Dexus (ASX: DXS) Appendix 4D

Results for announcement to the market

Dexus

ARSN 089 324 541

Financial reporting for the half year ended 31 December 2019

Dexus Diversified Trust[1]			
	31 Dec 2019	**31 Dec 2018**	**%**
	$m	**$m**	**Change**
Revenue from ordinary activities	583.5	455.6	28.1%
Net profit attributable to security holders after tax	994.2	726.4	36.9%
Adjusted funds from operations (AFFO)[2]	295.3	282.0	4.7%
Funds from operations (FFO)[2]	378.2	353.3	7.0%
Underlying FFO[3]	350.4	318.6	10.0%
Distribution to security holders[4]	296.0	276.7	7.0%
	CPS	**CPS**	**Change**
FFO per security[2]	34.5	34.7	(0.6)%
Distribution per security for the period	27.0	27.2	(0.7)%
Payout ratio (distribution as a % of AFFO)	100.2%	98.1%	2.1%
Basic earnings per security	90.64	71.41	26.9%
Diluted earnings per security	89.20	71.41	24.9%
Franked distribution amount per security	-	-	-
	$m	**$m**	**Change**
Total assets	17,831.5	14,711.8	21.2%
Total borrowings	4,641.4	3,558.4	30.4%
Security holders equity	12,426.1	10,492.8	18.4%
Market capitalisation	12,827.9	10,802.6	18.7%
	$ per security	**$ per security**	**Change**
Net tangible assets	11.10	10.07	10.2%
Securities price	11.70	10.62	10.2%
Securities on issue	1,096,401,459	1,017,196,877	
Record date	31 Dec 2019	31 Dec 2018	
Payment date	28 Feb 2020	28 Feb 2019	

Dexus (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.

Details of joint ventures and associates

	Ownership Interest		Share of net profit after tax	
	31 Dec 2019	31 Dec 2018	6 months ended 31 Dec 2019	6 months ended 31 Dec 2018
Name of Entity	%	%	$m	$m
Bent Street Trust	33.3	33.3	28.0	13.1
Dexus Creek Street Trust	50.0	50.0	16.1	8.6
Dexus Martin Place Trust	50.0	50.0	70.1	35.0
Grosvenor Place Holding Trust	50.0	50.0	31.1	21.5
Site 6 Homebush Bay Trust	50.0	50.0	5.7	10.9
Site 7 Homebush Bay Trust	50.0	50.0	2.9	3.5
Dexus 480 Q Holding Trust	50.0	50.0	14.6	8.2
Dexus Kings Square Trust	50.0	50.0	15.2	12.3
Dexus Office Trust Australia	50.0	50.0	174.2	122.8
Dexus Industrial Trust Australia	50.0	50.0	13.5	30.5
Dexus Eagle Street Pier Trust	50.0	50.0	2.7	(2.2)
Healthcare Wholesale Property Fund	39.9	23.8	16.1	1.3
Dexus Australian Logistics Trust	75.0	75.0	29.7	8.3
Dexus Australian Logistics Trust No. 2	51.0	51.0	0.6	(2.3)
Dexus 80C Trust	75.0	-	7.6	-
Dexus Walker Street Trust	50.0	-	(2.3)	-

Distribution Reinvestment Plan (DRP)

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

1 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 Office Trust, Dexus Operations Trust and Dexus Industrial Trust.

2 The Directors consider the Property Council of Australia’s (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and foreign exchange (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, certain transaction costs, amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

3 Underlying FFO excludes trading profits (net of tax).

4 The distribution for the period 1 July 2019 to 31 December 2019 is the aggregate of the distributions from Dexus Diversified Trust, Dexus Office Trust, Dexus Operations Trust and Dexus Industrial Trust. The Attribution Management Investment Trust Annual Member Statement will provide details of the components of DXS’s distributions.

Authorised by Brett Cameron, General Counsel and Company Secretary of Dexus Funds Management Limited

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About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high quality Australian property portfolio valued at $33.8 billion. As property innovators, we are deeply committed to working with our customers to provide spaces that engage and inspire, as well as delivering quality, sustainable returns for our investors. We invest only in Australia, and directly own $16.8 billion of office and industrial properties. We manage a further $17.0 billion of office, retail, industrial and healthcare properties for third party clients. The group's $11.2 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With more than 1.8 million square metres of office workspace across 55 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by 27,000 investors from 20 countries. With 35 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

Download the Dexus IR app

Download the Dexus IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.

Dexus Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for Dexus (ASX: DXS)
Level 25, 264 George Street, Sydney NSW.

Dexus
Interim Report
31 December 2019

ARSN: 089 324 541

Contents

Dexus (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. The registered office of the Group is Level 25, 264 -278 George Street, Sydney, NSW, 2000.

HY20 Operating and Financial Review

The Group's financial performance for the six months ended 31 December 2019 is summarised in the following section. In order to fully understand the results, the interim Financial Statements included in this Interim Report should be referred to.

Review of Operations

Dexus has adopted Adjusted Funds from Operations (AFFO) as its primary earnings measure which has been defined in accordance with the guidelines established by the Property Council of Australia (PCA) for its reporting with effect from 1 July 2014, including the recent PCA publication effective from 1 May 2019.

In accordance with Australian Accounting Standards, net profit includes a number of non-cash items including fair value movements in asset and liability values.

AFFO is a financial measure of real estate operating performance and is determined by adjusting net profit after finance costs and taxes for certain items which are non-cash, unrealised or capital in nature and deducting the cost of maintenance capex and leasing incentives (including rent free income). The Directors consider AFFO to be a measure that reflects the performance of the Group and returns to Security holders.

Operating Result

Group

Dexus's net profit after tax was $994.2 million, up 36.9% from the previous corresponding period and driven by net revaluation gains of investment properties of $724.4 million, which were $267.9 million higher than the previous corresponding period. These revaluation gains contributed to the 62 cent increase in Net Tangible Assets (NTA) per security over the six month period to $11.10. Operationally, Funds From Operations[1] (FFO) increased $24.9 million or 7.0% to $378.2 million.

The key drivers of the movement include:

- Office Property FFO increased as a result of fixed rental increases, development completions and the acquisitions of a 75% interest in 80 Collins Street in Melbourne and a further 25% interest in MLC Centre in Sydney.
- Industrial Property FFO reduced due to the divestment of the first tranche of the Dexus Australian Logistics Trust (DALT) portfolio, offset by fixed rental increases.
- Management operations increased by $5.9 million as a result of increased funds under management largely due to the establishment of DALT and acquisitions of 80 Collins Street and the additional 25% interest in MLC Centre.
- Net finance costs increased by $3.3 million primarily due to cessation of capitalising interest at key development projects.

The positive movements above were offset by:

- Lower trading profits recognised in the period, due to all the trading profits for FY19 being recognised in HY19.

Distribution per security for the six months ended 31 December 2019 was 27.0 cents, consistent with the previous corresponding period, with the distribution payout remaining in line with free cash flow in accordance with Dexus's distribution policy. The distribution will be paid to Dexus Security holders on Friday, 28 February 2020.

Although Underlying FFO[2] per security increased by 1.9%, Adjusted Funds From Operations (AFFO) per security reduced to 26.9 cents as a result of lower trading profits. All FY19 trading profits were recognised in the six months ended 31 December 2018. Further trading profits are expected to be received over the remainder of FY20.

As a result of progress this period, Dexus upgrades its FY20 guidance[3] for distribution per security growth from circa 5% to circa 5.5%.

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[1] FFO in accordance with guidelines provided by the Property Council of Australia (PCA): 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 foreign exchange (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, certain transaction costs, amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

[2] Underlying FFO excludes trading profits (net of tax).

3 Barring unforeseen circumstances, guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; FFO per security growth of circa 4%, underlying FFO per security growth of circa 4%, underpinned by Dexus office portfolio like-for-like income growth of 4.5-5.5%, Dexus industrial portfolio like-for-like income growth (excluding one-offs) of 3-4%, management operations FFO of circa $60 million, cost of debt of mid-3%; trading profits of $35-45 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of $170-180 million; and excluding any further transactions.

Operating Result (continued)

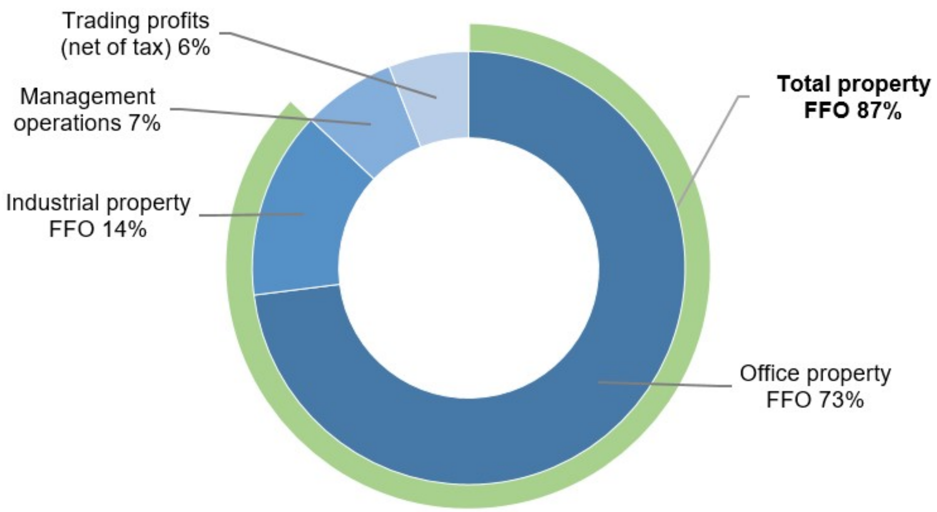
Dexus successfully completed the issue of $200 million of Medium Term Notes with a 10-year tenor and post 31 December 2019, issued a further $500 million of Medium-Term Notes with a 12-year tenor at an attractive all-in rate. As part of its active approach to capital management and in response to security price volatility, Dexus also activated an on-market securities buy-back of up to 5% of DXS securities on issue, providing the opportunity to enhance investor returns.

Gearing (look-through) of 25.5% at 31 December 2019 remains below the target range of 30-40%, with the average cost of debt at 3.5%.

Key financials	31 December 2019	31 December 2018	Change
Funds From Operations (FFO) ($m)	378.2	353.3	+7.0%
Net profit after tax ($m)	994.2	726.4	+36.9%
Underlying FFO per security[1] (cents)	31.9	31.3	+1.9%
AFFO per security (cents)	26.9	27.7	(2.9)%
Distribution per security (cents)	27.0	27.2	(0.7)%
	31 December 2019	**30 June 2019**	**Change**
Net tangible asset backing per security ($)	11.10	10.48	+5.9%
Gearing (look-through) (%)	25.5	24.0	+1.5ppt

1. Underlying FFO excludes trading profits net of tax.

87% of FFO from Property portfolio[2]



2. FFO contribution is calculated before finance costs, group corporate costs and other (including tax).

Operating Result (continued)

Statutory profit reconciliation	31 December 2019 ($m)	31 December 2018 ($m)
Statutory AIFRS net profit after tax	**994.2**	**726.4**
(Gains)/losses from sales of investment property	(0.7)	(3.1)
Fair value gain on investment property	(724.4)	(456.5)
Fair value gain/(loss) on mark-to-market of derivatives	18.7	(26.3)
Incentives amortisation and rent straight-line[1]	60.6	58.0
Non-FFO tax expense	2.9	12.7
Other unrealised or one-off items[2]	26.9	42.1
Funds From Operations (FFO)[3]	**378.2**	**353.3**
Maintenance capital expenditure	(23.4)	(23.7)
Cash incentives and leasing costs paid	(26.0)	(16.2)
Rent free incentives	(33.5)	(31.4)
Adjusted Funds From Operations (AFFO)[4]	**295.3**	**282.0**
Distribution	**296.0**	**276.7**
AFFO payout ratio	100.2%	98.1%

1. Including cash, rent free and fit out incentives amortisation.
2. HY20 other unrealised or one-off items includes $4.8 million of unrealised fair value losses on interest bearing liabilities, $5.8 million amortisation of intangible assets, $15.6 million coupon income, rental guarantees received and other, and $0.7 million of transaction costs.
3. Including Dexus's share of equity accounted investments.
4. AFFO is in line with the Property Council of Australia definition.

FFO composition	31 December 2019 ($m)	31 December 2018 ($m)	Change
Office property FFO	340.4	303.8	12.0%
Industrial property FFO	64.8	68.6	(5.5)%
Total property FFO	**405.2**	**372.4**	**8.8%**
Management operations[1]	33.4	27.5	21.5%
Group corporate costs	(17.0)	(14.2)	19.7%
Net finance costs	(66.5)	(63.2)	5.2%
Other (including tax)[2]	(4.7)	(3.9)	20.5%
Underlying FFO	**350.4**	**318.6**	**10.0%**
Trading profits (net of tax)	27.8	34.7	(19.9)%
FFO	**378.2**	**353.3**	**7.0%**

1. Management operations income includes development management fees.
2. Other includes non-trading related tax expense and other miscellaneous items.

Group outlook

Moderating economy to benefit from stimulus

Australian GDP growth moderated over the past year and is forecast to remain below average at around 1.8% per annum in FY20 before improving in FY21.

While issues such as the Australian bushfires and the Coronavirus have increased uncertainty about the broader economic outlook, there are reasons to be positive about the white-collar industries which underpin office demand. Conditions in the technology, finance and business services sectors are much more positive than in many other sectors, and interest rates are expected to remain lower for longer, supporting investment demand for real estate.

Dexus performance

The following sections review the HY20 performance of the Group's key financial drivers: Property portfolio, Funds management and trading.

Property portfolio

Dexus remains focused on maximising the performance of the property portfolio through leasing and asset management activities, with the property portfolio contributing to 87% of FFO[1] in HY20.

DEXUS OFFICE PORTFOLIO	DEXUS INDUSTRIAL PORTFOLIO
+8.9% **Effective LFL income** HY19: +1.7%	**+3.5%** **Effective LFL income** HY19: +5.4%
16.2% **Average incentives[2]** FY19: 13.4%	**13.3%** **Average incentives** FY19: 11.7%
97.4% **Occupancy** FY19: 98.0%	**96.0%** **Occupancy** FY19: 97.0%
53,351sqm **Space leased[2]**	**128,330sqm** **Space leased**
4.5 years **WALE[3]** FY19: 4.4 years	**4.6 years** **WALE[3]** FY19: 4.7 years

1. FFO contribution is calculated before finance costs, group corporate costs and other (including tax).
2. Excluding development leasing of 27,783 square metres.
3. By income.

Dexus performance (continued)

Property portfolio (continued)

Office portfolio performance

Office portfolio occupancy remains very high and Dexus continues to capture the upside in the Sydney CBD market, achieving 18% releasing spreads this period. Up to the end of FY22, there is the opportunity to reset rental levels across 139,677 square metres of vacant or expiring space across the Sydney portfolio, which remains under-rented. This represents approximately 19% of our total office income.

In Melbourne where prime office vacancy has tightened to a record low of 1.8%, the leasing focus at 80 Collins Street has resulted in record rents and set new benchmarks for the Melbourne CBD with metrics exceeding our acquisition underwrite. Six new tenancies were secured across 15,418 square metres, increasing leased space at the South Tower from 63% to 97%, and leaving only one floor available to lease.

The December 2019 quarter has seen increased enquiry levels across a broad range of industries compared to the previous corresponding period and Dexus expects that continued solid employment growth in Sydney and Melbourne combined with positive conditions in the business services sector will positively influence occupier demand over the next 12 months.

The Dexus office portfolio continues to outperform its benchmark over the three and five year time periods. Average incentive levels ticked up as a greater proportion of leasing was undertaken in the Brisbane and Perth markets this period, with face deals also representing a higher proportion of leasing.

The office portfolio achieved like-for-like income growth of 8.9%, enhanced by positive re-leasing spreads at Sydney properties such as Australia Square and MLC Centre, and leasing success at other properties. Like-for-like income growth is expected to be in the range of 4.5-5.5% for FY20, impacted by downtime at Grosvenor Place as the space vacated by Norton Rose in December 2019 is refurbished.

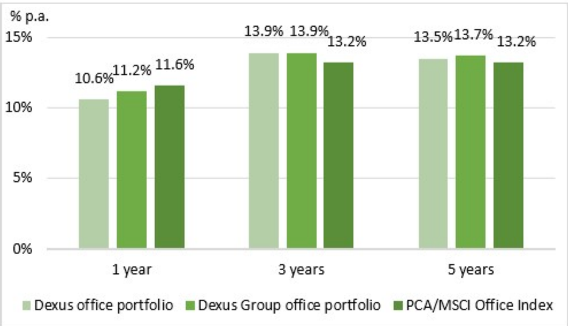
Industrial portfolio performance

The Dexus industrial portfolio is now outperforming its benchmark over both the three and five-year time periods. During the half year period, occupancy remained high at 96.0% and like-for-like income growth was 3.5%. Average incentives increased as a result of leasing at office park suites in South East Melbourne.

