Dexus Industria REIT (ASX: DXI) Appendix 4D

Results for announcement to the market

Dexus Industria REIT

ARSN 125 862 875

Financial reporting for the half year ended 31 December 2021

Dexus Industria REIT[1]			
	31 Dec 2021	**31 Dec 2020**	**%**
	$000	**$000**	**Change**
Revenue from ordinary activities	37,181	31,768	17.0%
Net profitable attributable to security holders after tax	113,697	31,850	257.0%
Funds from operations (FFO)[2]	24,829	19,788	25.5%
Distribution to securityholders	23,196	17,513	32.5%
	Cents	**Cents**	
FFO per security[2]	9.46	9.96	-5.0%
Distribution per security for the period	8.65	8.60	0.6%
Payout ratio (distribution per security as a % of FFO per security)	91.4%	86.3%	5.1%
Basic earnings per security	43.33	16.04	170.1%
Diluted earnings per security	43.33	16.04	170.1%
Franked distribution amount per security	-	-	-
	'000	**'000**	
Total assets	1,686,474	951,664	77.2%
Total borrowings	468,033	292,402	60.1%
Security holders equity	1,131,522	606,604	86.5%
Market capitalisation	1,120,261	589,435	90.1%
	$ per security	**$ per security**	
Net tangible assets[3]	3.55	2.88	23.3%
Securities price	3.51	2.81	24.9%
Securities on issue	319,162,561	209,763,282	
Record date	31 Dec 2021	31 Dec 2020	
Payment date	4 Feb 2022	5 Feb 2021	

Distribution Reinvestment Plan (DRP)

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

Name of entity	Ownership interest 31 Dec 2021 %	31 Dec 2020 %	31 Dec 2021 '000	31 Dec 2020 '000
Jandakot City Holdings Trust (JCH)	33.3	-	269,708	-
Jandakot Airport Holdings Trust (JAH)	33.3	-	35,301	-
Dexus Moorebank Trust	50.0	-	23,973	-
Total assets – investments accounted for using the equity method			**328,982**	**-**

1 For the purposes of statutory reporting, the stapled entity, known as DXI, 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. Industria Trust No. 1 (Dexus Industria REIT) has been chosen as the deemed acquirer of the balance of the DXI stapled entities, comprising Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Ltd.

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

3 Calculated as total net assets less intangible assets on a look-through basis, divided by total securities on issue. NTA per security as at 31 December 2021 includes capitalised estimated transaction costs equating to 6 cents per security.

Authorised by the Boards of Dexus Asset Management Limited and Industria Company No. 1 Limited

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About Dexus Industria REIT

Dexus Industria REIT (ASX code: DXI) (formerly APN Industria REIT) is a listed Australian real estate investment trust which owns interests in office and industrial properties that provide functional and affordable workspaces for business. The fund's portfolio is valued at $1.78 billion and is located across the major Australian cities, providing sustainable income and capital growth prospects for securityholders over the long term. The fund has a target gearing band of 30 – 40%, providing flexibility for future growth without compromising the low-risk approach to management. Dexus Industria REIT is governed by a majority Independent Board and managed by Dexus (ASX code: DXS), one of Australia's leading fully integrated real estate groups, with over 35 years of expertise in property investment, funds management, asset management and development. www.dexus.com

Dexus Asset Management Limited (ACN 080 674 479, AFSL No. 237500) (the "Responsible Entity") is the responsible entity and issuer of the financial products in respect of Industria Trust No. 1 (ARSN 125 862 875), Industria Trust No. 2 (ARSN 125 862 491), Industria Trust No. 3 (ARSN 166 150 938) and Industria Trust No. 4 (ARSN 166 163 186), and Industria Company No 1 Limited (ACN 010 794 957), collectively the Dexus Industria REIT (ASX code: DXI) stapled group. The Responsible Entity is a wholly owned subsidiary of Dexus (ASX code: DXS).

Level 30, 101 Collins Street, Melbourne VIC 3000 Australia. PO Box 18011 Melbourne Collins Street East VIC 8003 Australia

Dexus Industria REIT

(Formerly APN Industria REIT)

Interim Report

31 December 2021

ARSN: 125 862 875

Contents

Dexus Industria REIT consists of five stapled entities, Industria Trust No. 1, Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Limited, collectively referred to as DXI or the Group. Dexus Asset Management Limited (DXAM, previously known as APN Funds Management Limited) is the Responsible Entity of the four trusts. DXAM oversees the management and strategic direction of the Group in its role as Responsible Entity. Dexus Industria REIT stapled securities are listed on the Australian Securities Exchange under the "DXI" code. The registered office of the Group and its principal place of business is Level 30, 101 Collins Street, Melbourne VIC 3000.

HY22 Operating and Financial Review

Strategy

Since 2016, the Dexus Industria REIT (DXI) portfolio has successfully grown from $418 million to $1.78 billion in assets. At the same time, active asset management has resulted in over 200,000 square metres of leasing outcomes, and the portfolio has been repositioned towards sectors with strong tailwinds, with industrial assets now accounting for 79% of total portfolio value, up from 24% in 2016.

The experienced management team that drive the performance of DXI continue to focus on progressing the core strategic initiatives. As DXI executes on its vision to become Australia's premier industrial A-REIT generating superior risk-adjusted returns, its key strategic pillar is leveraging the superior asset management, transactional, development and ESG capabilities of the Dexus platform to deliver spaces that inspire and engage customers.

