activities	(9,457)	(87,067)
Cash flows from financing activities		
Borrowings provided to entities within DXS	(475,600)	(135,538)
Borrowings provided by entities within DXS	411,762	328,861
Purchase of securities for security-based payments plans	(3,951)	(3,059)
Distributions paid	(15,000)	-
Distributions received	148	-
Payments for buy-back of contributed equity	-	(2,221)
Net cash (outflow)/inflow from financing activities	(82,641)	188,043
Net increase/(decrease) in cash and cash equivalents	1,095	(4,042)
Cash and cash equivalents at the beginning of the period	1,269	4,748
Cash and cash equivalents at the end of the period	2,364	706

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

DEXUS Property Group stapled securities are quoted on the Australian Securities Exchange under the “DXS” code and comprise one unit in each of DDF, DIT, DOT and DXO. Each entity forming part of DXS continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

DEXUS Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstack the Group if approval is obtained by a special resolution of the stapled security holders.

These interim Financial Statements for the half year ended 31 December 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2014 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of reporting financial statements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust’s accounting policies. Other than the estimation of fair values relating to certain derivatives and other financial instruments, investment properties, intangible assets and security-based payments, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

Note 2

Management fee revenue

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Investment management and responsible entity fees	32,544	24,715
Property management fees	19,567	13,110
Capital works and development fees	3,709	1,121
Wages recovery and other fees	5,715	3,716
Total management fee revenue	61,535	42,662

Note 3

Finance costs

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Interest paid to related parties	(16,167)	(17,465)
Amount capitalised	1,382	4,153
Net fair value loss of interest rate swaps	(28)	(548)
Other finance costs	(29)	(8)
Total finance costs	(14,842)	(13,868)

Note 4

Current assets - cash and cash equivalents

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Cash at bank	2,364	1,269
Total current assets - cash and cash equivalents	2,364	1,269

Note 5

Inventories

(a) Land and properties held for resale

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Current assets		
Land and properties held for resale	181,622	80,346
Total current assets - inventories	181,622	80,346
Non-current assets		
Land and properties held for resale	103,773	235,931
Total non-current assets - inventories	103,773	235,931
Total assets - inventories	285,395	316,277

(b) Reconciliation

	For the 6 months to 31 Dec 2014	For the 12 months to 30 Jun 2014
	\$'000	\$'000
Opening balance at the beginning of the period	316,277	252,910
Disposals	(84,039)	(65,307)
Acquisitions, additions and other	53,157	128,674
Closing balance at the end of the period	285,395	316,277

Disposals

- On 1 July 2014, 30 Distribution Drive Laverton - Toll 2, VIC was disposed of for gross proceeds of \$9.5 million.
- On 13 August 2014, the Trust exchanged contracts for the sale of 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery, NSW for \$190 million. The Trust will recognise the option fee over the term of the option and has therefore recognised \$6.9 million during the half year ended 31 December 2014. A further \$10.4 million will be recognised in the half year ended 30 June 2015 with the balance of \$1.7 million and the settlement amount of \$171.0 million recognised in the year ended 30 June 2016.
- On 1 December 2014, 50 Carrington Street Sydney, NSW was disposed of for gross proceeds of \$88.0 million.

Note 6

Non-current assets - investment properties

	For the 6 months to 31 Dec 2014	For the 12 months to 30 Jun 2014
	\$'000	\$'000
Opening balance at the beginning of the period	275,397	176,279
Acquisitions	-	77,173
Additions	3,391	22,613
Lease incentives	835	1,794
Lease incentives amortisation	(458)	(1,110)
Rent straightlining	542	1,320
Disposals	(3,047)	(4,372)
Transfer to assets held for sale	-	(9,500)
Net fair value gain of investment properties	593	11,200
Closing balance at the end of the period	277,253	275,397

Note 7**Non-current assets - intangible assets**

	For the 6 months to 31 Dec 2014 \$'000	For the 12 months to 30 Jun 2014 \$'000
Management rights		
Opening balance at the beginning of the period	291,078	242,100
Acquisition of management rights	-	42,000
Reversal of previous impairment	-	7,309
Amortisation charge	(165)	(331)
Closing balance at the end of the period	290,913	291,078
Cost	294,382	294,382
Accumulated amortisation	(3,469)	(3,304)
Total management rights	290,913	291,078
Goodwill		
Opening balance at the beginning of the period	1,508	1,607
Impairment	(49)	(99)
Closing balance at the end of the period	1,459	1,508
Cost	2,998	2,998
Accumulated impairment	(1,539)	(1,490)
Total goodwill	1,459	1,508
Total intangible assets	292,372	292,586

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited (DXH), a wholly owned subsidiary of the Trust, which entitle it to management fee revenue from both finite and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of \$4,889,975 (Jun 2014: \$5,054,806)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 18 years. Management rights that are deemed to have an indefinite life are held at a value of \$286,022,841 (Jun 2014: \$286,022,841).