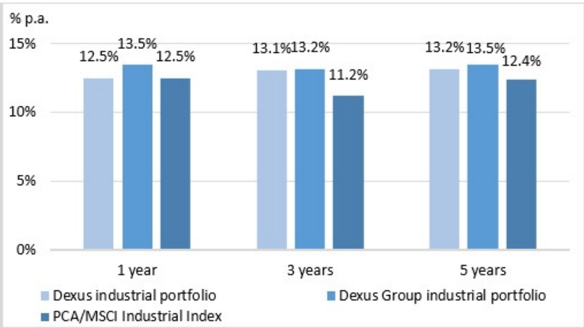
The industrial sector has some good tailwinds with continued asset value appreciation and strong support from institutional investors. Dexus sees further opportunities within the sector as businesses seek to drive efficiencies in their supply chains and online retail demand continues to rise.

The weighted average capitalisation rate across the total property portfolio tightened 17 basis points over the past six months to 5.09%. The weighted average capitalisation rate of the Dexus office portfolio tightened 17 basis points from 5.15% at 30 June 2019 to 4.98% at 31 December 2019 and the Dexus industrial portfolio weighted average capitalisation rate tightened 14 basis points from 5.92% to 5.78%.

Dexus office portfolio vs PCA/MSCI at 30 September 2019[1]



Dexus industrial portfolio vs PCA/MSCI at 30 September 2019[1]



1. Period to 30 September 2019 which reflects the latest available PCA/MSCI Australia Annual Property Index.

Developments and Transactions

During the period, the office development at 240 St Georges Terrace in Perth was completed (now 94.7% committed with 7.3 year WALE) in addition to two city retail projects, a 9,200 square metre distribution and office facility for Dunlop Flooring at 380 Doherty's Road, Truganina and the Healthcare Wholesale Property Fund's (HWPF) new Calvary Adelaide Hospital.

The group development pipeline now stands at a cost of $11.2 billion, of which $5.7 billion sits within the Dexus portfolio and $5.5 billion within third party funds.

Construction commenced at the $84 million Richlands project in Queensland and the $142 million South Granville project in NSW, both held within DALT. Construction continues at five other industrial properties taking the total committed group pipeline to over 250,000 square metres.

Solid progress has been made across the development pipeline and during the period Dexus reached agreement to move forward with the development scheme for Eagle Street Pier and surrounds at the Waterfront Precinct after an extensive engagement process with Queensland Government and Brisbane City Council. There is significant embedded value in the pipeline from the anticipated development margins and fees associated with key projects in the eastern core CBD markets of Sydney, Melbourne and Brisbane.

From a transactional perspective Dexus exchanged contracts to sell its 100% interest in Garema Court, 140-180 City Walk, Canberra. Gross proceeds achieved from the sale are $71.5 million[1], consistent with the property's book value, and will be used to reduce debt. Settlement is expected to occur in late February 2020. Garema Court was Dexus's remaining Canberra property and its sale is consistent with the strategy of divesting assets from non-core markets, enabling Dexus to recycle capital and focus on the core office markets of Sydney, Melbourne, Brisbane and Perth.

Property market outlook

Office markets well positioned.

Office markets nationally recorded positive rent growth in the 12 months to December 2019, with Melbourne CBD recording the strongest growth.

While weakness in the broader economy and a decline in job advertisements would seem to pose a risk for office demand, business conditions in office-using sectors such as finance and professional services remain above the all-sector average, providing Australian office markets with a degree of resilience during this period of uncertainty.

Australian office markets are well positioned. Vacancy rates are below average for Sydney (5.0%) and Melbourne (3.4%), which means markets are not currently oversupplied. The Brisbane and Perth markets are in recovery phase and vacancy rates are on a downward trend.

Over the long-term, office buildings in inner city and CBD areas will continue to benefit from a trend towards greater urban population density which leads to above average employment growth and infrastructure investment.

The industrial sector is in a growth phase.

Occupier activity continues to stay elevated on a national basis, bolstered by ongoing structural tailwinds such as ecommerce and outsourcing of logistics. E-commerce is emerging as a significant driver of demand as online sales expand at double digit growth rates.

Industrial metrics continue to move positively. Land values have risen strongly and investment demand has pushed up values for industrial investments. Prime rents continue to grow in the major east coast markets, although a competitive market for pre-leased product has constrained the level of growth achieved.

1. Gross proceeds are before settlement adjustments and transaction costs.

Trading performance

Trading is a capability that involves the identification of opportunities, repositioning to enhance value, and realising value through divestment.

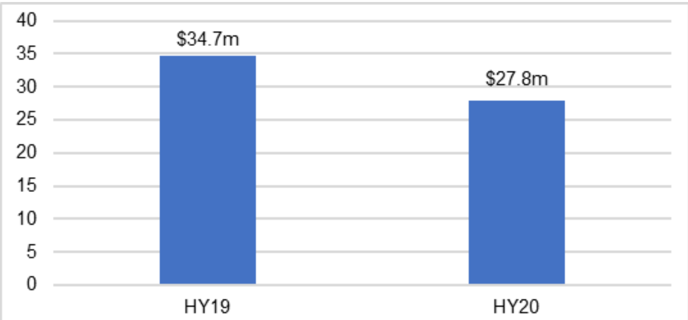
Trading properties are either acquired with the direct purpose of repositioning or development, or they are identified in Dexus's existing portfolio as having value-add potential and subsequently transferred into the trading trust to be repositioned, and then sold.

Dexus realised $27.8 million of HY20 trading profits (net of tax) driven by the sale of the first tranche of 201 Elizabeth Street in Sydney.

Dexus sold its initial 25% interest in 201 Elizabeth Street, Sydney and entered into a put and call option for the remaining 25% in late 2020 for a total of $315 million. The sale contributed circa $34 million to pre-tax trading profits this period and is expected to contribute a further circa $34 million in pre-tax trading profits in FY21 in the event that either option is exercised.

Dexus also sold the North Shore Health Hub, currently under construction, on a fund-through basis to HWPF with trading profits to be realised across FY20 and FY21, with the amount for each financial year dependent on the progress of the development and leasing.

Trading FFO



Funds management performance

Dexus's strategic objective of being the wholesale partner of choice in Australian property and track record of driving investment performance enables it to attract third party capital partners to invest alongside through the cycle.

Dexus manages $17.0 billion of funds on behalf of 79 third party clients.

The Healthcare Wholesale Property Fund (HWPF) welcomed a new domestic investor and completed the development of the new Calvary Adelaide Hospital, a 12-storey, 343 bed hospital offering clinical services, consulting suites and a 24-hour emergency department. HWPF also acquired the North Shore Health Hub, Stage 1 currently under development at 12 Frederick Street, St Leonards. The state-of-the-art mixed-use healthcare facility, being developed by Dexus, will support existing infrastructure in a growing healthcare precinct on Sydney's lower North Shore and is due for completion in late-2020, with circa 51% of the facility already pre-committed.

Dexus has seen a significant increase in engagement from existing and potential new unlisted investors and capital partners, driven by the attractiveness of real assets as an investment class, the growth in pension fund capital and a lower for longer interest rate environment globally. Dexus is working with these investors to satisfy their needs.

The second tranche rights were exercised for GIC to acquire an additional 24% interest in the Dexus Australian Logistics Trust (DALT) core portfolio[1], increasing GIC's total investment in DALT to 49%.

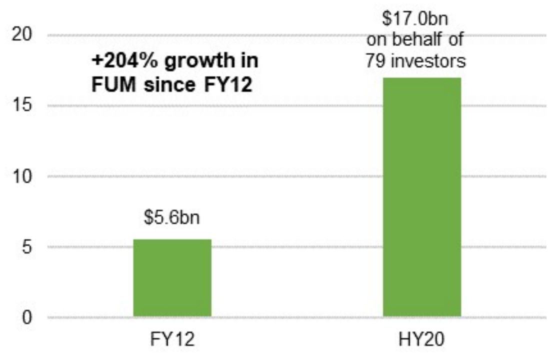
The Dexus Wholesale Property Fund (DWPF) raised circa $180 million of new equity from existing investors to fund its future development pipeline. The fund achieved a one-year total return of 8.2%, outperforming its benchmark over one, three, five, seven and ten years. All funds delivered strong performance with the Dexus Office Partnership delivering a one-year unlevered total property return of 13.3% and an annualised unlevered total property return of 14.4% since inception.

Dexus continued to progress the $5.5 billion third party development pipeline which provides the opportunity to improve the quality of its third party capital partners' property portfolios and enhance future returns.

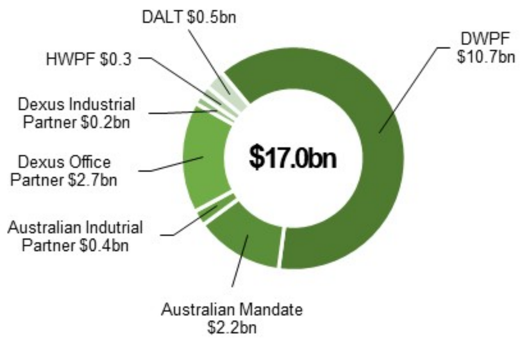
1. As part of the initial joint venture, GIC acquired 25% of DALT's core portfolio, with Dexus and GIC entering into a put and call arrangement for a further 24% interest. GIC took an initial 49% interest in DALT's development landbank and is funding its share of the development spend. Second tranche excludes 250 Forest Road South, Lara for which the put and call options have been deferred to mid-FY21.

Funds management performance (continued)

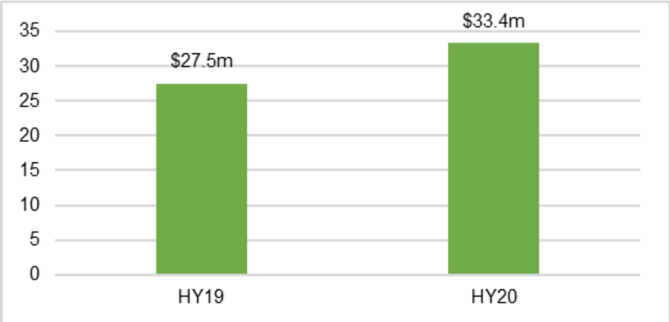
Diversified funds management platform



Funds management portfolio



Management operations FFO



Funds management outlook

The funds management business's current exposure is 54% to office properties, 14% to industrial properties, 30% to retail properties and 2% to healthcare properties.

Office and industrial property performance is expected to be influenced by the key lead indicators described on page 6.

Retail turnover lifted by 3.2% in the year to November (2.7% on a MAT basis) buoyed by strong performance from food and groceries, cosmetics and pharmaceuticals. Retailers experienced a strong month in November 2019 with 0.9% growth for the month - at least part of which can be attributed to strong 'Black Friday' sales.

Looking forward, conditions are expected to improve slowly. While rising house prices and growing employment are positives, consumer sentiment and rising living costs continue to constrain spending growth. Demand for healthcare services will continue to benefit from ageing demographics, longer life expectancy and population growth.

Environmental, Social and Governance (ESG)

Dexus's focus on environmental, social and governance (ESG) factors continues to be reflected through its leading performance in global ESG benchmarks.

During the half, Dexus was acknowledged for its continued leadership in sustainability including being recognised as the Global Industry Leader for the Real Estate Sector by the Dow Jones Sustainability Index (DJSI), a Global Sector Leader in the Global Real Estate Sustainability Benchmark (GRESB) and achieving A-List status by CDP.

The Australian bushfire crisis has highlighted the importance of climate resilience across the group property portfolio. While no Dexus buildings were directly impacted by the bushfires, smoke haze blanketed the core Eastern seaboard markets, indirectly impacting air quality in the CBDs.

Recognising the importance of maintaining safe and healthy indoor environments, Dexus conducted indoor environmental air quality sampling at select office properties on days with poor outdoor air quality in order to identify strengths and areas for improvement to enhance portfolio resilience.

Dexus has put in place health and wellbeing initiatives to support employees and is matching employee donations to bushfire relief fundraising initiatives that support affected communities and wildlife.

Financial position and capital management

Financial position

- Total look-through tangible assets increased by $1,332 million primarily due to $656.5 million of acquisitions, development capital expenditures and $724.4 million of property valuation increases, partially offset by $173.6 million of divestments.
- Total look-through borrowings increased by $609 million due to funding required for acquisitions as well as development capital expenditure partly offset by divestments.

	31 December 2019	**30 June 2019**
Office properties	14,135	13,193
Industrial properties	2,511	2,337
Healthcare properties	190	86
Other	972[1]	860[1]
Total tangible assets	**17,808**	**16,476**
Borrowings	(4,840)	(4,231)
Other liabilities	(796)	(751)
Net tangible assets	**12,172**	**11,494**
Total number of securities on issue	1,096,401,459	1,096,857,665
NTA ($ per security)	**11.10**	**10.48**

1. Excludes the $73.2 million deferred tax liability on management rights.

Financial position and capital management (continued)

Capital management

Dexus continued to maintain a strong and conservative balance sheet, with gearing (look-through) at 25.5%[1]. Total debt duration remained high at 7.4 years[3].

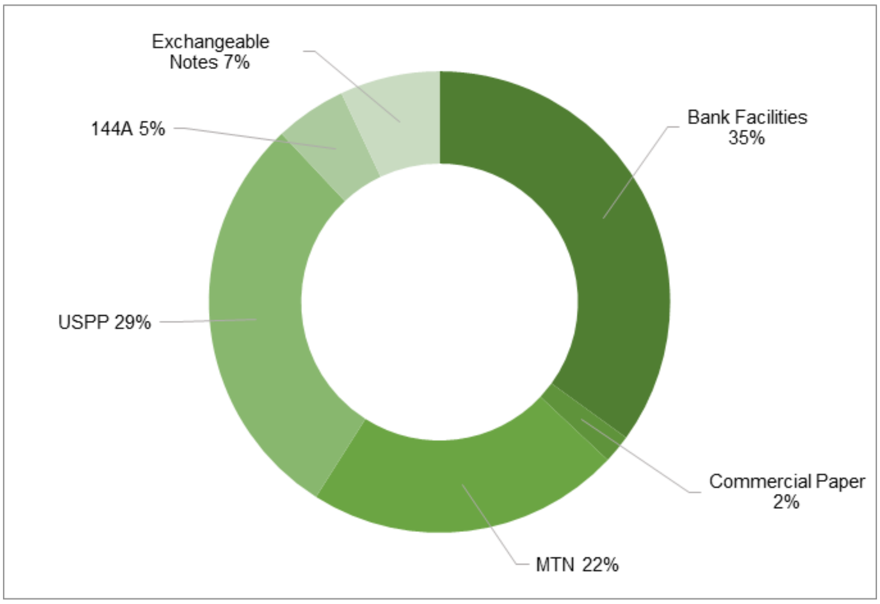
Dexus successfully completed the issue of $200 million of Medium Term Notes with a 10-year tenor and post 31 December 2019, issued a further $500 million of Medium-Term Notes with a 12-year tenor at an attractive all-in rate. As part of its active approach to capital management and in response to market volatility, Dexus also activated an on-market securities buy-back of up to 5% of DXS securities on issue, providing an opportunity to enhance investor returns.

Dexus's strong balance sheet provides the capacity to fund projects in the current and future development pipeline. Dexus remains within all of its debt covenant limits and is either within or below target ranges, with minimal short-term refinancing requirements.

Key metrics	**31 December 2019**	**30 June 2019**
Gearing (look-through)[1]	25.5%	24.0%
Cost of debt[2]	3.5%	4.0%
Duration of debt[3]	7.4 years	6.7 years
Hedged debt (incl caps)[4]	74%	74%
S&P Moody's credit rating	A-/A3	A-/A3

1. Adjusted for cash and debt in equity accounted investments.
2. Weighted average for the period, inclusive of fees and margins on a drawn basis.
3. Includes $500 million of Medium Term Notes issued post 31 December 2019.
4. Average for the period. Hedged debt (excluding caps) was 57% for the six months to 31 December 2019 and 55% for the 12 months to 30 June 2019.

Diversified sources of debt[1]



1. Includes $500 million of Medium Term Notes issued post 31 December 2019.

Summary and guidance

Dexus's results have been underpinned by its high-quality property portfolio, with its diversified expiry profile and fixed annual rental increases of 3.5-4%. When combined with its significant development pipeline and strong balance sheet Dexus is well positioned to continue to deliver value for investors over the long term.