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

Review of operations

The results of DXI's operations are disclosed in the Consolidated Statement of Comprehensive Income. A summary of results for the six months to 31 December 2021 is as follows:

	31 Dec 2021 $'000	31 Dec 2020 $'000
Net rental income[1]	**30,034**	25,988
Operating expenses	**(3,793)**	(2,822)
Profit before interest, tax and other items	**26,241**	23,166
Net fair value gain on investment properties	**86,673**	13,779
Net fair value loss on right-of-use assets	**(146)**	(62)
Fair value gain on derivatives	**3,718**	719
Net interest expense	**(2,177)**	(4,162)
Share of equity accounted profit	**1,883**	-
Profit before tax	**116,192**	33,440
Income tax expense	**(2,495)**	(1,590)
Profit after tax	**113,697**	31,850

1. Includes property revenue and straight-line rental income recognised less property costs.

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

Review of operations (continued)

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

	31 Dec 2021 $'000	31 Dec 2020 $'000
Profit after tax for the period	**113,697**	31,850
Adjusted for:		
Reversal of straight-line lease revenue recognition	**(954)**	(904)
Reversal of fair value gain on investment properties	**(86,673)**	(13,779)
Reversal of fair value loss on investment properties - right-of-use assets	**146**	62
Reversal of fair value gain on derivatives	**(3,718)**	(719)
Reversal of movement in lease liabilities	**(134)**	(48)
Reversal of finance costs – gain on debt modifications	**(2,869)**	-
Add back amortised leasing costs and rent-free adjustments	**2,839**	2,415
Add back non-FFO income tax expense	**2,495**	1,590
Other one-off items [1]	**-**	(679)
FFO	**24,829**	19,788

1. Rental and income support received subsequent to the acquisition of 10 Brandl St, Eight Mile Plains, QLD were excluded in the Group's FFO calculation due to its temporary nature (consistent with the ASX disclosure dated 15 October 2019). This property was sold in early September 2021.

	31 Dec 2021	31 Dec 2020
Key financial performance metrics:		
FFO per security (cents)	9.46	9.96
Distributions per security (cents)	8.65	8.60
Payout ratio (Distribution per security / FFO per security)	91.44%	86.31%
Statutory earnings per security (cents)	43.33	16.04
Weighted average securities on issue (thousands)	262,423	198,590
Securities on issue (thousands)	319,163	209,763
Distributions declared (thousands)	$23,196	$17,513

Financial result

DXI reported a statutory net profit of $113.7 million for the half year ended 31 December 2021, up $81.8 million, or 257.0%, on the previous corresponding period. The increase in net profit was primarily driven by valuation gains on investment properties of $91.0 million[1], which were $72.0 million higher than the previous corresponding period.

FFO increased 25.5% to $24.8 million. FFO per security was 9.5 cents, down 5.0% largely due to anticipated timing delays between the $350 million equity raising launched in September 2021 and capital deployment relating to acquisitions. Net rental income increased $4.0 million, or 15.6%, with rental uplifts embedded in lease contracts and new acquisitions contributing to the growth. The industrial portfolio achieved strong like-for-like growth of 7.4%, while the entire portfolio recorded like-for-like growth of 2.5%[2].

All 39 properties that were held in DXI's portfolio for the full six-month period to 31 December 2021 were externally valued. The valuation uplift above prior book values was 8.3% on a like-for-like basis[1], largely driven by industrial assets in Victoria and NSW increasing by 9.8% and 14.8% respectively. Valuation gains were the primary driver of a 35 cent (10.9%) uplift in NTA per security to $3.55[3].

[1] Before rent straight lining adjustments.
[2] Excluding Rhodes Building A. Including Rhodes Building A, like-for-like growth was (5.3%).
[3] Calculated as total net assets less intangible assets on a look-through basis, divided by total securities on issue. NTA per security as at 31 December 2021 includes capitalised estimated transaction costs equating to 6 cents per security.

Financial result (continued)

DXI successfully completed a $350 million equity raising at a fixed issue price of $3.45 per security during the period, comprising $100 million via an institutional placement, $144 million via an institutional entitlement offer and $106 million via a retail entitlement offer. The proceeds, together with debt, were used to acquire interests in Jandakot Airport, Perth, a newly constructed property in Truganina, Victoria and an interest in a development site in Kemps Creek, NSW.

Gearing was 28.5%, or 33.9% on a look-through basis, towards the lower end of the target band of 30 – 40%, providing capacity to fund growth opportunities. DXI will continue to deploy capital to the most attractive opportunities that align with its strategy, including utilising the active on-market securities buyback program. The weighted average cost of debt was 2.3%, and the weighted average debt maturity increased from 2.9 years to 3.8 years with no near-term refinancing requirements through the securing of $176 million of new facilities with a 4.4 year average term, and extending $244 million of existing facilities.

Property portfolio and asset management

During the period the portfolio grew from 39 properties valued at $1.10 billion to 93 properties valued at $1.78 billion. The growth in the portfolio included three new joint ventures with Dexus, enhancing the alignment of interest between Dexus as manager, and DXI securityholders.

The acquisitions included:

- 33.3% interest in Jandakot Airport, Perth (WA), an industrial precinct comprising 51 assets, approximately 80 hectares of developable land, and airport infrastructure operations (alongside a co-investment by Dexus)
- 100% interest in 2 Maker Place, Truganina (VIC), a 30,364 sqm logistics facility fully leased to Australia Post
- 50% interest in Lot 2, 884-928 Mamre Road, Kemps Creek (NSW), a 42,500 sqm fund-through development project to be delivered in May 2023 (remaining 50% owned by Dexus)
- 50% interest in 12 Church Street, Moorebank (NSW), a last-mile logistics development site which is expected to deliver approximately 34,000 square metres of multi-level warehousing across 15 to 20 units (remaining 50% is owned by Dexus)
- 100% interest in 9 Boron Street, Narangba (QLD), a 11,840 square metre modern warehouse facility that is across 36,800 square metres of land, reflecting low site coverage of 32% and providing potential scope to add value over the medium term

Key leasing activity included the extension of leases at 89 West Park Drive (17,000 square metres), 140 Sharps Road (14,600 square metres), and 5 Butler Boulevard (8,300 square metres). 2,800 square metres was leased at Rhodes Corporate Park including 2,100 square metres to Booktopia at Building A, while 3,000 square metres was agreed at Brisbane Technology Park with life science tenants remaining active and contributing to over 2,000 square metres. Leasing outcomes exceeded valuation rent assumptions by an average of 15%, demonstrating Dexus's ability to outperform the market and drive NTA growth.

The weighted average capitalisation rate for the portfolio is 5.1% and the weighted average lease expiry by income is 5.9 years. 74% of portfolio income grows at contracted rent reviews of 3% or more[4]. Total occupancy remained strong at 97%.