As at 31 December 2014, management had not identified any events or circumstances that would indicate an impairment of the carrying value of management rights associated with indefinite life trusts.

Note 8

Loans with related parties

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Current liabilities - loans with related parties		
Non-interest bearing loans with entities within DXS ¹	48,932	48,932
Total current liabilities - loans with related parties	48,932	48,932
Non-current liabilities - loans with related parties		
Interest bearing loans with related parties ²	621,303	668,052
Total non-current liabilities - loans with related parties	621,303	668,052

1 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DIT, DOT and DDF. These loan balances eliminate on consolidation within DXS.

2 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

Note 9

Contributed Equity

(a) Contributed equity

	For the 6 months to 31 Dec 2014 \$'000	For the 12 months to 30 Jun 2014 \$'000
Opening balance at the beginning of the period	222,086	197,775
Buy-back of contributed equity	-	(2,221)
Issue of additional equity	-	26,532
Closing balance at the end of the period	222,086	222,086

(b) Number of units on issue

	For the 6 months to 31 Dec 2014 No. of units	For the 12 months to 30 Jun 2014 No. of units
Opening balance at the beginning of the period	5,433,110,810	4,701,957,390
Buy-back of contributed equity	-	(73,728,964)
Issue of additional equity	-	804,882,384
One-for-six security consolidation	(4,527,579,013)	-
Closing balance at the end of the period	905,531,797	5,433,110,810

On 29 October 2014, DXS announced a one-for-six consolidation of DEXUS Property Group stapled securities. The consolidation was completed on 14 November 2014. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.

Note 10

Fair value of financial instruments

As at 31 December 2014 and 30 June 2014, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2014 Carrying amount ¹ \$'000	31 Dec 2014 Fair value ² \$'000	30 Jun 2014 Carrying amount ¹ \$'000	30 Jun 2014 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	2,364	2,364	1,269	1,269
Receivables	37,921	37,921	40,633	40,633
Available-for-sale financial assets	7,904	7,904	5,470	5,470
Total financial assets	48,189	48,189	47,372	47,372
Financial liabilities				
Trade payables	28,301	28,301	15,891	15,891
Derivative liabilities	227	227	463	463
Non-interest bearing loans with entities within DXS	48,932	48,932	48,932	48,932
Interest bearing liabilities				
Interest bearing loans with related parties	621,303	621,303	668,052	668,052
Total financial liabilities	698,763	698,763	733,338	733,338

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.

2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

The fair value of interest bearing liabilities and derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates, and basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Trust.

Note 10

Fair value of financial instruments (continued)

The Trust uses methods in the determination and disclosure of the fair value of financial instruments. These methods comprise:

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.

The following table presents the assets and liabilities measured and recognised as at fair value at 31 December 2014 and 30 June 2014.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	31 Dec 2014 \$'000
Financial assets				
Available for sale financial assets	7,904	-	-	7,904
Financial liabilities				
Derivative Liabilities				
Interest rate derivatives	-	227	-	227
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	30 Jun 2014 \$'000
Financial assets				
Available for sale financial assets	5,470	-	-	5,470
Financial liabilities				
Derivative Liabilities				
Interest rate derivatives	-	463	-	463

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

Note 11**Contingent liabilities**

Details and estimates of maximum amounts of contingent liabilities are as follows:

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Bank guarantees by the Trust in respect of variations and other financial risks associated with the development of:		
Boundary Road, Laverton North, VIC - Stage 2	239	532
Quarry, Greystanes NSW	413	413
Contingent liabilities in respect of developments	652	945

The Trust together with DDF, DIT and DOT is also a guarantor of a total of A\$1,250.0 million of bank bilateral facilities, A\$570.0 million of syndicated bank debt facilities, A\$415.0 million of medium term notes, US\$802.0 million (A\$978.0 million) of privately placed notes and US\$250.0 million (A\$304.1 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust has bank guarantees of \$20.2 million held on behalf of DEXUS Funds Management Limited, DEXUS Wholesale Property Limited and DEXUS Wholesale Management Limited to comply with the terms of their Australian Financial Services Licences (AFSL).

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

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

Note 12**Events occurring after reporting date**

On 16 January 2015, settlement occurred on the acquisition of Lakes Business Park, 2-13 Lord Street, Botany, for \$153.5 million excluding acquisition costs.

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

Note 13

Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified the Group's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.

Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning DXS's operating segments as well as the operating segments' key financial information provided to the CODM, are presented in the DEXUS Property Group Financial Statements.

DEXUS Operations Trust

Directors' Declaration

For the half year ended 31 December 2014

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 5 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Operations Trust will be able to pay its debts as and when they become due and payable.

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



Christopher T Beare

Chair

17 February 2015



Independent auditor's review report to the unitholders of DEXUS Operations Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Operations Trust (the Trust), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for DEXUS Operations Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Operations Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of DEXUS Operations Trust is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A handwritten signature in black ink, appearing to read 'E A Barron', with a stylized flourish extending from the end.

E A Barron
Partner

Sydney
17 February 2015