While issues such as the Australian bushfires and the Coronavirus have increased uncertainty about the broader economic outlook, there are reasons to be positive about the white-collar industries which underpin office demand. Conditions in the technology, finance and business services sectors are much more positive than in many other sectors, and interest rates are expected to remain lower for longer, supporting investment demand for real estate.

As a result of progress this period, Dexus upgrades its market guidance[1] for distribution per security growth from circa 5% to circa 5.5% for the 12 months ending 30 June 2020.

1. Barring unforeseen circumstances, guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; FFO per security growth of circa 4%, underlying FFO per security growth of circa 4%, underpinned by Dexus office portfolio like-for-like income growth of 4.5-5.5%, Dexus industrial portfolio like-for-like income growth (excluding one-offs) of 3-4%, management operations FFO of circa $60 million, cost of debt of mid-3%; trading profits of $35-45 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of $170-180 million; and excluding any further transactions.

Directors' Report

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 interim Consolidated Financial Statements for the half year ended 31 December 2019. The interim Consolidated Financial Statements represents DDF and its consolidated entities, Dexus (DXS or the Group).

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

Directors

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
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012
Peter B St George, CA(SA), MBA	29 April 2009

Review of results and operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review on pages 1 to 11 of this Interim Report.

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 14 and forms part of this Directors' Report.

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The interim Consolidated Financial Statements were authorised for issue by the Directors on 5 February 2020.

W Richard Sheppard
Chair
5 February 2020

Darren J Steinberg
Chief Executive Officer
5 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Dexus Diversified Trust (the Trust) for the half-year ended 31 December 2019, 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 the Trust and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
5 February 2020

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2019

	Note	31 Dec 2019 $m	31 Dec 2018 $m
Revenue from ordinary activities			
Property revenue		**264.4**	291.9
Development revenue		**228.3**	94.4
Interest revenue		**0.3**	0.3
Management fees and other revenue		**90.5**	69.0
Total revenue from ordinary activities	1	**583.5**	455.6
Net fair value gain of investment properties		**433.8**	276.4
Share of net profit of investments accounted for using the equity method		**425.8**	271.1
Net gain on sale of investment properties		**0.3**	3.1
Net fair value gain of derivatives		**-**	37.1
Net foreign exchange gain		**0.2**	-
Total income		**1,443.6**	1,043.3
Expenses			
Property expenses		**(75.3)**	(76.3)
Development costs		**(188.6)**	(44.8)
Finance costs	2	**(73.7)**	(71.4)
Impairment of goodwill		**(3.0)**	-
Net fair value loss of derivatives		**(13.0)**	-
Net fair value loss of foreign currency interest bearing liabilities		**(4.8)**	(29.1)
Transaction costs		**(0.7)**	(3.0)
Management operations, corporate and administration expenses		**(66.6)**	(58.6)
Total expenses		**(425.7)**	(283.2)
Profit/(loss) before tax		**1,017.9**	760.1
Income tax expense	3	**(23.7)**	(33.7)
Profit/(loss) for the period		**994.2**	726.4
Changes in the fair value of cash flow hedges		(0.8)	5.3
Changes in the foreign currency basis spread reserve		(1.1)	(3.6)
Total comprehensive income/(loss) for the period		**992.3**	728.1
Profit/(loss) for the period attributable to:			
Unitholders of the parent entity		**247.4**	182.4
Unitholders of other stapled entities (non-controlling interests)		**746.8**	544.0
Profit/(loss) for the period		**994.2**	726.4
Total comprehensive income/(loss) for the period attributable to:			
Unitholders of the parent entity		**245.5**	184.1
Unitholders of other stapled entities (non-controlling interests)		**746.8**	544.0
Total comprehensive income/(loss) for the period		**992.3**	728.1
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the Trust (parent entity)			
Basic earnings per unit		**22.56**	17.93
Diluted earnings per unit		**21.99**	17.93
Earnings per stapled security on profit/(loss) attributable to stapled security holders			
Basic earnings per security		**90.64**	71.41
Diluted earnings per security		**89.20**	71.41

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019 $m	30 Jun 2019 $m
Current assets			
Cash and cash equivalents		**55.5**	29.8
Receivables		**142.6**	144.0
Non-current assets classified as held for sale	8	**437.6**	-
Inventories	7	**148.3**	170.4
Derivative financial instruments	13	**14.9**	15.5
Current tax receivable		**7.9**	-
Other		**51.6**	20.6
Total current assets		**858.4**	380.3
Non-current assets			
Investment properties	5	**8,696.2**	8,170.0
Plant and equipment		**13.7**	15.0
Right-of-use assets	15	**14.9**	-
Inventories	7	**171.9**	287.3
Investments accounted for using the equity method	6	**7,216.9**	6,823.7
Derivative financial instruments	13	**527.3**	517.1
Intangible assets	14	**327.3**	322.1
Other financial assets at fair value through profit or loss	13	**2.8**	3.9
Other		**2.1**	1.9
Total non-current assets		**16,973.1**	16,141.0
Total assets		**17,831.5**	16,521.3
Current liabilities			
Payables		**180.1**	188.8
Current tax liabilities		**-**	21.5
Interest bearing liabilities	10	**50.0**	70.0
Lease liabilities	9	**3.6**	-
Provisions		**338.0**	284.2
Derivative financial instruments	13	**16.2**	17.9
Total current liabilities		**587.9**	582.4
Non-current liabilities			
Interest bearing liabilities	10	**4,591.4**	3,996.6
Lease liabilities	9	**22.0**	-
Derivative financial instruments	13	**88.7**	105.6
Deferred tax liabilities		**96.9**	89.4
Provisions		**2.1**	1.9
Other		**16.4**	2.1
Total non-current liabilities		**4,817.5**	4,195.6
Total liabilities		**5,405.4**	4,778.0
Net assets		**12,426.1**	11,743.3
Equity			
Equity attributable to unitholders of the Trust (parent entity)			
Contributed equity	12	**2,397.3**	2,399.0
Reserves		**11.3**	13.2
Retained profits		**1,069.5**	923.4
Parent entity unitholders' interest		**3,478.1**	3,335.6
Equity attributable to unitholders of other stapled entities			
Contributed equity	12	**4,950.6**	4,954.5
Reserves		**32.6**	40.5
Retained profits		**3,964.8**	3,412.7
Other stapled unitholders' interest		**8,948.0**	8,407.7
Total equity		**12,426.1**	11,743.3

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

		Attributable to unitholders of the Trust (parent entity)				Attributable to unitholders of other stapled entities				
	Note	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
Opening balance as at 1 July 2018		2,127.3	(12.5)	788.5	2,903.3	4,277.0	39.7	2,827.4	7,144.1	10,047.4
Change in accounting policy		-	29.9	(31.4)	(1.5)	-	-	(0.4)	(0.4)	(1.9)
Restated opening balance as at 1 July 2018		2,127.3	17.4	757.1	2,901.8	4,277.0	39.7	2,827.0	7,143.7	10,045.5
Net profit/(loss) for the period		-	-	182.4	182.4	-	-	544.0	544.0	726.4
Other comprehensive income/(loss) for the period		-	1.7	-	1.7	-	-	-	-	1.7
Total comprehensive income/(loss) for the period		-	1.7	182.4	184.1	-	-	544.0	544.0	728.1
Transactions with owners in their capacity as owners:										
Purchase of securities, net of transaction costs		-	-	-	-	-	(9.1)	-	(9.1)	(9.1)
Security-based payments expense		-	-	-	-	-	5.0	-	5.0	5.0
Distributions paid or provided for		-	-	(79.9)	(79.9)	-	-	(196.8)	(196.8)	(276.7)
Total transactions with owners in their capacity as owners:		-	-	(79.9)	(79.9)	-	(4.1)	(196.8)	(200.9)	(280.8)
Closing balance as per 31 December 2018		2,127.3	19.1	859.6	3,006.0	4,277.0	35.6	3,174.2	7,486.8	10,492.8
Opening balance as at 1 July 2019		**2,399.0**	**13.2**	**923.4**	**3,335.6**	**4,954.5**	**40.5**	**3,412.7**	**8,407.7**	**11,743.3**
Net profit/(loss) for the period		**-**	**-**	**247.4**	**247.4**	**-**	**-**	**746.8**	**746.8**	**994.2**
Other comprehensive income/(loss) for the period		**-**	**(1.9)**	**-**	**(1.9)**	**-**	**-**	**-**	**-**	**(1.9)**
Total comprehensive income/(loss) for the period		**-**	**(1.9)**	**247.4**	**245.5**	**-**	**-**	**746.8**	**746.8**	**992.3**
Transactions with owners in their capacity as owners:										
Buy-back of contributed equity, net of transaction costs	12	**(1.7)**	**-**	**-**	**(1.7)**	**(3.9)**	**-**	**-**	**(3.9)**	**(5.6)**
Purchase of securities, net of transaction costs		**-**	**-**	**-**	**-**	**-**	**(9.9)**	**-**	**(9.9)**	**(9.9)**
Security-based payments expense		**-**	**-**	**-**	**-**	**-**	**2.0**	**-**	**2.0**	**2.0**
Distributions paid or provided for		**-**	**-**	**(101.3)**	**(101.3)**	**-**	**-**	**(194.7)**	**(194.7)**	**(296.0)**
Total transactions with owners in their capacity as owners		**(1.7)**	**-**	**(101.3)**	**(103.0)**	**(3.9)**	**(7.9)**	**(194.7)**	**(206.5)**	**(309.5)**
Closing balance as at 31 December 2019		**2,397.3**	**11.3**	**1,069.5**	**3,478.1**	**4,950.6**	**32.6**	**3,964.8**	**8,948.0**	**12,426.1**

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 2019

	31 Dec 2019 $m	31 Dec 2018 $m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**446.4**	381.0
Payments in the course of operations (inclusive of GST)	**(211.1)**	(138.8)
Interest received	**0.3**	0.3
Finance costs paid	**(74.2)**	(72.7)
Distributions received from investments accounted for using the equity method	**150.3**	105.2
Income and withholding taxes paid	**(45.5)**	(22.1)
Proceeds from sale of property classified as inventory	**208.7**	87.5
Payments for property classified as inventory and development services	**(35.2)**	(9.1)
Net cash inflow/(outflow) from operating activities	**439.7**	**331.3**
Cash flows from investing activities		
Proceeds from sale of investment properties	**-**	385.5
Payments for capital expenditure on investment properties	**(168.5)**	(119.1)
Proceeds from sale of underlying investments	**-**	16.2
Payments for investments accounted for using the equity method	**(337.0)**	(89.4)
Payments for acquisition of investment properties	**(154.9)**	(331.3)
Payments for plant and equipment	**(0.7)**	(2.5)
Payments for intangibles	**(8.0)**	(7.2)
Net cash inflow/(outflow) from investing activities	**(669.1)**	(147.8)
Cash flows from financing activities		
Proceeds from borrowings	**2,645.9**	1,630.1
Repayment of borrowings	**(2,121.4)**	(1,555.9)
Payments for buy-back of contributed equity, net of transaction costs	**(5.6)**	-
Purchase of securities for security-based payments plans	**(9.9)**	(9.1)
Distributions paid to security holders	**(252.2)**	(245.2)
Payment of lease liabilities	**(1.7)**	-
Net cash inflow/(outflow) from financing activities	**255.1**	(180.1)
Net increase/(decrease) in cash and cash equivalents	**25.7**	3.4
Cash and cash equivalents at the beginning of the period	**29.8**	33.3
Cash and cash equivalents at the end of the period	**55.5**	36.7

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of preparation

These interim Consolidated Financial Statements have been prepared in accordance with the requirements of the Constitutions of the entities within the Group, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board.

Unless otherwise stated the interim Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period. Refer to note 15 for *Changes in Accounting Policies*.

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

The interim Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties, investment properties within the equity accounted investments, derivative financial instruments, and other financial assets and liabilities which are stated at their fair value. Refer to specific accounting policies within the notes to the annual Financial Statements for the year ended 30 June 2019 for the basis of valuation of assets and liabilities measured at fair value.

Dexus 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. In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. DDF is the parent entity and deemed acquirer of DIT, DOT and DXO. These interim Consolidated Financial Statements therefore represent the consolidated results of DDF and include DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities. All entities within the Group are for-profit 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 Consolidated Statement of Financial Position. DDF is a for-profit entity for the purpose of preparing interim Consolidated Financial Statements.

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 Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2019 and any public pronouncements made by the Group during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation (continued)

Critical accounting estimates

The preparation of the interim Consolidated Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimates and assumptions used for the measurement of items measured at fair value such as certain financial instruments, investment properties, and security-based payments, and the assumptions for intangible assets and the net realisable value for inventories, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

The notes are organised into the following sections:

Group performance	**Property portfolio assets**	**Capital management and other investments**	**Other disclosures**
1. Operating segments	5. Investment properties	9. Lease liabilities	14. Intangible assets
2. Finance costs	6. Investments accounted for using the equity method	10. Interest bearing liabilities	15. Changes in accounting policies
3. Taxation	7. Inventories	11. Contingencies	16. Subsequent events
4. Distributions paid and payable	8. Non-current assets classified as held for sale	12. Contributed equity	
		13. Fair value of financial instruments	

Group performance

In this section

This section explains the results and performance of the Group.

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

Note 1 Operating segments

Description of segments

The Group's operating segments have been identified based on the sectors analysed within the management reports reviewed 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.

Segment	Description
Office	Domestic office space with any associated retail space; as well as car parks and office developments.
Industrial	Domestic industrial properties, industrial estates and industrial developments.
Property management	Property management services for third party clients and owned assets.
Funds management	Funds management of third party client assets.
Development and trading	Revenue earned and costs incurred by the Group on development services for third party clients and inventory.
All other segments	Corporate expenses associated with maintaining and operating the Group. This segment also includes the centralised treasury function and direct property portfolio value of the Group's Healthcare investments.

Note 1 Operating segments (continued)

31 December 2019	Office $m	Industrial $m	Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
Segment performance measures								
Property revenue	387.1	77.6	-	-	-	-	(2.2)	**462.5**
Property management fees	-	-	20.8	-	-	-	-	**20.8**
Development revenue	-	-	-	-	228.3	-	-	**228.3**
Management fee revenue	-	-	19.3	35.7	7.1	-	-	**62.1**
Total operating segment revenue	**387.1**	**77.6**	**40.1**	**35.7**	**235.4**	**-**	**(2.2)**	**773.7**
Property expenses & property management salaries	(106.5)	(17.4)	(13.9)	-	-	-	-	**(137.8)**
Management operations expenses	-	-	(15.5)	(13.6)	(6.5)	-	-	**(35.6)**
Corporate and administration expenses	(6.8)	(1.7)	-	-	-	(17.0)	2.2	**(23.3)**
Development costs	-	-	-	-	(188.6)	-	-	**(188.6)**
Interest revenue	-	-	-	-	-	0.8	-	**0.8**
Finance costs	-	-	-	-	-	(66.8)	-	**(66.8)**
Incentive amortisation and rent straight-line	54.3	6.3	-	-	-	-	-	**60.6**
FFO tax expense	-	-	-	-	(11.9)	(8.9)	-	**(20.8)**
Rental guarantees, coupon income and other	12.3	-	-	-	-	3.7	-	**16.0**
Funds From Operations (FFO)	**340.4**	**64.8**	**10.7**	**22.1**	**28.4**	**(88.2)**	**-**	**378.2**
Net fair value gain/(loss) of investment properties	622.3	88.8	-	-	-	13.3	-	**724.4**
Net fair value gain/(loss) of derivatives	-	-	-	-	-	(18.7)	-	**(18.7)**
Transaction costs	-	-	-	-	-	(0.7)	-	**(0.7)**
Net gain/(loss) on sale of investment properties	0.7	-	-	-	-	-	-	**0.7**
Net fair value gain/(loss) of interest bearing liabilities	-	-	-	-	-	(4.8)	-	**(4.8)**
Incentive amortisation and rent straight-line	(54.3)	(6.3)	-	-	-	-	-	**(60.6)**
Amortisation of intangible assets	-	-	-	-	-	(5.8)	-	**(5.8)**
Non FFO tax expense	-	-	-	-	-	(2.9)	-	**(2.9)**
Rental guarantees, coupon income and other	(12.3)	-	-	-	-	(3.3)	-	**(15.6)**
Net profit/(loss) attributable to stapled security holders	**896.8**	**147.3**	**10.7**	**22.1**	**28.4**	**(111.1)**	**-**	**994.2**
Investment properties	7,494.5	1,192.2	-	-	-	9.5	-	**8,696.2**
Non-current assets held for sale	102.0	381.5	-	-	-	-	-	**483.5**
Inventories	-	-	-	-	320.2	-	-	**320.2**
Equity accounted investment properties	6,417.5	738.1	-	-	-	198.0	-	**7,353.6**
Direct property portfolio	**14,014.0**	**2,311.8**	**-**	**-**	**320.2**	**207.5**	**-**	**16,853.5**