Development

DXI's total development pipeline stands at $378 million, of which $128 million is committed.

At Jandakot Airport[5], heads of terms had been agreed with new occupiers at the time of acquisition across 42,000 square metres. During the half, terms were agreed across an additional 16,100 square metres[6]. These initial developments are scheduled to complete by the end of 2022.

The developments in Sydney, at Kemps Creek and Moorebank, remain on schedule for completion in early-2023 and early-2024 respectively.

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[4] Assuming CPI of 2.25%.
[5] DXI has a 33.3% interest in Jandakot Airport. Areas and leasing figures are disclosed at 100%.
[6] Development leasing at 100%, or 5,400 square metres at DXI ownership.

Dexus is a co-owner of each development, and is also the development manager at Jandakot Airport.

Overview and outlook

Tenant demand remains strong across the industrial market, with 4.3 million square metres of space being taken up in 2021, double the 10-year average. This activity is the result of the transition from bricks and mortar to ecommerce accelerating; just-in-time inventory management moving to just-in-case; and a significant upswing in Australian manufacturing. DXI's portfolio is well positioned to continue to benefit from these strong structural trends, while also providing a reliable income stream underpinned by a 5.9 year weighted average lease expiry.

Less than 1% of income expires throughout the remainder of FY22, and the leasing completed this period has reduced FY23 lease expiries to 11% of the portfolio, down from 19% as at 30 June 2021.

Dexus is a strongly aligned manager of DXI, with a 17.4% principal interest and three asset co-ownerships. Dexus's fully-integrated real estate management platform continues to generate strong asset performance, as well as attractive capital deployment opportunities to support future capital and income growth.

DXI reiterates its FY22 guidance of FFO of 18.1 – 18.5 cents per security and a distribution of 17.3 cents per security, subject to the continuation of current market conditions and no unforeseen events.

Directors' Report

The Directors of Dexus Asset Management Limited (DXAM, previously known as APN Funds Management Limited) as Responsible Entity of Industria Trust No. 1 (the Trust and deemed parent entity) and its controlled entities (DXI or the Group) present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2021.

On 5 October 2021, the Responsible Entity approved the change of name for the Group from APN Industria REIT to Dexus Industria REIT. The Trust, together with Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Limited form the DXI stapled entity.

Directors

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

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

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

Principal activities

The principal activity of the Group is investment in income producing industrial warehouses and business park properties within Australia. The Group consists of four registered managed investment schemes and one public company domiciled in Australia and together forms Dexus Industria REIT which is listed on the Australian Securities Exchange ("ASX") (ASX Ticker: "DXI"). The parent entity of the Group is Industria Trust No. 1. The Group did not have any employees during the period.

Review of results and operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review on pages 2 to 5 of this Interim Report.

Significant changes in the state of affairs

During the six months to 31 December 2021, DXI had the following significant changes in its state of affairs:

1. On 13 August 2021, Dexus PG Limited (DXPG, previously APN Property Group Limited or APN), the ultimate and immediate parent entity of DXAM was acquired by Dexus Nominee Pty Limited (an entity controlled by Dexus, listed on the ASX under code "DXS"). Accordingly, APN and its controlled entities are now wholly owned subsidiaries of Dexus. APN Industria REIT was rebranded to Dexus Industria REIT and the ticker code changed to "DXI" effective 1 December 2021.
2. On 25 October 2021, settlement occurred for DXI's 50% interest in the acquisition of 12 Church Road, Moorebank for $20.65 million excluding acquisition costs.

Significant changes in the state of affairs (continued)

3. On 1 November 2021, Dexus acquired 100% of Jandakot City Holdings Pty Ltd (JCH) and 49% of Jandakot Airport Holdings (JAH). On 19 November 2021, shortly after initial settlement, DXI acquired a 33.3% interest in each of JCH and JAH. On 27 January 2022, Dexus secured Australian superannuation fund Cbus Super as a new joint venture investor on its funds management platform, with Cbus Super agreeing to purchase a 33.3% interest in the Jandakot joint venture which will own 100% of JCH and JAH. Cbus Super's investment in the Jandakot joint venture and the final settlement of the remaining Jandakot interest are expected to occur in March 2022 following the receipt of required regulatory approvals. Following final settlement, the Jandakot joint venture will be held in the following proportions: Dexus 33.4%; DXI 33.3% and Cbus Super 33.3%. The combined acquisition price was $1.3 billion excluding acquisition costs. The existing structure includes senior asset-level debt of $405 million which has remained in place at acquisition, reflecting a combined equity commitment of $895 million excluding acquisition costs.

4. To assist in funding acquisitions, DXI successfully completed an equity raising for approximately $350.0 million at a fixed issue price of $3.45 per security, comprising:
   - $100.0 million via an institutional placement;
   - $144.0 million via an institutional entitlement offer; and
   - $106.0 million via a retail entitlement offer.
5. On 28 July 2021, settlement occurred for the acquisition of 57-67 Mark Anthony Drive, Dandenong for $13.5 million excluding acquisition costs.
6. On 29 July 2021, settlement occurred for the acquisition of 137-143 Fitzgerald Rd, Laverton North, VIC for $24.1 million excluding acquisition costs.
7. On 7 October 2021, settlement occurred for the acquisition of 2 Maker Place, Truganina for $69.0 million excluding acquisition costs.
8. On 16 December 2021, settlement occurred for the acquisition of 9 Boron Street, Narrangba for $44.5 million excluding acquisition costs.

Distributions

Distributions of $23,196,000 were declared by the Group during the half year ended 31 December 2021 (31 December 2020: $17,513,000).

Details of distributions paid and/or payable during the half year are outlined in note 5 of the interim Consolidated Financial Statements.

Auditor's independence declaration

A copy of the external auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The interim Consolidated Financial Statements were authorised for issue by the Directors on 9 February 2022.