Note 1 Operating segments (continued)

31 December 2018	Office $m	Industrial $m	Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
Segment performance measures								
Property revenue	362.4	83.5	-	-	-	-	(1.4)	**444.5**
Property management fees	-	-	20.4	-	-	-	-	**20.4**
Development revenue	-	-	-	-	94.4	-	-	**94.4**
Management fee revenue	-	-	13.2	31.2	3.4	-	-	**47.8**
Total operating segment revenue	**362.4**	**83.5**	**33.6**	**31.2**	**97.8**	**-**	**(1.4)**	**607.1**
Property expenses & property management salaries	(110.6)	(17.2)	(11.3)	-	-	-	-	**(139.1)**
Management operations expenses	-	-	(15.0)	(11.3)	(3.1)	-	-	**(29.4)**
Corporate and administration expenses	(5.6)	(2.6)	-	-	-	(14.2)	1.4	**(21.0)**
Development costs	-	-	-	-	(44.8)	-	-	**(44.8)**
Interest revenue	-	-	-	-	-	0.6	-	**0.6**
Finance costs	-	-	-	-	-	(63.8)	-	**(63.8)**
Incentive amortisation and rent straight-line	53.1	4.9	-	-	-	-	-	**58.0**
FFO tax expense	-	-	-	-	(14.9)	(6.1)	-	**(21.0)**
Rental guarantees, coupon income and other	4.5	-	-	-	-	2.2	-	**6.7**
Funds From Operations (FFO)	**303.8**	**68.6**	**7.3**	**19.9**	**35.0**	**(81.3)**	**-**	**353.3**
Net fair value gain/(loss) of investment properties	356.7	98.6	-	-	-	1.2	-	**456.5**
Net fair value gain/(loss) of derivatives	-	-	-	-	-	26.3	-	**26.3**
Transaction costs	-	-	-	-	-	(3.0)	-	**(3.0)**
Net gain/(loss) on sale of investment properties	-	3.1	-	-	-	-	-	**3.1**
Net fair value gain/(loss) of interest bearing liabilities	-	-	-	-	-	(29.1)	-	**(29.1)**
Incentive amortisation and rent straight-line	(53.1)	(4.9)	-	-	-	-	-	**(58.0)**
Amortisation of intangible assets	-	-	-	-	-	(3.0)	-	**(3.0)**
Non FFO tax expense	-	-	-	-	-	(12.7)	-	**(12.7)**
Rental guarantees, coupon income and other	(4.5)	-	-	-	-	(2.5)	-	**(7.0)**
Net profit/(loss) attributable to stapled security holders	**602.9**	**165.4**	**7.3**	**19.9**	**35.0**	**(104.1)**	**-**	**726.4**
Investment properties	6,908.5	1,111.0	-	-	-	-	-	**8,019.5**
Non-current assets held for sale	-	0.9	-	-	-	-	-	**0.9**
Inventories	-	-	-	-	424.4	-	-	**424.4**
Equity accounted investment properties	4,521.3	879.3	-	-	-	69.1	-	**5,469.7**
Direct property portfolio	**11,429.8**	**1,991.2**	**-**	**-**	**424.4**	**69.1**	**-**	**13,914.5**

Note 1 Operating segments (continued)

Other segment information

Funds from Operations (FFO)

The Directors consider the Property Council of Australia's (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and foreign exchange (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, certain transaction costs, amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

Reconciliation of segment revenue to the Consolidated Statement of Comprehensive Income

	31 Dec 2019 $m	31 Dec 2018 $m
Property lease revenue	**407.1**	395.0
Property services revenue	**55.4**	49.5
Property revenue	**462.5**	444.5
Property management fees	**20.8**	20.4
Development revenue	**228.3**	94.4
Management fee revenue	**62.1**	47.8
Total operating segment revenue	**773.7**	607.1
Share of revenue from joint ventures	**(190.5)**	(151.8)
Interest revenue	**0.3**	0.3
Total revenue from ordinary activities	**583.5**	455.6

Reconciliation of segment assets to the Consolidated Statement of Financial Position

	31 Dec 2019 $m	30 Jun 2019 $m
Direct property portfolio[1]	**16,853.5**	15,615.5
Cash and cash equivalents	**55.5**	29.8
Receivables	**142.6**	147.5
Intangible assets	**327.3**	322.1
Derivative financial instruments	**542.2**	532.6
Plant and equipment	**13.7**	15.0
Right of use assets	**14.9**	-
Prepayments and other assets[2]	**(118.2)**	(141.2)
Total assets	**17,831.5**	16,521.3

1. Includes 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.

Note 2 Finance costs

Borrowing costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and net fair value movements of interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

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

	31 Dec 2019	31 Dec 2018
	$m	$m
Interest paid/payable	**61.0**	61.5
Net fair value (gain)/loss of interest rate swaps	**14.2**	16.7
Amount capitalised	**(4.6)**	(10.0)
Finance costs - leases[1]	**0.4**	-
Other finance costs	**2.7**	3.2
Total finance costs	**73.7**	71.4

1. The Group adopted AASB 16 *Leases* on 1 July 2019. Interest on the lease liability is a component of finance costs. Refer to note 15 *Changes in Accounting Policies* for further information.

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.00% (2018: 5.25%).

Note 3 Taxation

Under current Australian income tax legislation, DDF, DIT and DOT are not liable for income tax provided they satisfy certain legislative requirements, which were met in the current and previous financial years. DXO is liable for income tax and has formed a tax consolidated group with its wholly owned and controlled Australian entities. As a consequence, these entities are taxed as a single entity.

	31 Dec 2019	31 Dec 2018
	$m	$m
Profit before income tax	**1,017.9**	760.1
Less: profit attributed to entities not subject to tax	**(934.4)**	(645.6)
Profit subject to income tax	**83.5**	114.5
Prima facie tax expense at the Australian tax rate of 30% (31 Dec 2018: 30%)	**(25.0)**	(34.3)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
(Non-assessable)/non-deductible items	**1.3**	0.6
Income tax expense	**(23.7)**	(33.7)

Note 4 Distributions paid and payable

Distributions are recognised when declared.

a) Distribution to security holders

	31 Dec 2019 $m	31 Dec 2018 $m
31 December (payable 28 February 2020)	**296.0**	276.7
Total distribution to security holders	**296.0**	276.7

b) Distribution rate

	31 Dec 2019 Cents per security	31 Dec 2018 Cents per security
31 December (payable 28 February 2020)	**27.0**	27.2
Total distributions	**27.0**	27.2

Property portfolio assets

In this section

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

31 December 2019	Note	Leased Asset $m	Office $m	Industrial $m	Healthcare $m	Total $m
Investment properties	5	9.5	7,494.5	1,192.2	-	**8,696.2**
Equity accounted investments	6	8.2	6,417.5	738.1	189.8	**7,353.6**
Inventories	7	-	120.8	199.4	-	**320.2**
Assets held for sale	8	-	102.0	381.5	-	**483.5**
Total		**17.7**	**14,134.8**	**2,511.2**	**189.8**	**16,853.5**

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

- *Investment properties*: relates to investment properties, both stabilised and under development.
- *Investments accounted for using the equity method*: provides summarised financial information on the joint ventures and investments with significant influence. The Group's interests in its joint venture property portfolio assets are held through investments in trusts.
- *Inventories*: relates to the Group's ownership of industrial and office assets or land held for repositioning, development and sale.
- *Non-current assets classified as held for sale:* relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently being marketed for sale.

Note 5 Investment properties

Reconciliation

		For the 6 months to 31 Dec 2019 $m	For the 12 months to 30 Jun 2019 $m
Opening balance at the beginning of the period		**8,170.0**	8,242.6
Additions		**159.9**	284.0
Acquisitions		**144.8**	359.2
Lease incentives		**32.3**	57.6
Amortisation of lease incentives		**(41.4)**	(71.9)
Rent straightlining		**10.3**	9.9
Transfers from investment property to investments accounted for using the equity method		**-**	(642.7)
Disposals		**-**	(628.3)
Transfer to non-current assets classified as held for sale	8	**(223.3)**	-
Transfer from inventories	7	**-**	104.2
Net fair value gain/(loss) of investment properties		**433.8**	455.4
Ground leases of investment properties[1]		**9.8**	-
Closing balance at the end of the period		**8,696.2**	8,170.0

1. The Group has applied AASB 16 from 1 July 2019. The leased asset includes ground leases at Parkade 34-60 Little Collins Street, Melbourne VIC and Waterfront Place, 1 Eagle Street Brisbane QLD. Under AASB 16 *Leases*, lease liabilities need to be separately disclosed in the Consolidated Statement of Financial Position. The investment property carrying values are grossed up to ensure that the amount net of the corresponding lease liabilities relating to the ground lease portion equals the fair value of the investment properties.

Note 5 Investment properties (continued)

Leased Assets

The Group holds leasehold interests in a number of properties. Leasehold land that meets the definition of investment property under AASB 140 *Investment Property* is measured at fair value and presented within Investment property. The leased asset is measured initially at an amount equal to the corresponding lease liability. Subsequent to initial recognition, the leased asset is recognised at fair value in the Consolidated Statement of Financial Position. Refer to note 9 for details of the *Lease liabilities* and note 15 for *Changes in Accounting Policies*.

Acquisitions

On 30 July 2019, settlement occurred for the acquisition of 52 Collins Street, Melbourne, VIC for $70.0 million excluding acquisition costs.

On 23 August 2019, settlement occurred for the acquisition of 10 Light Street, Fortitude Valley, QLD for $2.8 million excluding acquisition costs.

On 30 September 2019, settlement occurred for the acquisition of Homemaker Centre, 19 Stoddard Road, Prospect, NSW for $64.3 million excluding acquisition costs.

Note 6 Investments accounted for using the equity method

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

Name of entity	**31 Dec 2019** %	30 Jun 2019 %	**31 Dec 2019** $m	30 Jun 2019 $m
Bent Street Trust	**33.3**	33.3	**368.1**	349.5
Dexus Creek Street Trust	**50.0**	50.0	**202.9**	176.6
Dexus Martin Place Trust	**50.0**	50.0	**897.1**	826.9
Grosvenor Place Holding Trust[1,2]	**50.0**	50.0	**487.8**	469.7
Site 6 Homebush Bay Trust[1]	**50.0**	50.0	**47.7**	42.9
Site 7 Homebush Bay Trust[1]	**50.0**	50.0	**59.8**	54.2
Dexus 480 Q Holding Trust	**50.0**	50.0	**393.9**	386.5
Dexus Kings Square Trust	**50.0**	50.0	**230.2**	220.7
Dexus Office Trust Australia (DOTA)	**50.0**	50.0	**2,701.3**	2,410.9
Dexus Industrial Trust Australia (DITA)	**50.0**	50.0	**216.1**	202.4
Dexus Eagle Street Pier Trust	**50.0**	50.0	**34.0**	31.2
Healthcare Wholesale Property Fund[3]	**39.9**	23.8	**141.6**	56.1
Dexus Australian Logistics Trust (DALT)[4]	**75.0**	75.0	**456.5**	657.5
Dexus Australian Logistics Trust No.2 (DALT2)	**51.0**	51.0	**104.6**	65.2
Dexus 80C Trust	**75.0**	75.0	**865.4**	873.4
AHP Investment Management Pty Ltd[5]	**-**	50.0	**-**	-
Dexus Walker Street Trust[6]	**50.0**	-	**9.9**	-
Total assets - investments accounted for using the equity method[7]			**7,216.9**	6,823.7

1. These entities are 50% owned by Dexus Office Trust Australia. The Group's economic interest is therefore 75% when combined with the interest held by Dexus Office Trust Australia. These entities are classified as joint ventures and are 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, at 225 George Street, Sydney, NSW. The Group's economic interest in this property is therefore 37.5%.
3. The Group increased its interest in HWPF through the acquisition of units held by Commercial & General. The increase in Group's interest in HWPF was subsequently diluted as a result of HWPF issuing units to other existing and new unitholders.
4. At 31 December 2019, $214.3 million or 24% of the interest in DALT has been transferred to non-current assets classified as held for sale. The total investment (75%) is $670.8 million.
5. On 16 September 2019, the Group acquired the remaining 50.0% of AHP Investment Management Pty Ltd. From that date the investment is consolidated for financial reporting purposes.
6. Dexus Walker Street Trust was formed in Australia on 14 June 2019 and its principal activity is property investment in Australia. During the half year to December 2019, settlements occurred on a partial interest in 121 Walker Street, North Sydney for $22.5 million excluding acquisition costs (100% share).
7. The Group's share of investment properties in the investments accounted for using the equity method was $7,353.6 million (June 2019: $6,987.8 million).

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

Note 7 Inventories

a) Development properties held for sale

	31 Dec 2019 $m	30 Jun 2019 $m
Current assets		
Development properties held for sale	**148.3**	170.4
Total current assets - inventories	**148.3**	170.4
Non-current assets		
Development properties held for sale	**171.9**	287.3
Total non-current assets - inventories	**171.9**	287.3
Total assets - inventories	**320.2**	457.7

b) Reconciliation

	Note	For the 6 months to 31 Dec 2019 $m	For the 12 months to 30 Jun 2019 $m
Opening balance at the beginning of the period		**457.7**	544.7
Transfer to investment properties	5	**-**	(104.2)
Disposals		**(173.6)**	(40.3)
Additions		**36.1**	57.5
Closing balance at the end of the period		**320.2**	457.7

Disposals

On 16 September 2019, settlement occurred for the disposal of North Shore Health Hub stage 1 for gross proceeds of $52.7 million excluding transaction costs.

On 12 November 2019, settlement occurred for the disposal of a 25% interest (of which the Group originally held a 50% interest) in 201 Elizabeth Street, Sydney NSW for gross proceeds of $157.5 million excluding transaction costs.

Note 8 Non-current assets classified as held for sale

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

Non-current assets classified as held for sale are presented separately from the other assets in the Consolidated Statement of Financial Position.

Non-current assets classified as held for sale relate to investment properties measured at fair value and investments accounted for using the equity method.

As at 31 December 2019, the balance relates to investment properties of $223.3 million and investments accounted for using the equity method of $214.3 million and includes:

- Garema Court, 140-180 City Walk, Canberra, ACT; and
- a 24% interest in the Dexus Australia Logistics Trust (DALT) core portfolio in connection with the exercise of second tranche rights by GIC on 23 December 2019.

Capital management and other investments

In this section

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from shareholders (equity) in order to finance the Group's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Lease liabilities* in note 9, *Interest bearing liabilities* in note 10 and *Contingencies* in note 11;
- Equity: *Contributed equity* in note 12.

Note 9 Lease liabilities

	Note	31 Dec 2019 $m	30 Jun 2019 $m
Current			
Lease liabilities - ground leases	(a)	**0.6**	-
Lease liabilities - other property leases	(b)	**3.0**	-
Total current liabilities - lease liabilities		**3.6**	-
Non-current			
Lease liabilities - ground leases	(a)	**8.9**	-
Lease liabilities - other property leases	(b)	**13.1**	-
Total non-current liabilities - lease liabilities		**22.0**	-
Total liabilities - lease liabilities		**25.6**	-

The Group has applied AASB 16 *Leases* from 1 July 2019. Refer to note 15 *Changes in Accounting Policies* for further information.

a) Lease liabilities – ground leases

The lease liabilities include ground leases at Parkade, 34-60 Little Collins Street, Melbourne and Waterfront Place, 1 Eagle Street, Brisbane. Refer to note 5 *Investment Properties* where the corresponding leased asset is included in the total value of investment properties.

b) Lease liabilities – other property leases

The lease liabilities relating to property leases predominantly relate to Dexus offices and Dexus Place property leases. Refer to the *Consolidated Statement of Financial Position* for disclosure of the corresponding right-of-use asset.

Note 10 Interest bearing liabilities

	Note	31 Dec 2019 $m	30 Jun 2019 $m
Current			
Unsecured			
Bank loans		**50.0**	70.0
Total unsecured		**50.0**	70.0
Total current liabilities - interest bearing liabilities		**50.0**	70.0
Non-current			
Unsecured			
US senior notes	(a), (b)	**2,376.3**	2,369.6
Bank loans	(c)	**1,029.0**	640.0
Commercial paper	(d)	**100.0**	100.0
Medium term notes	(e)	**706.7**	509.3
Exchangeable notes	(f)	**397.1**	395.2
Total unsecured		**4,609.1**	4,014.1
Deferred borrowing costs		**(17.7)**	(17.5)
Total non-current liabilities - interest bearing liabilities		**4,591.4**	3,996.6
Total interest bearing liabilities[1]		**4,641.4**	4,066.6

1. Includes cumulative fair value adjustments amounting to $74.8 million (June 2019: $70.0 million) in relation to effective fair value hedges.