Geoff Brunsdon AM

Chair

9 February 2022

Auditor's Independence Declaration

As lead auditor for the review of Industria Trust No. 1 for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Samantha Johnson
Partner
PricewaterhouseCoopers

Sydney
9 February 2022

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2021

	Notes	**31 Dec 2021 $'000**	31 Dec 2020 $'000
Revenue from ordinary activities			
Property revenue	2	**36,227**	30,864
Straight-line rental income recognition		**954**	904
Total revenue from ordinary activities		**37,181**	31,768
Other income			
Interest income		**27**	11
Net fair value gain on investment properties	7	**86,673**	13,779
Net gain on sale of investment properties		**-**	-
Net fair value (loss) / gain on right-of-use assets		**(146)**	(62)
Share of net profit of investments accounted for using the equity method		**1,883**	-
Fair value gain on derivatives		**3,718**	719
Total other income		**92,155**	14,447
Total income		**129,336**	46,215
Expenses			
Property costs		**(7,147)**	(5,780)
Management fees	16	**(3,159)**	(2,319)
Finance costs	3	**(2,204)**	(4,173)
Other expenses		**(634)**	(503)
Total expenses		**(13,144)**	(12,775)
Profit before tax		**116,192**	33,440
Income tax expense	4	**(2,495)**	(1,590)
Profit for the period		**113,697**	31,850
Profit for the period attributable to:			
Security holders of the parent entity		**103,166**	25,080
Security holders of other stapled entities (non-controlling interests[1])		**10,531**	6,770
Profit for the period		**113,697**	31,850
Other comprehensive income		**-**	-
Total comprehensive income for the period		**113,697**	31,850
Total comprehensive income for the period attributable to:			
Security holders of the parent entity		**103,166**	25,080
Security holders of other stapled entities (non-controlling interests[1])		**10,531**	6,770
Total comprehensive income for the period		**113,697**	31,850
		Cents	Cents
Earnings per security on profit attributable to security holders of the Trust (parent entity)			
Basic and diluted earnings per security	6	**39.31**	12.63
Earnings per security on profit attributable to security holders of other stapled entities			
Basic and diluted earnings per security	6	**4.01**	3.41

1. Non-controlling interests represents the profit and total comprehensive income for the period attributable to Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Limited.

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

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets			
Cash and cash equivalents		**5,007**	5,762
Trade and other receivables		**685**	729
Non-current assets classified as held for sale	10	**-**	12,550
Derivative financial instruments	12	**12**	-
Other assets		**8,208**	4,125
Total current assets		**13,912**	23,166
Non-current assets			
Investment properties	7	**1,303,075**	1,051,008
Right-of-use assets	8	**39,234**	39,380
Investments accounted for using the equity method	9	**328,982**	-
Derivative financial instruments	12	**1,271**	-
Other assets		**-**	5
Total non-current assets		**1,672,562**	1,090,383
Total assets		**1,686,474**	1,113,559
Current liabilities			
Trade and other payables		**(14,424)**	(11,211)
Distributions payable	5	**(13,804)**	(9,440)
Derivative financial instruments	12	**(9)**	(2,087)
Lease liabilities	11	**(1,641)**	(280)
Borrowings	12	**-**	(105,921)
Total current liabilities		**(29,878)**	(128,939)
Non-current liabilities			
Trade and other payables		**(5,504)**	(978)
Derivative financial instruments	12	**(2,508)**	(2,865)
Borrowings	12	**(468,033)**	(237,082)
Lease liabilities	11	**(36,680)**	(38,175)
Deferred tax liability		**(12,349)**	(10,099)
Total non-current liabilities		**(525,074)**	(289,199)
Total liabilities		**(554,952)**	(418,138)
Net assets		**1,131,522**	695,421
Equity			
Security holders of the parent entity:			
Contributed equity	15	**599,063**	332,545
Retained earnings		**278,969**	197,157
Security holders of other stapled entities (non-controlling interests[1]):			
Contributed equity	15	**199,775**	120,693
Retained earnings		**53,715**	45,026
Total equity		**1,131,522**	695,421

[1] Non-controlling interests represents the net assets attributable to Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Limited.

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021

	Notes	Attributable to security holders of the parent entity			Attributable to security holders of other stapled entities (non-controlling interests[1])			
		Contributed equity	Retained earnings	Total	Contributed equity	Retained earnings	Total	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020		291,216	121,053	412,269	107,354	38,319	145,673	557,942
Profit after tax for the period		-	25,080	25,080	-	6,770	6,770	31,850
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the period		-	25,080	25,080	-	6,770	6,770	31,850
Issue of contributed equity	15	26,502	-	26,502	8,498	-	8,498	35,000
Equity issuance costs (net of income tax benefit)	15	(536)	-	(536)	(139)	-	(139)	(675)
Distributions paid or payable	5	-	(13,878)	(13,878)	-	(3,635)	(3,635)	(17,513)
Total transactions with owners in their capacity as owners		25,966	(13,878)	12,088	8,359	(3,635)	4,724	16,812
Balance at 31 December 2020		317,182	132,255	449,437	115,713	41,454	157,167	606,604
Balance at 1 July 2021		**332,545**	**197,157**	**529,702**	**120,693**	**45,026**	**165,719**	**695,421**
Profit after tax for the period		**-**	**103,166**	**103,166**	**-**	**10,531**	**10,531**	**113,697**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period		**-**	**103,166**	**103,166**	**-**	**10,531**	**10,531**	**113,697**
Issue of contributed equity	15	**271,948**	**-**	**271,948**	**80,452**	**-**	**80,452**	**352,400**
Equity issuance costs (net of income tax benefit)	15	**(5,430)**	**-**	**(5,430)**	**(1,370)**	**-**	**(1,370)**	**(6,800)**
Distributions paid or payable	5	**-**	**(21,354)**	**(21,354)**	**-**	**(1,842)**	**(1,842)**	**(23,196)**
Total transactions with owners in their capacity as owners		**266,518**	**(21,354)**	**245,164**	**79,082**	**(1,842)**	**77,240**	**322,404**
Balance at 31 December 2021		**599,063**	**278,969**	**878,032**	**199,775**	**53,715**	**253,490**	**1,131,522**

1. Non-controlling interests represent the equity attributable to Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Limited.