Financing arrangements

The following table summarises the maturity profile of the Group's financing arrangements:

Type of facility	Notes	Currency	Security	Maturity Date	Utilised[1] $m	Facility Limit $m
US senior notes (144A)	(a)	US$	Unsecured	Mar-21	356.8	356.8
US senior notes (USPP)[1]	(b)	US$	Unsecured	Jul-23 to Nov-32	1,619.7	1,619.7
US senior notes (USPP)	(b)	A$	Unsecured	Jun-28 to Oct-38	325.0	325.0
Medium term notes	(e)	A$	Unsecured	Nov-22 to Aug-38	706.7	706.7
Exchangeable note	(f)	A$	Unsecured	Jun-26	397.1	397.1
Commercial paper	(d)	A$	Unsecured	Sep-22	100.0	100.0
Multi-option revolving credit facilities	(c)	Multi Currency	Unsecured	May-20 to Mar-27	1,079.0	1,850.0
Total					**4,584.3**	**5,355.3**
Bank guarantee in place					46.7	
Unused at balance date					724.3	

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 its assets and ensures that all senior unsecured debt ranks pari passu.

Note 10 Interest bearing liabilities (continued)

a) US senior notes (144A)

This includes a total of US$250.0 million (A$356.8 million) of US senior notes with a maturity of March 2021. The USD exposure is economically hedged using cross currency interest rate swaps with a notional value of US$250.0 million.

b) US senior notes (USPP)

This includes a total of US$1,135.0 million and A$325.0 million (A$1,944.7 million) of US senior notes with a weighted average maturity of February 2029. US$1,135.0 million is designated as an accounting hedge using cross currency interest rate swaps with the same notional value.

c) Multi-option revolving credit facilities

This includes 18 facilities maturing between May 2020 and April 2027 with a weighted average maturity of October 2023. A$46.7 million is utilised as bank guarantees for AFSL requirements and other business requirements including developments.

d) Commercial paper

This includes a total of A$100.0 million of Commercial Paper which is supported by a standby facility of A$100.0 million with a maturity of September 2022. The standby facility has same day availability.

e) Medium term notes

This includes a total of A$705.0 million of Medium Term Notes with a weighted average maturity of January 2027. The remaining A$1.7 million is the net premium on the issue of these instruments.

f) Exchangeable notes

This includes Exchangeable Notes with a face value totalling $425.0 million. The notes are exchangeable based on the exchange price on the exchange date (currently $15.00 representing approximately 28.3 million securities), at the election of the holder, until 19 March 2024. The holders have an option to put the notes to the issuer for face value 60 days prior but not later than 30 days after 19 March 2024. On expiration of the put option, the notes continue to be exchangeable until 10 days prior to maturity on 19 June 2026. Any securities issued on exchange will rank equally with existing securities. As at 31 December 2019, no notes have been exchanged.

Note 11 Contingencies

DDF, together with DIT, DOT and DXO, is a guarantor of A$5,355.3 million (June 2019: A$5,004.1 million) of interest bearing liabilities (refer to note 10 *Interest bearing liabilities*). 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 A$46.7 million, comprising A$43.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and A$3.5 million largely in respect of developments.

The above guarantees are issued in respect of the Group and constitute a potential additional liability to those already existing in interest bearing liabilities on the Consolidated 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 interim Consolidated Financial Statements, which should be brought to the attention of security holders as at the date of completion of this report.

Note 12 Contributed equity

Number of securities on issue

	For the 6 months to 31 Dec 2019	For the 12 months to 30 Jun 2019
	No. of securities	No. of securities
Opening balance at the beginning of the period	**1,096,857,665**	1,017,196,877
Issue of additional equity	**-**	79,660,788
Buy-back of contributed equity	**(456,206)**	-
Closing balance at the end of the period	**1,096,401,459**	1,096,857,665

On 23 October 2019, Dexus announced plans to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue over the next 12 months, as part of its active approach to capital management.

During the period to 31 December 2019, Dexus acquired and cancelled 456,206 securities representing 0.04% of Dexus securities on issue.

Note 13 Fair value of financial instruments

As at 31 December 2019 and 30 June 2019, the carrying amounts of financial assets and liabilities are held at fair value excluding interest bearing liabilities which have a carrying amount of $4,659.1 million (June 2019: $4,084.1 million) and a fair value of $4,856.1 million (June 2019: $4,290.2 million). The Group uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

Level 3: the fair value is estimated using inputs for the asset or liability that are no based on observable data.

All financial instruments, excluding cash, were measured at Level 2 for the periods presented in this report. During the half year, there were no transfers between Level 1, 2 and 3 fair value measurements.

Other disclosures

In this section

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

Note 14 Intangible assets

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 $3.3 million (June 2019: $3.4 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 9.5 years. Management rights that are deemed to have an indefinite life are held at a value of $286.0 million (June 2019: $286.0 million).

Software is measured at cost and amortised using the straight-line method over its estimated useful life, expected to be three to five years.

	31 Dec 2019 $m	30 Jun 2019 $m
Management rights		
Opening balance at the beginning of the period	**289.4**	289.8
Amortisation charge	**(0.1)**	(0.4)
Closing balance at the end of the period	**289.3**	289.4
Cost	**294.4**	294.4
Accumulated amortisation	**(5.1)**	(5.0)
Total management rights	**289.3**	289.4
Goodwill		
Opening balance at the beginning of the period	**1.0**	1.1
Additions	**3.0**	-
Impairment	**(3.0)**	(0.1)
Closing balance at the end of the period	**1.0**	1.0
Cost	**6.0**	3.0
Accumulated impairment	**(5.0)**	(2.0)
Total goodwill	**1.0**	1.0
Software		
Opening balance at the beginning of the period	**31.7**	23.7
Additions	**8.0**	14.0
Amortisation charge	**(2.7)**	(6.0)
Closing balance at the end of the period	**37.0**	31.7
Cost	**56.7**	48.7
Accumulated amortisation	**(19.7)**	(17.0)
Cost - Fully amortised assets written off	**(7.2)**	(7.2)
Accumulated amortisation - Fully amortised assets written off	**7.2**	7.2
Total software	**37.0**	31.7
Total non-current intangible assets	**327.3**	322.1

As at 31 December 2019, 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 15 Changes in accounting policies

AASB 16 *Leases*

AASB 16 *Leases* (AASB 16) is effective for annual reporting periods beginning on or after 1 January 2019. AASB 16 was adopted by the Group on 1 July 2019. The Group has adopted AASB 16 retrospectively upon implementation of this standard, however comparatives have not been restated as permitted under the specific transition provisions in the standard. The right-of-use asset has been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position immediately before the date of initial application. The changes and considerations are detailed below.

Under AASB 16, as a Lessee, the Group recognises a right-of-use asset and lease liability on balance sheet for all material leases. Right-of-use assets that meet the definition of investment property under AASB 140 *Investment Property* are measured at fair value and presented within Investment property (see section on Ground Leases below). Therefore, the Group recognises the right-of-use assets in two separate ways, as investment property for ground leases and as right-of-use assets for all other leases.

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

The Group recognises a right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for any remeasurements of the lease liability. The cost of the right-of-use asset includes:

- the amount of initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- makegood costs.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term, unless they meet the definition of an investment property.

The Group tests all right-of-use assets for impairment where there is an indicator that the asset may be impaired. If an impairment exists, the carrying amount of the asset is written down to its recoverable amount as per the requirements of AASB 136 *Impairment of Assets.*

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

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

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

The Group's right-of-use assets include ground and property leases.

Note 15 Changes in accounting policies (continued)

Ground Leases

On transition to AASB 16 on 1 July 2019, a lease liability in relation to leasehold arrangements of investment properties is required to be separately disclosed in the Consolidated Statement of Financial Position. To ensure this treatment does not result in an inaccurate net position, the carrying value of investment properties will be adjusted (grossed up) so that the net of these two balances equal the fair value of the investment properties. The Group has recorded any ground leases with a peppercorn rent at their nominal amount. As at 31 December 2019, $9.5 million of lease liabilities and $9.5 million of right-of-use assets within investment property in relation to ground leases have been recognised in the Consolidated Statement of Financial Position.

Practical expedients

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of contracts entered into before the transition date which qualified as leases. The Group has therefore only applied the principles of AASB 16 to leases which were either previously identified as leases under AASB 117 *Leases* and Interpretation 4 *Determining Whether an Arrangement Contains a Lease* or new contracts entered into on or after 1 July 2019 which meets the revised lease definition as per AASB 16.

Impact on transition

Impact on Group as a lessor

The Group leases its investment property and has classified these leases as operating leases. The accounting polices applicable to the Group as a lessor are not different from those under AASB 117 *Leases*. However, the Group has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract between lease and non-lease components.

The adoption of the new AASB 16 standard has no impact on the financial reporting of the Group from a lessor perspective and therefore no adjustment is required to this effect.

Impact on Group as a lessee

On transition to AASB 16, the Group recognised $18.3 million of right-of-use assets, $9.8 million of Investment Property and $29.0 million of lease liabilities in the Consolidated Statement of Financial Position.

In measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied was 3.20%.

The difference between the operating lease commitments disclosed at 30 June 2019 discounted using the incremental borrowing rate at 1 July 2019 and the balance of the lease liabilities recognised at 1 July 2019 reflects:

- Adjustments as a result of different treatment of extension and termination options;
- Recognition exemption for leases of low value assets; and
- Recognition exemption for leases with less than 12 months.

Within the Consolidated Statement of Comprehensive Income, the Group has separately recognised a depreciation expense and interest expense, instead of an operating lease expense. During the six months ended 31 December 2019, the Group recognised $0.3 million of fair value losses, $1.7 million of depreciation charges and $0.4 million of interest. No depreciation is recognised for the right-of-use assets that meet the definition of investment property.

The impact of AASB 16 is shown within “Rental guarantees, coupon income and other” in note 1 *Operating Segments*.

Note 16 Subsequent events

In January 2020, DXS received commitments for a further A$500 million under a medium-term note offering which will mature in February 2032, with the transaction due to settle in February 2020.

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 interim Consolidated Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial periods.

Directors' Declaration

In the Directors' opinion:

a) The interim Consolidated Financial statements and notes set out on pages 15 to 37 are in accordance with the *Corporations Act 2001,* including:

   (i) complying with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 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.

W Richard Sheppard

Chair

5 February 2020

Independent auditor's review report to the stapled security holders of Dexus Diversified Trust and its consolidated entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report (the financial report) of Dexus Diversified Trust (the Trust), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration of Dexus Funds Management Limited (the Responsible Entity) in respect of the Trust and its consolidated entities (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors of the Responsible Entity's responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the 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 2019 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 the consolidated entity, 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*.

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
5 February 2020

Dexus Industrial Trust
Interim Report
31 December 2019

ARSN 090 879 137

Contents

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Industrial Trust (DIT or the Trust) present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2019. The interim Consolidated Financial Statements represents DIT and its consolidated entities.

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

Directors

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
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012
Peter B St George, CA(SA), MBA	29 April 2009

Operating and financial review

The results for the half year ended 31 December 2019 were:
- profit attributable to unitholders was $33.8 million (December 2018: $42.7 million);
- total assets were $991.9 million (June 2019: $1,025.5 million); and
- net assets were $944.0 million (June 2019: $953.6 million).

A review of the results, financial position and operations of the Group, which the Trust forms part thereof, is set out in the Operating and Financial Review of the Dexus Interim Report and forms part of this Directors' Report.

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.

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The interim Consolidated Financial Statements were authorised for issue by the Directors on 5 February 2020.

W Richard Sheppard
Chair
5 February 2020

Darren J Steinberg
Chief Executive Officer
5 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Dexus Industrial Trust (the Trust) for the half-year ended 31 December 2019, 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 the Trust and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
5 February 2020

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from ordinary activities			
Property revenue	2	**13,803**	29,204
Interest revenue		**11,842**	5,480
Total revenue from ordinary activities		**25,645**	34,684
Net fair value gain of investment properties		**11,078**	12,137
Net gain on sale of investment properties		**201**	4,036
Total income		**36,924**	50,857
Expenses			
Property expenses		**(2,397)**	(6,207)
Management fee expense		**(541)**	(1,021)
Finance costs	3	**(2)**	(216)
Transaction costs		**-**	(360)
Management operations, corporate and administration expenses		**(155)**	(347)
Total expenses		**(3,095)**	(8,151)
Profit/(loss) before tax		**33,829**	42,706
Profit/(loss) for the period		**33,829**	42,706
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Other comprehensive income/(loss)		**-**	-
Total comprehensive income/(loss) for the period		**33,829**	42,706

	Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity		
Basic earnings per unit	**3.08**	4.20
Diluted earnings per unit	**3.01**	4.20

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets			
Cash and cash equivalents		**3,022**	1,191
Receivables		**2,299**	1,658
Non-current assets classified as held for sale	5	**69,178**	-
Derivative financial instruments	8	**-**	22
Other		**1,211**	123
Total current assets		**75,710**	2,994
Non-current assets			
Investment properties	4	**299,622**	357,982
Loans with related parties		**616,576**	664,550
Total non-current assets		**916,198**	1,022,532
Total assets		**991,908**	1,025,526
Current liabilities			
Payables		**4,066**	7,487
Provisions		**43,840**	61,088
Derivative financial instruments	8	**-**	3,357
Total current liabilities		**47,906**	71,932
Total liabilities		**47,906**	71,932
Net assets		**944,002**	953,594
Equity			
Contributed equity	7	**1,219,930**	1,220,456
Retained profits/(losses)		**(275,928)**	(266,862)
Total equity		**944,002**	953,594

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 2019

	Contributed equity $'000	Retained profits/ (losses) $'000	Total equity $'000
Opening balance as at 1 July 2018	1,139,628	(196,230)	943,398
Change in accounting policy	-	(188)	(188)
Restated opening balance as at 1 July 2018	1,139,628	(196,418)	943,210
Profit/(loss) for the period	-	42,706	42,706
Other comprehensive income/(loss) for the period	-	-	-
Total comprehensive income/(loss) for the period	-	42,706	42,706
Transactions with owners in their capacity as unitholders:			
Distributions paid or provided for	-	(85,506)	(85,506)
Total transactions with unitholders in their capacity as unitholders	-	(85,506)	(85,506)
Closing balance as at 31 December 2018	**1,139,628**	**(239,218)**	**900,410**
Opening balance as at 1 July 2019	**1,220,456**	**(266,862)**	**953,594**
Profit/(loss) for the period	**-**	**33,829**	**33,829**
Other comprehensive income/(loss) for the period	**-**	**-**	**-**
Total comprehensive income/(loss) for the period	**-**	**33,829**	**33,829**
Transactions with owners in their capacity as unitholders:			
Buy-back of contributed equity, net of transaction costs	**(526)**	**-**	**(526)**
Distributions paid or provided for	**-**	**(42,895)**	**(42,895)**
Total transactions with unitholders in their capacity as unitholders	**(526)**	**(42,895)**	**(43,421)**
Closing balance as at 31 December 2019	**1,219,930**	**(275,928)**	**944,002**

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 2019

	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**15,819**	35,965
Payments in the course of operations (inclusive of GST)	**(6,117)**	(6,090)
Interest received	**34**	8
Interest received/(paid) on derivatives	**(3,337)**	(3,384)
Net cash inflow/(outflow) from operating activities	**6,399**	26,499
Cash flows from investing activities		
Proceeds from sale of investment properties	**-**	205,264
Payments for capital expenditure on investment properties	**(2,093)**	(7,795)
Net cash inflow/(outflow) from investing activities	**(2,093)**	197,469
Cash flows from financing activities		
Borrowings provided to related parties	**(25,337)**	(219,604)
Proceeds from loan with related party	**84,486**	15,958
Payments for buy-back of contributed equity	**(526)**	-
Distributions paid to unitholders	**(61,098)**	(15,975)
Net cash inflow/(outflow) from financing activities	**(2,475)**	(219,621)
Net increase/(decrease) in cash and cash equivalents	**1,831**	4,348
Cash and cash equivalents at the beginning of the period	**1,191**	963
Cash and cash equivalents at the end of the period	**3,022**	5,311

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of preparation

These general purpose interim Consolidated Financial Statements have been prepared;

- for a for-profit entity,
- in accordance with the requirements of the Constitution of the entities within the Group, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board,
- in Australian dollars with all values rounded in the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.
- on a going concern basis using historical cost conventions except for investment properties, derivative financial instruments and other financial liabilities which are stated at their fair value. Refer to the specific accounting policies within the notes to the annual Consolidated Financial Statements for the year ended 30 June 2019 for the basis of valuation of assets and liabilities measured at fair value, and
- using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Dexus 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.

Capital risk management is not managed at the Trust level, but rather holistically as part of the Group. This is done through a centralised treasury function which ensures that entities within the Group (including DIT) will be able to continue as a going concern.

These interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2019 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation (continued)

Critical accounting estimates

The preparation of the interim Consolidated Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimates and assumptions used for the measurement of items measured at fair value such as certain financial instruments and investment properties no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

The notes are organised into the following sections:

Trust performance	**Property portfolio assets**	**Capital management and other investments**	**Other disclosures**
1. Operating segments	4. Investment properties	6. Contingencies	9. Changes in accounting policies
2. Property revenue and expenses	5. Non-current assets classified as held for sale	7. Contributed equity	10. Subsequent events
3. Finance costs		8. Fair value of financial instruments	

Trust performance

In this section

This section explains the results and performance of the Trust.

It provides additional information about those individual line items in the interim Consolidated Financial Statements that the Directors consider most relevant in the context of the operations of the Trust, including: results by operating segment, property revenue and expenses and finance costs.

Note 1 Operating segments

Description of segments

The Group's operating segments have been identified based on the sectors analysed within the management reports reviewed in order to monitor performance across the Group and to appropriately allocate resources.

The operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level.

Disclosures concerning DXS's operating segments are presented in the Dexus Interim Report.

Note 2 Property revenue and expenses

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

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

Property service revenue is recognised as the service is delivered, in accordance with the terms of the relevant contracts.

	31 Dec 2019 $'000	31 Dec 2018 $'000
Property lease revenue	**13,619**	25,124
Property services revenue	**529**	3,248
Incentive amortisation	**(1,132)**	(2,625)
Other revenue	**787**	3,457
Total property revenue	**13,803**	29,204

Property expenses of $2.4 million (2018: $6.2 million) includes rates, taxes and other property outgoings incurred in relation to investment properties.

Note 3 Finance costs

Borrowing costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and net fair value movements of interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

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

	31 Dec 2019 **$'000**	31 Dec 2018 $'000
Net fair value (gain)/loss of interest rate swaps	**2**	247
Amount capitalised	**-**	(31)
Total finance costs	**2**	216

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.00% (2018: 5.25%).

Property portfolio assets

In this section

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

- *Investment properties*: relates to investment properties, both stabilised and under development.
- *Non-current assets classified as held for sale*: relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently being marketed for sale.

Note 4 Investment properties

	31 Dec 2019 $'000	30 June 2019 $'000
Opening balance at the beginning of the period	**357,982**	744,150
Additions	**257**	6,439
Acquisitions	**-**	27,843
Lease incentives	**1,250**	5,754
Amortisation of lease incentives	**(1,357)**	(5,220)
Rent straightlining	**(410)**	392
Disposals	**-**	(440,813)
Transfer to non-current assets classified as held for sale	**(69,178)**	-
Net fair value gain/(loss) of investment properties	**11,078**	19,437
Closing balance at the end of the period	**299,622**	357,982

Note 5 Non-current assets classified as held for sale

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

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

As at 31 December 2019, the balance relates to a 24% interest in a number of industrial properties within the Dexus Australia Logistics Trust (DALT) core portfolio in connection with the exercise of the second tranche rights by GIC on 23 December 2019.

Capital management and other investments

In this section

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from unitholders (equity) in order to finance the Trust's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Contingencies* in note 6;
- Equity: *Contributed equity* in note 7.

Note 6 Contingencies

The Trust, together with DXO, DOT and DDF, is a guarantor of A$5,355.3 million (June 2019: A$5,004.1 million) of interest bearing liabilities. 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 above guarantees are issued in respect of the Trust and constitute a potential additional contingent liability to those already existing in interest bearing liabilities on the Consolidated 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 interim Consolidated Financial Statements, which should be brought to the attention of unitholders as at the date of completion of this report.

Note 7 Contributed equity

Number of units on issue

	For the 6 months to 31 Dec 2019	For the 12 months to 30 June 2019
	No. of units	No. of units
Opening balance at the beginning of the period	**1,096,857,665**	1,017,196,877
Issue of additional equity	-	79,660,788
Buy-back of contributed equity	**(456,206)**	-
Closing balance at the end of the period	**1,096,401,459**	1,096,857,665

On 23 October 2019, Dexus announced plans to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue over the next 12 months, as part of its active approach to capital management.

During the period to 31 December 2019, Dexus acquired and cancelled 456,206 securities representing 0.04% of Dexus securities on issue.

Note 8 Fair value of financial instruments

As at 31 December 2019 and 30 June 2019, the carrying amount of financial assets and liabilities are held at fair value. The Trust uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

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

All financial instruments, excluding cash, were measured at Level 2 for the periods presented in this report. During the half year, there were no transfers between Level 1, 2 and 3 fair value measurements.

Other disclosures

In this section

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

Note 9 Changes in accounting policies

AASB 16 *Leases*

AASB 16 *Leases* (AASB 16) is effective for annual reporting periods beginning on or after 1 January 2019. AASB 16 was adopted by the Trust on 1 July 2019.

Impact on transition

Impact on Trust as a lessor

The Trust leases its investment property and has classified these leases as operating leases. The accounting polices applicable to the Trust as a lessor are not different from those under AASB 117 *Leases*. However, the Trust has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract between lease and non-lease components.

The adoption of the new AASB 16 standard has no impact on the financial reporting of the Trust from a lessor perspective and therefore no adjustment is required to this effect.

Impact on Trust as a lessee

The Trust does not lease any assets as a lessee. The adoption of the new AASB 16 standard has no impact on the financial reporting of the Trust from a lessee perspective and therefore no adjustment is required to this effect.

Note 10 Subsequent events

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

Directors' Declaration

In the Directors' opinion:

a) The interim Consolidated Financial Statements and notes set out on pages 4 to 14 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 consolidated financial position as at 31 December 2019 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable.

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

W Richard Sheppard

Chair

5 February 2020

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 (the financial report) of Dexus Industrial Trust (the Trust), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration of Dexus Funds Management Limited (the Responsible Entity) in respect of the Trust and its consolidated entities (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half year.

Directors of the Responsible Entity's responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the 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 half-year 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 2019 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 the consolidated entity, 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*.

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
5 February 2020

Dexus Office Trust
Interim Report
31 December 2019

ARSN 090 768 531

Contents

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Office Trust (DOT or the Trust) present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2019. The interim Consolidated Financial Statements represents Dexus Office Trust and its consolidated entities.

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

Directors

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
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012
Peter B St George, CA(SA), MBA	29 April 2009

Operating and financial review

The results for the half year ended 31 December 2019 were:
- profit attributable to unitholders was $652.5 million (December 2018: $420.6 million);
- total assets were $12,060.3 million (June 2019: $11,138.4 million); and
- net assets were $7,642.1 million (June 2019: $7,154.3 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 Operating and Financial Review of the Dexus Interim Report and forms part of this Directors' Report.

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.

Rounding of amounts and currency

As the Trust is a registered scheme of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest tenth of a million dollars, unless otherwise indicated. The Trust is an entity to which the Instrument applies. All figures in this Directors' Report and the interim Consolidated Financial Statements, except where otherwise stated, are expressed in Australian dollars.

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The interim Consolidated Financial Statements were authorised for issue by the Directors on 5 February 2020.

W Richard Sheppard

Chair

5 February 2020

Darren J Steinberg

Chief Executive Officer

5 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Dexus Office Trust (the Trust) for the half-year ended 31 December 2019, 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 the Trust and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
5 February 2020

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2019

	Note	31 Dec 2019 $m	31 Dec 2018 $m
Revenue from ordinary activities			
Property revenue	2	**148.1**	150.9
Interest revenue		**0.1**	0.1
Total revenue from ordinary activities		**148.2**	151.0
Net fair value gain of investment properties		**276.2**	143.6
Share of net profit of investments accounted for using the equity method		**369.9**	233.7
Net fair value gain of derivatives		**-**	11.6
Total income		**794.3**	539.9
Expenses			
Property expenses		**(40.0)**	(38.7)
Management fee expense		**(6.0)**	(7.1)
Finance costs	3	**(81.5)**	(72.9)
Net fair value loss of derivatives		**(14.1)**	-
Management operations, corporate and administration expenses		**(0.2)**	(0.6)
Total expenses		**(141.8)**	(119.3)
Profit before tax		**652.5**	420.6
Profit for the period		**652.5**	420.6
Other comprehensive income/(loss):			
Other comprehensive income/(loss)		**-**	-
Total comprehensive income for the period		**652.5**	420.6

	Cents	Cents
Earnings per unit on profit attributable to unitholders of the Trust (parent entity)		
Basic earnings per unit	**59.49**	41.35
Diluted earnings per unit	**58.83**	41.35

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019 $m	30 Jun 2019 $m
Current assets			
Cash and cash equivalents		**17.4**	13.4
Receivables		**44.1**	38.0
Non-current assets classified as held for sale	6	**71.5**	-
Other		**18.5**	10.2
Total current assets		**151.5**	61.6
Non-current assets			
Investment properties	4	**5,604.3**	5,221.7
Investments accounted for using the equity method	5	**6,295.7**	5,851.0
Derivative financial instruments	10	**7.1**	2.5
Other		**1.7**	1.6
Total non-current assets		**11,908.8**	11,076.8
Total assets		**12,060.3**	11,138.4
Current liabilities			
Payables		**97.0**	90.6
Lease liabilities	7	**0.4**	-
Provisions		**171.1**	72.0
Derivative financial instruments	10	**18.0**	5.2
Total current liabilities		**286.5**	167.8
Non-current liabilities			
Loans with related parties		**4,084.9**	3,752.4
Lease liabilities	7	**4.3**	-
Derivative financial instruments	10	**42.5**	63.8
Other		**-**	0.1
Total non-current liabilities		**4,131.7**	3,816.3
Total liabilities		**4,418.2**	3,984.1
Net assets		**7,642.1**	7,154.3
Equity			
Contributed equity	9	**3,617.6**	3,620.8
Retained profits		**4,024.5**	3,533.5
Total equity		**7,642.1**	7,154.3

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

	Contributed equity $m	Retained profits/ (losses) $m	Total equity $m
Opening balance as at 1 July 2018	3,050.8	2,935.6	5,986.4
Profit/(loss) for the period	-	420.6	420.6
Other comprehensive income/(loss) for the period	-	-	-
Total comprehensive income/(loss) for the period	-	420.6	420.6
Transactions with owners in their capacity as unitholders:			
Distributions paid or provided for	-	(111.3)	(111.3)
Total transactions with owners in their capacity as unitholders	-	(111.3)	(111.3)
Closing balance as at 31 December 2018	3,050.8	3,244.9	6,295.7
Opening balance as at 1 July 2019	**3,620.8**	**3,533.5**	**7,154.3**
Profit/(loss) for the period	**-**	**652.5**	**652.5**
Other comprehensive income/(loss) for the period	**-**	**-**	**-**
Total comprehensive income/(loss) for the period	**-**	**652.5**	**652.5**
Transactions with owners in their capacity as unitholders:			
Buy-back of contributed equity, net of transaction costs	**(3.2)**	**-**	**(3.2)**
Distributions paid or provided for	**-**	**(161.5)**	**(161.5)**
Total transactions with owners in their capacity as unitholders	**(3.2)**	**(161.5)**	**(164.7)**
Closing balance as at 31 December 2019	**3,617.6**	**4,024.5**	**7,642.1**

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 2019

	31 Dec 2019 $m	31 Dec 2018 $m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**178.1**	169.8
Payments in the course of operations (inclusive of GST)	**(62.1)**	(39.7)
Interest received	**0.1**	0.1
Finance costs paid to financial institutions	**(12.3)**	(7.8)
Distributions received from investments accounted for using the equity method	**128.4**	101.0
Net cash inflow/(outflow) from operating activities	**232.2**	223.4
Cash flows from investing activities		
Payments for capital expenditure on investment properties	**(109.5)**	(78.1)
Proceeds from sale of underlying investment	**-**	16.2
Payments for investments accounted for using the equity method	**(208.0)**	(64.9)
Payments for acquisition of investment properties	**(78.0)**	(168.9)
Net cash inflow/(outflow) from investing activities	**(395.5)**	(295.7)
Cash flows from financing activities		
Repayment of borrowings	**(30.8)**	-
Borrowing provided to related parties	**(470.6)**	(358.1)
Borrowing received from related parties	**744.1**	584.6
Payments for buy-back of contributed equity	**(3.2)**	-
Distributions paid to unitholders	**(72.0)**	(149.9)
Payment of lease liabilities	**(0.2)**	-
Net cash inflow/(outflow) from financing activities	**167.3**	76.6
Net increase/(decrease) in cash and cash equivalents	**4.0**	4.3
Cash and cash equivalents at the beginning of the period	**13.4**	7.2
Cash and cash equivalents at the end of the period	**17.4**	11.5

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of preparation

These general purpose interim Consolidated Financial Statements have been prepared;

- for a for-profit entity,
- in accordance with the requirements of the Constitution of the entities within the Group, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board,
- in Australian dollars with all values rounded in the nearest tenth of a million dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.
- on a going concern basis using historical cost conventions except for investment properties, investment properties within equity accounted investments, derivative financial instruments and other financial assets and liabilities which are stated at their fair value. Refer to the specific accounting policies within the notes to the annual Consolidated Financial Statements for the year ended 30 June 2019 for the basis of valuation of assets and liabilities measured at fair value, and
- using consistent accounting policies in line with those of the previous financial period and corresponding interim reporting period, unless otherwise stated.

Dexus 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.

These interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2019 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Working capital deficiency

As at 31 December 2019, the Trust had a net current asset deficiency of $135.0 million (June 2019: $106.2 million). This is primarily due to the provision for distribution of $161.5 million (June 2019: $72.0 million).

Capital risk management is not managed at the Trust level, but rather holistically as part of the Group. This is done through a centralised treasury function which ensures that entities within the Group (including DOT) will be able to continue as a going concern. The Group has in place both external and internal funding arrangements to support the cash flow requirements of the Trust, including undrawn facilities of $724.3 million (June 2019: $921.0 million) (refer to note 10 *Interest bearing liabilities* in the Dexus Interim Report).

In the event that the entity requires additional funding to meet current liabilities in the 12 months succeeding the date of this financial report, the Group will make adequate funds available to the Trust.

In determining the basis of preparation of the financial report, the directors of the responsible entity of the Trust, have taken into consideration the unutilised facilities available to the Group. As such the Trust is a going concern and the interim Consolidated Financial Statements have been prepared on that basis.

Basis of preparation (continued)

Critical accounting estimates

The preparation of interim Consolidated Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Group's accounting policies. Other than the estimates and assumptions used for the measurement of items measured at fair value such as certain financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

The notes are organised into the following sections:

Trust performance	**Property portfolio assets**	**Capital management and other investments**	**Other disclosures**
1. Operating segments	4. Investment properties	7. Lease liabilities	11. Changes in accounting policies
2. Property revenue and expenses	5. Investments accounted for using the equity method	8. Contingencies	12. Subsequent events
3. Finance costs	6. Non-current assets classified as held for sale	9. Contributed equity	
		10. Fair value of financial instruments	

Trust performance

In this section

This section explains the results and performance of the Trust.

It provides additional information about those individual line items in the interim Consolidated Financial Statements that the Directors consider most relevant in the context of the operations of the Trust, including: results by operating segment, property revenue and expenses and finance costs.

Note 1 Operating segments

Description of segments

The Group's operating segments have been identified based on the sectors analysed within the management reports reviewed in order to monitor performance across the Group and to appropriately allocate resources.

The operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level.

Disclosures concerning DXS's operating segments are presented in the Dexus Interim Report.

Note 2 Property revenue and expenses

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

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

Property services revenue is recognised as the service is delivered, in accordance with the terms of the relevant contracts.

	31 Dec 2019 $m	31 Dec 2018 $m
Property lease revenue	**137.4**	125.3
Property services revenue	**18.1**	19.9
Incentive amortisation	**(25.3)**	(20.0)
Other revenue	**17.9**	25.7
Total property revenue	**148.1**	150.9

Property expenses of $40.0 million (2018: $38.7 million) includes rates, taxes and other property outgoings incurred in relation to investment properties during the period.