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2021

	Notes	31 Dec 2021 $'000	31 Dec 2020 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**38,911**	28,576
Payments in the course of operations (inclusive of GST)		**(12,190)**	(7,138)
Interest received		**27**	10
Finance costs paid		**(5,790)**	(3,918)
Net cash inflow/(outflow) from operating activities		**20,958**	17,530
Cash flows from investing activities			
Proceeds from sale of investment properties		**12,550**	-
Payments for acquisition of investment properties		**(160,584)**	(81,166)
Payments for capital expenditure on investment properties		**(4,386)**	(3,967)
Payments for investments accounted for using the equity method		**(324,283)**	-
Net cash inflow/(outflow) from investing activities		**(476,703)**	(85,133)
Cash flows from financing activities			
Net proceeds from borrowings		**129,285**	50,435
Payment of lease liabilities		**(819)**	(372)
Proceeds from issue of contributed equity	15	**350,000**	35,000
Equity issuance costs paid		**(7,045)**	(708)
Distributions paid		**(16,431)**	(16,692)
Net cash inflow/(outflow) from financing activities		**454,990**	67,663
Net increase/(decrease) in cash and cash equivalents		**(755)**	60
Cash and cash equivalents at the beginning of the period		**5,762**	4,928
Cash and cash equivalents at the end of the period		**5,007**	4,988

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of preparation

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

These interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2021 and any public pronouncements made by the Group during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the interim Consolidated Financial Statements are consistent with those adopted and disclosed in DXI's annual Consolidated Financial Statements for the financial year ended 30 June 2021. Those accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. Where required, comparative information has been restated for consistency with the current period's presentation.

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

The interim Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties, investment properties within the equity accounted investments and other financial assets and liabilities which are stated at their fair value.

The interim Consolidated Financial Statements were authorised for issue by the Directors on 9 February 2022.

Net current asset deficiency

As at 31 December 2021, the Group had a net current asset deficiency of $16.0 million (30 June 2021: deficiency of $105.8 million). This is primarily due to distributions payable to stapled security holders of $13.8 million (30 June 2021: $9.4 million). The Group has in place external funding arrangements to support the cash flow requirements of the Group, including undrawn facilities of $63.0 million (30 June 2021: $16.1 million). In determining the basis of preparation of the financial report, the Directors of the Responsible Entity, have taken into consideration the unutilised facilities available to the Group. As such the Group is a going concern and the interim Consolidated Financial Statements have been prepared on that basis.

Critical accounting estimates

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

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

The first half of the financial year saw the continuation of COVID-19 lockdowns in Sydney and Melbourne, which impacted the economy and the ability for business to trade normally. Despite this, the vaccine was successfully rolled out across Australia enabling the easing of restrictions before Christmas. Subsequently, the Omicron variant of COVID-19 continues to impact confidence, creating challenges in supply chains and delaying the new year return to the office which is expected to persist for the first quarter of 2022.

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates in relation to COVID-19 related uncertainties. Other than these and the estimates and assumptions used for the measurement of items held at fair value such as certain financial instruments, and investment properties (including those held within investments accounted for using the equity method), no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

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

Group performance	**Property portfolio assets**	**Capital structure, financing and risk management**	**Other disclosures**
1. Operating segments	7. Investment properties	11. Lease liabilities	16. Related party transactions
2. Property revenue	8. Right-of-use assets	12. Borrowings	17. Subsequent events
3. Finance costs	9. Investments accounted for using the equity method	13. Fair value measurement	
4. Taxation	10. Non-current assets classified as held for sale	14. Contingencies	
5. Distributions paid and payable		15. Contributed equity	
6. Earnings per security			

Group performance

In this section

This section explains the results and performance of the Group.

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

Note 1 Operating segments

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

	31 Dec 2021 $'000	31 Dec 2020 $'000
Funds From Operations (FFO)	**24,829**	19,788
Net fair value gain on investment properties	**86,673**	13,779
Straight-line lease revenue recognition	**954**	904
Net fair value loss on right-of-use assets	**(146)**	(62)
Movement in lease liabilities	**134**	48
Fair value gain on derivatives	**3,718**	719
Finance costs - gain on debt modifications	**2,869**	
Incentive amortisation and rent-free adjustments	**(2,839)**	(2,415)
Non-FFO Income tax expense	**(2,495)**	(1,590)
Other one-off non-FFO item	**-**	679
Net profit for the period	**113,697**	31,850

Note 2 Property revenue

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

	31 Dec 2021 $'000	31 Dec 2020 $'000
Rental income	**33,468**	28,102
Outgoing recoveries	**4,339**	3,841
Solar income[1]	**193**	143
Incentive amortisation	**(1,773)**	(1,222)
Net property revenue	**36,227**	30,864

[1] Solar income represents the net of $0.7 million (31 Dec 2020: $0.5 million) of direct recoveries income and $0.5 million (31 Dec 2020: $0.4 million) of electricity expenses.

Note 3 Finance costs

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

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

	31 Dec 2021 $'000	31 Dec 2020 $'000
Interest expense paid / payable	**4,141**	3,635
Amortisation of borrowing costs	**264**	214
Gain on debt modifications	**(2,869)**	-
Interest expense on lease liability	**668**	324
Net finance costs	**2,204**	4,173

Note 4 Taxation

Income tax on the profit or loss for the period comprises current and deferred tax for Industria Company No.1 Limited, one of five stapled entities that comprise DXI. All other Trusts within the DXI stapled group have made an election to be attribution managed investment trusts (AMITs) for the year ended 30 June 2017 and future years.

Income tax recognised in the Consolidated Statement of Comprehensive Income

Tax expense comprises:	**31 Dec 2021 $'000**	31 Dec 2020 $'000
Deferred tax expense relating to the origination and reversal of temporary differences	**(2,495)**	(1,590)

Note 4 Taxation (continued)

The expense for the half year can be reconciled to the accounting profit as follows:

	31 Dec 2021 $'000	31 Dec 2020 $'000
Profit before income tax	**116,192**	33,440
Less: non-assessable income	**(372)**	-
Less: profit relating to the DXI's non-taxable Trusts	**(107,470)**	(28,107)
Profit subject to income tax	**8,350**	5,333
Prima facie tax expense @ 30% (2020: 30%)	**(2,505)**	(1,600)
Add / (subtract) the tax effect of:		
Differences in accounting and tax asset values	**10**	10
Income tax expense	**(2,495)**	(1,590)

Note 5 Distributions paid and payable

	31 Dec 2021		31 Dec 2020	
	Cents per security	**$'000**	Cents per security	$'000
Distributions paid during the period:				
Quarter ended 30 September	**4.325**	**9,392**	4.300	8,493
Distributions payable:				
Quarter ended 31 December	**4.325**	**13,804**	4.300	9,020
Total distributions paid and payable	**8.650**	**23,196**	8.600	17,513

Note 6 Earnings per security

	31 Dec 2021	31 Dec 2020
Profit after tax ($'000) attributable to security holders of the Trust (parent entity)	**103,166**	25,080
Weighted average number of securities outstanding (thousands)	**262,423**	198,590
Basic and diluted earnings (cents per security)	**39.31**	12.63

Profit after tax ($'000) attributable to security holders of other stapled entities	**10,531**	6,770
Weighted average number of securities outstanding (thousands)	**262,423**	198,590
Basic and diluted earnings (cents per security)	**4.01**	3.41

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

Property portfolio assets

In this section

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

31 December 2021	Note	Leased asset $'000	Land held for development $'000	Industrial and Office $'000	Total $'000
Investment properties	7	-	2,850	1,300,225	1,303,075
Right-of-use assets	8	39,234	-		39,234
Investments accounted for using the equity method	9	-	-	397,646	397,646
Total		**39,234**	**2,850**	**1,697,871**	**1,739,955**

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.
- *Right-of-use assets:* relates to ground leases on which some of the Group's investment properties are located.
- *Investments accounted for using the equity method*: provides summarised financial information on the associates and the Group's interests in its associate's property portfolio assets that are held through investments in trusts.

Note 7 Investment properties

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

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

	31 Dec 2021 $'000	30 Jun 2021 $'000
Non-current		
Industrial and office properties	**1,300,225**	1,048,585
Land held for development	**2,850**	2,423
Total investment properties	**1,303,075**	1,051,008

Note 7 Investment properties (continued)

Reconciliation of carrying amounts

	For the 6 months to 31 Dec 2021 $'000	For the 12 months to 30 Jun 2021 $'000
Non-current		
Carrying amount at beginning of the period	1,051,008	826,481
Transfer to non-current assets classified as held for sale	-	(12,550)
Purchase of investment properties	151,107	144,120
Acquisition costs associated with purchase of investment properties	9,477	6,034
Capital additions to investment properties	4,386	10,951
Movement in deferred lease incentives	(530)	(5,248)
Rent straight-lining	954	2,880
Net gain on fair value adjustments[1]	86,673	78,340
Carrying amount at end of the period	**1,303,075**	1,051,008

1. The net gain on fair value adjustments is wholly unrealised and has been recognised as "net fair value gain on investment properties" in the Consolidated Statement of Comprehensive Income.

Individual valuation and carrying amounts

The direct investment property portfolio comprises 39 properties and one land asset held for development located throughout Victoria, New South Wales, Queensland and South Australia. As at 31 December 2021, all properties were independently valued, except for two newly acquired properties that were independently valued on their respective acquisition dates and remain held at the acquisition price. The Group's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties being valued (30 June 2021: 18 properties were independently valued and the four properties acquired during the year were externally valued at acquisition date).

Property portfolio assets (continued)

			Latest independent valuation		Carrying amount		Capitalisation rate		Discount rate	
			Valuation date	$'000	**31 Dec 2021 $'000**	30 Jun 2021 $'000	**31 Dec 2021 %**	30 Jun 2021 %	**31 Dec 2021 %**	30 Jun 2021 %
Industrial properties										
1.	34 Australis Drive, Derrimut, VIC	Freehold	Dec 2021	37,750	37,750	35,500	4.50%	5.0%	5.75%	6.0%
2.	80-96 South Park Drive, Dandenong South, VIC	Freehold	Dec 2021	36,400	36,400	35,500	4.75%	4.8%	5.75%	5.8%
3.	89 West Park Drive, Derrimut, VIC	Freehold	Dec 2021	30,300	30,300	24,000	4.25%	5.0%	5.25%	6.0%
4.	32-40 Garden Street, Kilsyth, VIC	Freehold	Dec 2021	30,000	30,000	25,000	4.25%	5.0%	5.75%	6.0%
5.	5 Butler Boulevard, Adelaide Airport, SA[1]	Sub-leasehold	Dec 2021	20,000	20,000	15,150	6.16%	8.1%	5.75%	8.8%
6.	1-3 Westrac Drive, Tomago, NSW	Freehold	Dec 2021	291,000	291,000	252,000	4.75%	5.3%	6.00%	6.8%
7.	140 Sharps Road, Tullamarine, VIC[1]	Sub-leasehold	Dec 2021	16,500	16,500	13,300	6.85%	7.5%	5.75%	6.3%
8.	13 Ricky Way, Epping, VIC	Freehold	Dec 2021	11,900	11,900	11,000	4.50%	4.8%	5.75%	5.8%
9.	10 Jersey Drive, Epping, VIC	Freehold	Dec 2021	12,350	12,350	12,000	4.50%	4.8%	5.75%	5.8%
10.	1 West Park Drive, Derrimut, VIC	Freehold	Dec 2021	16,000	16,000	13,750	4.75%	5.3%	5.75%	6.3%
11.	147-153 Canterbury Road, Kilsyth, VIC	Freehold	Dec 2021	19,000	19,000	13,400	4.50%	5.8%	5.75%	6.5%
12.	3 Forbes Close, Knoxfield, VIC	Freehold	Dec 2021	10,300	10,300	9,900	4.50%	5.3%	5.75%	6.0%
13.	4 Forbes Close, Knoxfield, VIC	Freehold	Dec 2021	12,700	12,700	11,700	4.50%	5.3%	5.75%	6.0%
14.	81-83 Rushdale Street, Knoxfield, VIC	Freehold	Dec 2021	12,000	12,000	11,400	4.75%	5.5%	5.75%	6.3%
15.	60 Grindle Road, Wacol, QLD	Freehold	Dec 2021	27,200	27,200	25,300	5.75%	6.5%	6.50%	7.0%
16.	350 Cooper Street, Epping, VIC	Freehold	Dec 2021	13,000	13,000	11,895	5.00%	5.5%	5.75%	6.3%
17.	356 Cooper Street, Epping, VIC	Freehold	Dec 2021	19,800	19,800	20,605	5.00%	5.5%	5.75%	6.3%
18.	78 Henderson Road, Rowville, VIC	Freehold	Dec 2021	20,200	20,200	18,000	4.50%	5.0%	5.75%	6.0%
19.	16-28 Quarry Road, Stapylton, QLD	Freehold	Dec 2021	66,000	66,000	65,500	5.25%	5.5%	6.00%	5.8%
20.	Stage 2, 5 Butler Boulevard, Adelaide Airport, SA[1]	Sub-leasehold	Dec 2021	13,800	13,800	9,200	5.91%	8.6%	5.50%	9.3%
21.	18-20 Butler Boulevard, Adelaide Airport, SA[1]	Sub-leasehold	Dec 2021	9,400	9,400	7,900	5.91%	8.6%	5.25%	9.3%
22.	20-22 Butler Boulevard, Adelaide Airport, SA[1]	Sub-leasehold	Dec 2021	17,500	17,500	12,500	5.91%	8.6%	5.25%	9.3%
23.	45-55 O'Briens Road, Corio, VIC	Freehold	Dec 2021	39,300	39,300	36,000	5.00%	5.5%	6.25%	6.5%
24.	57-67 Mark Anthony Drive, Dandenong, VIC	Freehold	Dec 2021	14,225	14,225	N/A	4.75%	N/A	5.75%	N/A
25.	137-143 Fitzgerald Rd, Laverton North, VIC	Freehold	Dec 2021	27,300	27,300	N/A	4.50%	N/A	5.75%	N/A
26.	2 Maker Place, Truganina, VIC[3]	Freehold	Oct 2021	69,000	69,000	N/A	4.13%	N/A	5.50%	N/A
27.	9 Boron Street, Narrangba, NSW[3]	Freehold	Dec 2021	44,450	44,450	N/A	4.63%	N/A	5.75%	N/A