Note 3 Finance costs

Borrowing costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and net fair value movements of interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

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

	31 Dec 2019 $m	31 Dec 2018 $m
Interest paid to related parties	**71.5**	64.1
Net fair value (gain)/loss of interest rate swaps	**10.8**	15.3
Amount capitalised	**(1.0)**	(6.5)
Finance costs - leases[1]	**0.1**	-
Other finance costs	**0.1**	-
Total finance costs	**81.5**	72.9

1 The Trust adopted AASB 16 *Leases* on 1 July 2019. Interest on the lease liability is a component of finance costs. Refer to note 11 *Changes in Accounting Policies* for further information.

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.00% (2018: 5.25%).

Property portfolio assets

In this section

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

- *Investment properties*: relates to investment properties, both stabilised and under development.
- *Investments accounted for using the equity method*: provides summarised financial information on the joint ventures and investments with significant influence. The Trust's interests in its joint venture property portfolio assets are held through investments in trusts.
- *Non-current assets classified as held for sale*: relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently being marketed for sale.

Note 4 Investment properties

	For the 6 months to 31 Dec 2019 $m	For the 12 months to 30 Jun 2019 $m
Opening balance at the beginning of the period	**5,221.7**	4,810.5
Additions	**102.2**	192.1
Acquisitions	**74.0**	169.2
Leased assets[1]	**4.9**	-
Lease incentives	**20.2**	31.2
Amortisation of lease incentives	**(28.2)**	(44.2)
Rent straightlining	**4.8**	8.0
Disposals	**-**	(244.5)
Transfer to non-current assets classified as held for sale	**(71.5)**	-
Net fair value gain/(loss) of investment properties	**276.2**	299.4
Closing balance at the end of the period	**5,604.3**	5,221.7

1 The Trust has applied AASB 16 *Leases* from 1 July 2019. The leased asset includes a ground lease at Waterfront Place, 1 Eagle Street, Brisbane QLD (50% interest owned by the Trust). Under AASB 16 *Leases*, lease liabilities need to be separately disclosed in the Consolidated Statement of Financial Position. The investment property carrying values are grossed up to ensure that the amount net of the corresponding lease liabilities relating to the ground lease portion equals the fair value of the investment properties.

Leased Assets

The Trust holds leasehold interests in a number of properties. Leasehold land that meets the definition of investment property under AASB 140 *Investment Property* is measured at fair value and presented within Investment property. The leased asset is measured initially at an amount equal to the corresponding lease liability. Subsequent to initial recognition, the leased asset is recognised at fair value in the Consolidated Statement of Financial Position. Refer to note 7 for details of the lease liabilities and note 11 for Changes in Accounting Policies.

Acquisitions

On 31 July 2019, settlement occurred for the acquisition of 52 Collins Street, Melbourne, for $70.0 million excluding acquisition costs.

Note 5 Investments accounted for using the equity method

Investments are accounted for in the interim Consolidated Financial Statements using the equity method of accounting. Information relating to these entities is set out below:

	Ownership interest			
	31 Dec 2019	30 Jun 2019	**31 Dec 2019**	30 Jun 2019
Name of entity	**%**	%	**$m**	$m
Bent Street Trust	**33.3**	33.3	**368.1**	349.5
Dexus Creek Street Trust	**50.0**	50.0	**202.9**	176.8
Dexus Martin Place Trust	**50.0**	50.0	**897.1**	826.9
Grosvenor Place Holding Trust[1,2]	**50.0**	50.0	**487.8**	469.7
Site 6 Homebush Bay Trust[1]	**50.0**	50.0	**47.7**	43.1
Site 7 Homebush Bay Trust[1]	**50.0**	50.0	**59.8**	54.4
Dexus 480 Q Holding Trust	**50.0**	50.0	**393.9**	386.5
Dexus Kings Square Trust	**50.0**	50.0	**230.2**	220.9
Dexus Office Trust Australia (DOTA)	**50.0**	50.0	**2,708.8**	2,418.4
Dexus Eagle Street Pier Trust	**50.0**	50.0	**34.0**	31.4
Dexus 80C Trust	**75.0**	75.0	**865.4**	873.4
Total assets - investments accounted for using the equity method[3]			**6,295.7**	5,851.0

1 These entities are 50% owned by Dexus Office Trust Australia. The Trust's economic interest is therefore 75% when combined with the interest held by Dexus Office Trust Australia. These entities are classified as joint ventures and are 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, at 225 George Street, Sydney, NSW. The Trust's economic interest in this property is therefore 37.5%.
3 The Trust's share of investment properties in the investments accounted for using the equity method was $6,407.7 million (June 2019: $5,966.4 million).

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

Note 6 Non-current assets classified as held for sale

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

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

As at 31 December 2019, the held for sale balance relates to Garema Court, 140-180 City Walk, Canberra, ACT.

Capital management and other investments

In this section

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from unit holders (equity) in order to finance the Trust's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Lease liabilities* in note 7 and *Contingencies* in note 8;
- Equity: *Contributed equity* in note 9.

Note 7 Lease liabilities

		31 Dec 2019	30 Jun 2019
		$m	$m
Current			
Lease liabilities - ground leases	(a)	**0.4**	-
Total current liabilities - lease liabilities		**0.4**	-
Non-Current			
Lease liabilities - ground leases	(a)	**4.3**	-
Total non-current liabilities - lease liabilities		**4.3**	-
Total liabilities - lease liabilities		**4.7**	**-**

The Trust has applied AASB 16 *Leases* from 1 July 2019. Refer to note 11 *Changes in Accounting Policies* for further information.

(a) Lease liabilities – ground leases

The lease liabilities include a ground lease at Waterfront Place, 1 Eagle Street, Brisbane QLD (50% interest owned by the Trust). Refer to note 4 *Investment Properties* for disclosure of corresponding leased asset.

Note 8 Contingencies

The Trust, together with DDF, DIT and DXO, is a guarantor of A$5,355.3 million (June 2019: A$5,004.1 million) of interest bearing liabilities. 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 above guarantees are issued in respect of the Trust and constitute a potential additional contingent liability to those already existing in interest bearing liabilities on the Consolidated 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 interim Consolidated Financial Statements, which should be brought to the attention of unit holders as at the date of completion of this report.

Note 9 Contributed equity

Number of units on issue

	For the 6 months to 31 Dec 2019	For the 12 months to 30 Jun 2019
	No. of units	No. of units
Opening balance at the beginning of the period	**1,096,857,665**	1,017,196,877
Issue of additional equity	**-**	79,660,788
Buy-back of contributed equity	**(456,206)**	-
Closing balance at the end of the period	**1,096,401,459**	1,096,857,665

On 23 October 2019, Dexus announced plans to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue over the next 12 months, as part of its active approach to capital management.

During the period to 31 December 2019, Dexus acquired and cancelled 456,206 securities representing 0.04% of Dexus securities on issue.

Note 10 Fair value of financial instruments

As at 31 December 2019 and 30 June 2019, the fair value of financial assets and liabilities held at fair value were determined using the following methods:

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

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

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

All financial instruments, excluding cash, were measured at Level 2 for the periods presented in this report. During the period, there were no transfers between Level 1, 2 and 3 fair value measurements.

Other disclosures

In this section

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

Note 11 Changes in accounting policies

AASB 16 *Leases*

AASB 16 *Leases* (AASB 16) is effective for annual reporting periods beginning on or after 1 January 2019. AASB 16 was adopted by the Trust on 1 July 2019. The Trust has adopted AASB 16 retrospectively upon implementation of this standard, however comparatives have not been restated as permitted under the specific transition provisions in the standard. The right-of-use asset has been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position immediately before the date of initial application. The changes and considerations are detailed below.

Under AASB 16, as a Lessee, the Trust recognises a right-of-use asset and lease liability on balance sheet for all material leases. Right-of-use assets that meet the definition of investment property under AASB 140 *Investment Property* are measured at fair value and presented within Investment property.

On transition to AASB 16 on 1 July 2019, a lease liability in relation to leasehold arrangements of investment properties is required to be separately disclosed in the Consolidated Statement of Financial Position. To ensure this treatment does not result in an inaccurate net position, the carrying value of investment properties has been adjusted (grossed up) so that the net of these two balances equal the fair value of the investment properties. The Trust has recorded any ground leases with a peppercorn rent at their nominal amount.

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

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

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

The Trust's leases are all ground leases.

Practical expedients

On transition to AASB 16, the Trust elected to apply the practical expedient to grandfather the assessment of contracts entered into before the transition date which qualified as leases. The Trust has therefore only applied the principles of AASB 16 to leases which were either previously identified as leases under AASB 117 *Leases* and Interpretation 4 *Determining Whether an Arrangement Contains a Lease* or new contracts entered into on or after 1 July 2019 which meets the revised lease definition as per AASB 16.

The Trust has also applied the practical expedients to use a single discount rate to the portfolio of property leases where they have reasonably similar characteristics.

Note 11 Changes in accounting policies (continued)

Impact on transition

Impact on Trust as a lessor

The Trust leases its investment property and has classified these leases as operating leases. The accounting polices applicable to the Group as a lessor are not different from those under AASB 117 *Leases.* However, the Trust has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract between lease and non-lease components.

The adoption of the new AASB 16 standard has no impact on the financial reporting of the Trust from a lessor perspective and therefore no adjustment is required to this effect.

Impact on Trust as a lessee

On transition to AASB 16, the Trust recognised $4.9 million of Investment Property and $4.9 million of lease liabilities in the Consolidated Statement of Financial Position.

In measuring lease liabilities for leases that were classified as operating leases, the Trust discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied was 3.51%.

The difference between the operating lease commitments disclosed at 30 June 2019 discounted using the incremental borrowing rate as 1 July 2019 and the balance of the lease liabilities recognised at 1 July 2019 reflects:

- Adjustments as a result of different treatment of extension and termination options;
- Recognition exemption for leases of low value assets; and
- Recognition exemption for leases with less than 12 months.

Within the Consolidated Statement of Comprehensive Income, the Trust has separately recognised fair value gains/losses and interest expense, instead of an operating lease expense. During the six months ended 31 December 2019, the Trust recognised $0.2 million of fair value losses and $0.1 million of interest.

Note 12 Subsequent events

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

Directors' Declaration

In the Directors' opinion:

a) The interim Consolidated Financial Statements and notes set out on pages 4 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 consolidated financial position as at 31 December 2019 and of its performance for the half year ended on that date.

b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable

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

W Richard Sheppard

Chair

5 February 2020

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 (the financial report) of Dexus Office Trust (the Trust), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration of Dexus Funds Management Limited (the Responsible Entity) in respect to the Trust and its consolidated entities (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors of the Responsible Entity's responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the 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 2019 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 the consolidated entity, 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*.

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
5 February 2020

Dexus Operations Trust
Interim Report
31 December 2019

ARSN: 110 521 223

Contents

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Operations Trust (DXO or the Trust) present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2019. The interim Consolidated Financial Statements represents DXO and its consolidated entities.

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

Directors

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
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
The Hon. Nicola Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012
Peter B St George, CA(SA), MBA	29 April 2009

Operating and financial review

The results for the half year ended 31 December 2019 were:

- profit attributable to unitholders was $59.8 million (December 2018: $78.0 million);
- total assets were $1,087.4 million (June 2019: $1,113.5 million); and
- net assets were $364.1 million (June 2019: $306.1 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 Operating and Financial Review of the Dexus Interim Report and forms part of this Directors' Report.

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.

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The interim Consolidated Financial Statements were authorised for issue by the Directors on 5 February 2020.

W Richard Sheppard
Chair
5 February 2020

Darren J Steinberg
Chief Executive Officer
5 February 2020

Auditor's Independence Declaration

As lead auditor for the review of Dexus Operations Trust (the Trust) for the half-year ended 31 December 2019, 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 the Trust and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
5 February 2020

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from ordinary activities			
Property revenue	2	**21,905**	17,938
Development revenue		**228,339**	94,435
Distribution revenue		**424**	272
Interest revenue		**104**	53
Management fees and other revenue	3	**117,330**	90,958
Total revenue from ordinary activities		**368,102**	203,656
Net fair value gain of investment properties		**18,659**	40,423
Net gain on sale of investment properties		**-**	449
Other income		**15**	10
Total income		**386,776**	244,538
Expenses			
Property expenses		**(8,252)**	(4,539)
Development costs		**(189,587)**	(44,795)
Finance costs	4	**(10,245)**	(9,235)
Impairment of goodwill		**(2,972)**	(49)
Share of net loss of investments accounted for using the equity method		**(2,393)**	(468)
Transaction costs		**(713)**	(2,746)
Management operations, corporate and administration expenses	5	**(89,071)**	(71,004)
Total expenses		**(303,233)**	(132,836)
Profit/(loss) before tax		**83,543**	111,702
Income tax expense	6	**(23,747)**	(33,681)
Profit/(loss) for the period		**59,796**	78,021
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in financial assets at fair value through other comprehensive income		**(1,657)**	(141)
Total comprehensive income/(loss) for the period		**58,139**	77,880
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the Trust (parent entity)			
Basic earnings per unit		**5.45**	7.67
Diluted earnings per unit		**5.31**	7.67

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets			
Cash and cash equivalents		**20,236**	9,885
Receivables		**82,710**	83,592
Inventories	9	**149,501**	170,385
Current tax receivable		**7,853**	-
Other		**9,190**	6,533
Total current assets		**269,490**	270,395
Non-current assets			
Investment properties	7	**227,143**	193,419
Plant and equipment		**13,689**	14,986
Right-of-use assets		**37,700**	-
Inventories	9	**171,881**	289,679
Investments accounted for using the equity method	8	**9,870**	304
Intangible assets	14	**327,263**	322,108
Investment in financial assets at fair value through other comprehensive income	13	**17,768**	19,648
Investment in financial assets at fair value through profit and loss	13	**2,825**	2,825
Other		**9,738**	105
Total non-current assets		**817,877**	843,074
Total assets		**1,087,367**	1,113,469
Current liabilities			
Payables		**37,699**	40,773
Lease liablilities	10	**6,897**	-
Current tax liabilities		**-**	21,516
Provisions		**31,427**	88,115
Other		**153**	153
Total current liabilities		**76,176**	150,557
Non-current liabilities			
Loans with related parties		**489,711**	546,365
Lease liabilities	10	**33,164**	-
Deferred tax liabilities		**96,959**	89,317
Provisions		**10,253**	18,039
Other		**17,010**	3,070
Total non-current liabilities		**647,097**	656,791
Total liabilities		**723,273**	807,348
Net assets		**364,094**	306,121
Equity			
Contributed equity	12	**113,242**	113,394
Reserves		**44,737**	46,408
Retained profits		**206,115**	146,319
Total equity		**364,094**	306,121

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 2019

	Contributed equity	Retained profits/ (losses)	Reserves	Total equity
	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2018	86,700	94,109	43,637	224,446
Change in accounting policy	-	(1)	-	(1)
Restated opening balance as at 1 July 2018	**86,700**	**94,108**	**43,637**	**224,445**
Profit/(loss) for the period	-	78,021	-	78,021
Other comprehensive income/(loss) for the period	-	-	(141)	(141)
Total comprehensive income/(loss) for the period	-	78,021	(141)	77,880
Transactions with owners in their capacity as unitholders:				
Purchase of securities, net of transaction costs	-	-	(156)	(156)
Security-based payments expense	-	-	(60)	(60)
Total transactions with owners in their capacity as unitholders	-	-	(216)	(216)
Closing balance as at 31 December 2018	86,700	172,129	43,280	302,109
Opening balance as at 1 July 2019	**113,394**	**146,319**	**46,408**	**306,121**
Profit/(loss) for the period	**-**	**59,796**	**-**	**59,796**
Other comprehensive income/(loss) for the period	**-**	**-**	**(1,657)**	**(1,657)**
Total comprehensive income/(loss) for the period	**-**	**59,796**	**(1,657)**	**58,139**
Transactions with owners in their capacity as unitholders:				
Buy-back of contributed equity, net of transaction costs	(152)	-	-	(152)
Purchase of securities, net of transaction costs	-	-	(67)	(67)
Security-based payments expense	-	-	53	53
Total transactions with owners in their capacity as unitholders	**(152)**	**-**	**(14)**	**(166)**
Closing balance as at 31 December 2019	**113,242**	**206,115**	**44,737**	**364,094**

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 2019

	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**181,330**	87,355
Payments in the course of operations (inclusive of GST)	**(139,156)**	(85,582)
Interest received	**104**	53
Finance costs paid to financial institutions	**(557)**	(149)
Income and withholding taxes paid	**(45,468)**	(22,150)
Proceeds from sale of property classified as inventory	**208,723**	87,512
Payments for property classified as inventory and development services	**(35,244)**	(8,727)
Net cash inflow/(outflow) from operating activities	**169,732**	58,312
Cash flows from investing activities		
Proceeds from sale of investment properties	**-**	179,102
Payments for capital expenditure on investment properties	**(8,954)**	(3,715)
Payments for investments accounted for using the equity method	**(12,201)**	(504)
Payments for plant and equipment	**(721)**	(2,497)
Payments for intangibles	**(8,028)**	(7,060)
Net cash inflow/(outflow) from investing activities	**(29,904)**	165,326
Cash flows from financing activities		
Borrowings provided to related parties	**(219,910)**	(388,582)
Borrowings received from related parties	**153,570**	222,002
Payments for buy-back of contributed equity	**(152)**	-
Purchase of securities for security-based payments plans	**(9,954)**	(3,848)
Distributions paid to unitholders	**(50,000)**	(50,000)
Repayment of lease liabilities	**(3,031)**	-
Net cash inflow/(outflow) from financing activities	**(129,477)**	(220,428)
Net increase/(decrease) in cash and cash equivalents	**10,351**	3,210
Cash and cash equivalents at the beginning of the period	**9,885**	5,095
Cash and cash equivalents at the end of the period	**20,236**	8,305

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of preparation

These general purpose interim Consolidated Financial Statements have been prepared:

- for a for-profit entity;
- in accordance with the requirements of the Constitutions of the entities within the Trust, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board;
- in Australian dollars with all values rounded in the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated;
- on a going concern basis using historical cost conventions except for investment properties, investment properties included within equity accounted investments, security based payments and other financial assets which are stated at their fair value. Refer to the specific accounting policies within the notes to the annual Consolidated Financial Statements for the year ended 30 June 2019 for the basis of valuation of assets and liabilities measured at fair value, and
- using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Dexus 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.