Property portfolio assets (continued)

		Latest independent valuation		Carrying amount		Capitalisation rate		Discount rate	
		Valuation date	**$'000**	**31 Dec 2021 $'000**	30 Jun 2021 $'000	**31 Dec 2021 %**	30 Jun 2021 %	**31 Dec 2021 %**	30 Jun 2021 %
Office properties									
28. 7 Clunies Ross Court and 17-19 McKechnie Drive, BTP, QLD	Freehold	Dec 2021	58,500	58,500	55,501	6.50%	6.5%	6.75%	6.8%
29. BTP Central, BTP, QLD[2]	Freehold	Dec 2021	42,900	42,900	41,679	6.92%	7.1%	7.60%	7.7%
30. 8 Clunies Ross Court and 9 McKechnie Drive, BTP, QLD	Freehold	Dec 2021	26,000	26,000	24,080	7.00%	7.5%	7.50%	7.8%
31. 37 Brandl St, BTP, QLD	Freehold	Dec 2021	15,750	15,750	15,755	7.00%	7.0%	7.50%	7.5%
32. 18 Brandl St, BTP, QLD	Freehold	Dec 2021	15,200	15,200	13,700	7.00%	7.3%	7.50%	7.8%
33. 88 Brandl St, BTP, QLD	Freehold	Dec 2021	16,500	16,500	16,600	7.00%	7.3%	7.50%	7.5%
34. Building A, 1 Homebush Bay Drive, Rhodes, NSW	Freehold	Dec 2021	102,000	102,000	103,374	5.88%	5.9%	6.75%	7.0%
35. Building C, 1 Homebush Bay Drive, Rhodes, NSW	Freehold	Dec 2021	86,000	86,000	87,396	5.75%	5.8%	6.50%	6.5%
Land held for development									
36. 45 & 45B McKechnie Drive, BTP, QLD	Freehold	Dec 2021	2,850	2,850	2,423	6.92%	N/A	7.60%	N/A
Total investment properties				**1,303,075**	**1,051,008**				

1. Carrying amounts of the sub-leasehold properties exclude the value of their associated right-of-use asset.
2. The BTP Central portfolio comprises five assets located within the Brisbane Technology Park.
3. New investment properties acquired during the period which were independently valued at acquisition date and are held at acquisition price.

The weighted average capitalisation rates per annum for the industrial and office properties, and DXI's overall investment properties portfolio (excluding land) are:

	31 Dec 2021	30 Jun 2021
Industrial properties	**4.8%**	5.5%
Office properties	**6.2%**	6.4%
Total investment properties portfolio (excluding land)	**5.1%**	5.8%

Note 7 Investment properties (continued)

Acquisitions

On 28 July 2021, settlement occurred for the acquisition of 57-67 Mark Anthony Drive, Dandenong for $13.5 million excluding acquisition costs.

On 29 July 2021, settlement occurred for the acquisition of 137-143 Fitzgerald Rd, Laverton North, VIC for $24.1 million excluding acquisition costs.

On 7 October 2021, settlement occurred for the acquisition of 2 Maker Place, Truganina for $69.0 million excluding acquisition costs.

On 16 December 2021, settlement occurred for the acquisition of 9 Boron Street, Narrangba for $44.5 million excluding acquisition costs.

Disposals

On 1 September 2021, settlement occurred for the disposal of 10 Brandl Street, Eight Mile Plains for $12.6 million excluding transaction costs.

Impact of COVID-19 on fair value of investment properties

Whilst there is a significant level of uncertainty in relation to the ultimate impact of COVID-19, the impact to the Group has been limited. As a result, the independent valuations did not identify specific COVID-19 related impacts to assumptions in determining appropriate fair values for investment properties as at 31 December 2021. The Directors consider that the assumptions used in the valuations are appropriate for the purposes of determining fair value of investment properties at 31 December 2021.