Capital risk management is not managed at the Trust level, but rather holistically as part of the Group. This is done through a centralised treasury function which ensures that entities within the Group (including DXO) will be able to continue as a going concern.

These interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2019 and any public pronouncements made by the Group during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Critical accounting estimates

The preparation of the interim Consolidated Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust's accounting policies. Other than the estimates and assumptions used for the measurement of items measured at fair value such as certain financial instruments, investment properties and security-based payments, and the assumptions for intangible assets and the net realisable value for inventories, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

Basis of preparation (continued)

The notes are organised into the following sections:

Trust performance	Property portfolio assets	Capital management and other investments	Other disclosures
1. Operating segments	7. Investment properties	10. Lease liabilities	14. Intangible assets
2. Property revenue and expenses	8. Investments accounted for using the equity method	11. Contingencies	15. Changes in accounting policies
3. Management fee revenue	9. Inventories	12. Contributed equity	16. Subsequent events
4. Finance costs		13. Fair value of financial instruments	
5. Management operations, corporate and administration expenses			
6. Income tax			

Trust performance

In this section

This section explains the results and performance of the Trust.

It provides additional information about those individual line items in the interim Consolidated Financial Statements that the Directors consider most relevant in the context of the operations of the Trust, including: operating segments, property revenue and expenses, management fee revenue, finance costs, management operations, corporate and administration expenses and income tax.

Note 1 Operating segments

Description of segments

The Group's operating segments have been identified based on the sectors analysed within the management reports reviewed in order to monitor performance across the Group and to appropriately allocate resources.

The operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level.

Disclosures concerning DXS's operating segments are presented in the Dexus Interim Report.

Note 2 Property revenue and expenses

Property rental revenue is derived from holding properties as investment properties and earning rental yields over time. Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses.

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

Property service revenue is recognised as the service is delivered, in accordance with the terms of the relevant contracts.

	31 Dec 2019	31 Dec 2018
	$'000	$'000
Property lease revenue	**16,394**	13,123
Property service revenue	**2,704**	1,685
Incentive amortisation	**(1,913)**	(1,830)
Other revenue	**4,720**	4,960
Total property revenue	**21,905**	17,938

Property expenses of $8.3 million (2018: $4.5 million) includes rates, taxes and other property outgoings incurred in relation to investment properties.

Note 3 Management fee revenue

	31 Dec 2019	31 Dec 2018
	$'000	$'000
Investment management and responsible entity fees	**59,309**	50,486
Rent and lease renewal fees	**11,159**	-
Property management fees	**20,162**	23,510
Capital works and development fees	**14,317**	5,586
Wages recovery and other fees	**12,383**	11,376
Total management fee revenue	**117,330**	90,958

Note 4 Finance costs

Borrowing costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and net fair value movements of interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

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

	31 Dec 2019	31 Dec 2018
	$'000	$'000
Interest paid to related parties	**10,361**	9,820
Amount capitalised	**(673)**	(734)
Finance costs - leases[1]	**497**	-
Other finance costs	**60**	149
Total finance costs	**10,245**	9,235

1 The Trust adopted AASB 16 *Leases* on 1 July 2019. Interest on the lease liability is a component of finance costs. Refer to note 15 *Changes in Accounting Policies* for further information.

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.00% (2018: 5.25%).

Note 5 Management operations, corporate and administration expenses

	31 Dec 2019	31 Dec 2018
	$'000	$'000
Audit, taxation, legal and other professional fees	**4,303**	2,325
Depreciation and amortisation	**8,815**	5,104
Employee benefits expense and other staff expenses	**67,044**	54,745
Administration and other expenses	**8,909**	8,830
Total management operations, corporate and administration expenses	**89,071**	71,004

Note 6 Income tax

	31 Dec 2019	31 Dec 2018
	$'000	$'000
Profit before income tax	**83,543**	111,702
Profit subject to income tax	**83,543**	111,702
Prima facie tax expense at the Australian tax rate of 30% (2018: 30%)	**(25,063)**	(33,511)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
(Non-assessable)/non-deductible items	**1,316**	(170)
Income tax expense	**(23,747)**	(33,681)

Property portfolio assets

In this section

This section summarises the property portfolio assets.

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

- *Investment properties*: relates to investment properties, both stabilised and under development.
- *Investments accounted for using the equity method*: provides summarised financial information on the joint ventures and investments with significant influence. The Trust's interests in its joint venture property portfolio assets are held through investments in trusts.
- *Inventories*: relates to the Trust's ownership of industrial and office assets or land held for repositioning, development and sale.

Note 7 Investment properties

Reconciliation

	Note	**For the 6 months to 31 Dec 2019 $'000**	For the 12 months to 30 Jun 2019 $'000
Opening balance at the beginning of the period		**193,419**	222,058
Additions		**14,002**	11,794
Lease incentives		**1,862**	3,325
Amortisation of lease incentives		**(1,049)**	(2,095)
Rent straightlining		**250**	831
Disposals		**-**	(198,831)
Transfer from inventories	9	**-**	104,257
Net fair value gain/(loss) of investment properties		**18,659**	52,080
Closing balance at the end of the period		**227,143**	193,419

Note 8 Investments accounted for using the equity method

Investments are accounted for in the interim Consolidated Financial Statements using the equity method of accounting. Information relating to these entities is set out below:

	Ownership interest			
Name of entity	**31 Dec 2019 %**	30 Jun 2019 %	**31 Dec 2019 $'000**	30 Jun 2019 $'000
AHP Investment Management Pty Ltd[1]	**100.0**	50.0	**-**	304
Dexus Walker Street Trust[2]	**50.0**	50.0	**9,870**	-
Total assets - investments accounted for using the equity method[3]			**9,870**	304

1 AHP Investment Management Pty Limited (AHPIM) was formed in Australia and its principal activity is investment management in Australia. On 16 September 2019, the Trust acquired the remaining 50.0% of AHP Investment Management Pty Ltd. From that date the investment is consolidated for financial reporting purposes.

2 Dexus Walker Street Trust was formed in Australia on 14 June 2019 and its principal activity is property investment in Australia. During the half year to December 2019, settlements occurred on a partial interest in 121 Walker Street, North Sydney for $22.5 million excluding acquisition costs (100% share).

3 The Trust's share of investment properties in the investments accounted for using the equity method was $9.8 million (June 2019: $Nil).

Note 9 Inventories

a) Development properties held for sale

	31 Dec 2019 $'000	30 Jun 2019 $'000
Current assets		
Development properties held for sale	**149,501**	170,385
Total current assets - inventories	**149,501**	170,385
Non-current assets		
Development properties held for sale	**171,881**	289,679
Total non-current assets - inventories	**171,881**	289,679
Total assets - inventories	**321,382**	460,064

b) Reconciliation

	Note	For the 6 months to 31 Dec 2019 $'000	For the 12 months to 30 Jun 2019 $'000
Opening balance at the beginning of the period		**460,064**	306,399
Transfer to investment properties	7	**-**	(104,257)
Disposals		**(174,773)**	(40,266)
Acquisitions and additions		**36,091**	298,188
Closing balance at the end of the period		**321,382**	460,064

Disposals

On 16 September 2019, settlement occurred for the disposal of North Shore Health Hub, Stage 1 for gross proceeds of $52.7 million excluding transaction costs.

On 11 November 2019, settlement occurred for the disposal of an initial 25% interest (of which the trust originally held a 50% interest) in 201 Elizabeth Street, Sydney for gross proceeds of $157.5 million excluding transaction costs.

Capital management and other investments

In this section

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from shareholders (equity) in order to finance the Trust's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Lease liabilities* in note 10 and *Contingencies* in note 11;
- Equity: *Contributed equity* in note 12.

Note 10 Lease liabilities

		31 Dec 2019 $'000	30 Jun 2019 $'000
Current			
Lease liabilities - other property leases	(a)	**6,897**	-
Total current liabilities - lease liabilities		**6,897**	-
Non-Current			
Lease liabilities - other property leases	(a)	**33,164**	-
Total non-current liabilities - lease liabilities		**33,164**	-
Total - lease liabilities		**40,061**	-

The Trust has applied AASB 16 *Leases* from 1 July 2019. Refer to note 15 *Changes in Accounting Policies* for further information.

(a) Lease liabilities – other property leases

The lease liabilities relating to property leases predominantly relate to Dexus Head offices and Dexus Place property leases. Refer to the *Consolidated Statement of Financial Position* for disclosure of the corresponding right-of-use asset.

Note 11 Contingencies

The Trust, together with DIT, DOT and DDF, is a guarantor of A$5,355.3 million (June 2019: A$5,004.1 million) of interest bearing liabilities. 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 $46.7million, comprising $43.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and $3.5 million largely in respect of developments.

The above guarantees are issued in respect of the Trust and constitute a potential additional liability to those already existing in interest bearing liabilities on the Consolidated Statements 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 interim Consolidated Financial Statements, which should be brought to the attention of unitholders as at the date of completion of this report.

Note 12 Contributed equity

Number of units on issue

	For the 6 months to 31 Dec 2019 No. of units	For the 12 months to 30 Jun 2019 No. of units
Opening balance at the beginning of the period	**1,096,857,665**	1,017,196,877
Issue of additional equity	**-**	79,660,788
Buy-back of contributed equity	**(456,206)**	-
Closing balance at the end of the period	**1,096,401,459**	1,096,857,665

On 23 October 2019, Dexus announced plans to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue over the next 12 months, as part of its active approach to capital management.

During the period to 31 December 2019, Dexus acquired and cancelled 456,206 securities representing 0.04% of Dexus securities on issue.

Note 13 Fair value of financial instruments

As at 31 December 2019 and 30 June 2019, the fair value of financial assets and liabilities held at fair value were determined using the following methods:

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.

Excluding financial instruments carried at fair value through other comprehensive income and cash, which were measured at Level 1, all other financial instruments carried at fair value were measured at Level 2 for the periods presented in this report. During the half year, there were no transfers between Level 1, 2 and 3 fair value measurement.

Other disclosures

In this section

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

Note 14 Intangible assets

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 $3.3 million (June 2019: $3.4 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 9.5 years. Management rights that are deemed to have an indefinite life are held at a value of $286.0 million (June 2019: $286.0 million).

Software is measured at cost and amortised using the straight-line method over its estimated useful life, expected to be three to five years.

	31 Dec 2019	30 Jun 2019
	$'000	$'000
Management rights		
Opening balance at the beginning of the period	**289,428**	289,758
Amortisation charge	**(163)**	(330)
Closing balance at the end of the period	**289,265**	289,428
Cost	**294,382**	294,382
Accumulated amortisation	**(5,117)**	(4,954)
Total management rights	**289,265**	289,428
Goodwill		
Opening balance at the beginning of the period	**1,013**	1,112
Additions	**2,923**	-
Impairment	**(2,972)**	(99)
Closing balance at the end of the period	**964**	1,013
Cost	**5,921**	2,998
Accumulated impairment	**(4,957)**	(1,985)
Total goodwill	**964**	1,013
Software		
Opening balance at the beginning of the period	**31,667**	23,769
Additions	**8,028**	13,924
Amortisation charge	**(2,661)**	(6,026)
Closing balance at the end of the period	**37,034**	31,667
Cost	**56,701**	48,622
Accumulated amortisation	**(19,667)**	(16,955)
Cost - Fully amortised assets written off	**(7,122)**	(7,122)
Accumulated amortisation - Fully amortised assets written off	**7,122**	7,122
Total software	**37,034**	31,667
Total non-current intangible assets	**327,263**	322,108

As at 31 December 2019, 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 15 Changes in accounting policies

AASB 16 *Leases*

AASB 16 *Leases* (AASB 16) is effective for annual reporting periods beginning on or after 1 January 2019. AASB 16 was adopted by the Trust on 1 July 2019. The Trust has adopted AASB 16 retrospectively upon implementation of this standard, however comparatives have not been restated as permitted under the specific transition provisions in the standard. The right-of-use asset has been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position immediately before the date of initial application. The changes and considerations are detailed below.

Under AASB 16, as a Lessee, the Trust recognises a right-of-use asset and lease liability on balance sheet for all material leases.

In relation to leases of low value assets, such as IT equipment, small items of office furniture or short term leases with a term of 12 months or less, the Trust has elected not to recognise right-of-use assets and lease liabilities. The Trust recognises the lease payments associated with these leases as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

The Trust recognises a right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for any remeasurements of the lease liability. The cost of the right-of-use asset includes:

- the amount of initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- makegood costs.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term, unless they meet the definition of an investment property.

The Trust tests all right-of-use assets for impairment where there is an indicator that the asset may be impaired. If an impairment exists, the carrying amount of the asset is written down to its recoverable amount as per the requirements of AASB 136 *Impairment of Assets.*

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

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

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

The Trust's right-of-use assets are all property leases.

Note 15 Changes in accounting policies (continued)

AASB 16 *Leases* (continued)

Practical expedients

On transition to AASB 16, the Trust elected to apply the practical expedient to grandfather the assessment of contracts entered into before the transition date which qualified as leases. The Trust has therefore only applied the principles of AASB 16 to leases which were either previously identified as leases under AASB 117 *Leases* and Interpretation 4 *Determining Whether an Arrangement Contains a Lease* or new contracts entered into on or after 1 July 2019 which meets the revised lease definition as per AASB 16.

Impact on transition

Impact on Trust as a lessor

The Trust leases its investment property and has classified these leases as operating leases. The accounting polices applicable to the Trust as a lessor are not different from those under AASB 117 *Leases.* However, the Trust has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract between lease and non-lease components.

The adoption of the new AASB 16 standard has no impact on the financial reporting of the Trust from a lessor perspective and therefore no adjustment is required to this effect.

Impact on Trust as a lessee

On transition to AASB 16, the Trust recognised $44.8 million of right-of-use assets and $46.5 million of lease liabilities in the Consolidated Statement of Financial Position.

In measuring lease liabilities for leases that were classified as operating leases, the Trust discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied was 2.9%.

The difference between the operating lease commitments disclosed at 30 June 2019 discounted using the incremental borrowing rate as 1 July 2019 and the balance of the lease liabilities recognised at 1 July 2019 reflects:

- Adjustments as a result of different treatment of extension and termination options;
- Recognition exemption for leases of low value assets; and
- Recognition exemption for leases with less than 12 months.

Within the Consolidated Statement of Comprehensive Income, the Trust has separately recognised a depreciation expense and interest expense, instead of an operating lease expense. During the six months ended 31 December 2019, the Trust recognised $3.8 million of depreciation charges and $0.5 million of interest.

Note 16 Subsequent events

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 interim Consolidated 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.

Directors' Declaration

In the Directors' opinion:

a) The interim Consolidated Financial Statements and notes set out on pages 4 to 18 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 2019 and of its performance for the half year ended on that date; and

b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable.

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

W Richard Sheppard

Chair

5 February 2020

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 (the financial report) of Dexus Operations Trust (the Trust), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration of Dexus Funds Management Limited (the Responsible Entity) in respect of the Trust and its consolidated entities (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled during that half-year.

Directors of the Responsible Entity's responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the 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 2019 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 the consolidated entity, 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*.

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
5 February 2020