Note 8 Right-of-use assets

Sub-leasehold properties and ground rent obligations

DXI's five investment properties at 140 Sharps Road, Tullamarine, VIC and 5, 5 (Stage 2), 18-20, 20-22 Butler Boulevard, Adelaide Airport, SA are each located on airport land. These are held as sub-leasehold interests with Australia Pacific Airports (Melbourne) Pty Ltd and Adelaide Airport Limited ("Airport Authority") respectively who hold head leases from the Commonwealth of Australia. Therefore, the Group is the lessee of the associated lease arrangements for these investment properties which are subject to the recognition and measurement requirements of AASB 16 *Leases* for operating leases. For all other lease contracts associated with the Group's other investment properties, the Group is a lessor by virtue.

Reconciliation of right-of-use ('ROU') assets

	31 Dec 2021 $'000	30 Jun 2021 $'000
ROU assets at the beginning of the period	39,380	20,159
ROU asset recognised on new investment properties acquired during the period	-	19,344
Net fair value gain / (loss) on ROU assets recognised in the Consolidated Statement of Comprehensive Income	(146)	(123)
ROU assets at balance date	**39,234**	39,380

Note 9 Investments accounted for using the equity method

Accounting policy for investments accounted for using the equity method

Investments accounted for using the equity method are initially recognised at cost, including acquisition costs, and adjusted thereafter for the Group's share of changes in the investee's net assets. The Group's share of the profits or losses of an associate is recorded in the Consolidated Statement of Comprehensive Income within "Share of net profit of investments accounted for using the equity method".

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

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

Name of entity	**31 Dec 2021 %**	30 Jun 2021 %	**31 Dec 2021 $'000**	30 Jun 2021 $'000
Dexus Moorebank Trust	50.0%	-	23,973	-
Jandakot City Holdings Trust[1]	33.3%	-	269,708	-
Jandakot Airport Holdings Trust[1]	33.3%	-	35,301	-
Total investments accounted for using the equity method[2]			**328,982**	-

1. The initial accounting for the acquisition of the Jandakot entities has been provisionally determined at the end of the half-year. The final purchase price allocation will be performed once final settlement adjustments have been determined. This is expected to occur in March 2022. At the date of finalisation of this half-year financial report, the fair value of the assets and liabilities acquired have therefore been provisionally determined based on the Directors' best estimate of the likely fair value.
2. The Group's share of investment properties in the investments accounted for using the equity method was $397.6 million (30 June 2021: nil). Additionally, held for sale assets in the investments accounted for using the equity method was nil (30 June 2021: nil). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

Impact of COVID-19 on Investments accounted for using the equity method

The carrying values of the above investments accounted for using the equity method have been considered for impairment under AASB 136 *Impairment of Assets* and take into consideration the impact of COVID-19.

The main risk to the value of the investments accounted for using the equity method is the fair value of the underlying investment properties. Note 7 *Investment properties* gives further explanation of the approach taken to measure the fair value of investment properties in light of COVID-19. Any fair value movements are recorded within share of net profit of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income. During the period, there were no impairment losses.

Note 10 Non-current assets classified as held for sale

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

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

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current		
Investment properties held for sale[1]	-	12,550

1. Represents office property located at 10 Brandl St, Eight Mile Plains, QLD that was disposed on 1 September 2021.

Capital structure, financing and risk management

In this section

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

- Debt: *Lease liabilities* in note 11, *Borrowings* in note 12, *Fair value measurement* in note 13 and *Contingencies* in note 14;
- Equity: *Contributed equity* in note 15.

Note 11 Lease liabilities

The lease liabilities include ground leases at 140 Sharps Road, Tullamarine, VIC and 5, 18-20, 20-22 Butler Boulevard, Adelaide Airport, SA. Refer to note 8 *Right-of-use assets* for information and disclosures relating to the corresponding leased asset.

	31 Dec 2021 $'000	30 Jun 2021 $'000
Lease liabilities at the beginning of the period	**(38,455)**	(19,245)
Lease liabilities recognised on new investment properties acquired during the year	**-**	(19,344)
Reversal of lease liabilities	**802**	968
Interest expense on lease liabilities	**(668)**	(834)
Lease liabilities at the end of the period	**(38,321)**	(38,455)
Attributable to:		
Current lease liabilities	**(1,641)**	(1,615)
Non-current lease liabilities	**(36,680)**	(36,840)
Total lease liabilities at balance date	**(38,321)**	(38,455)

Note 12 Borrowings

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current		
Bank loans drawn – secured	**-**	(106,250)
Capitalised borrowing cost	**-**	329
Total current borrowings	**-**	(105,921)
Non-current		
Bank loans drawn – secured	**(473,222)**	(237,687)
Capitalised borrowing cost	**2,320**	605
Finance costs – gain on debt modifications	**2,869**	-
Total non-current borrowings	**(468,033)**	(237,082)
Total borrowings	**(468,033)**	(343,003)

Note 12 Borrowings (continued)

Summary of borrowing arrangements

DXI has a $536.25 million revolving cash advance facility with three banks.

	31 Dec 2021 $'000	30 Jun 2021 $'000
Loan facility limit	536,250	360,000
Facilities drawn at balance date	(473,222)	(343,937)
Facilities not drawn at balance date	**63,028**	16,063

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

Type of facility	Maturity date	Utilised $'000	Facility limit $'000
Tranche A Series	Nov-26	56,250	56,250
Tranche B Series	Nov-25	-	26,250
Tranche C Series	Nov-26	15,000	15,000
Tranche D Series	Nov-25	23,722	30,000
Tranche E Series	Nov-26	20,000	20,000
Tranche F Series	Dec-26	22,000	22,500
Tranche A Series	Sep-24	36,250	36,250
Tranche C Series	Sep-24	10,000	10,000
Tranche D Series	May-24	10,000	10,000
Tranche E Series	Dec-25	-	30,000
Tranche F Series	Jul-26	60,000	60,000
Tranche G Series	Jul-25	30,000	30,000
Tranche H Series	Nov-26	12,500	12,500
Tranche I Series	Dec-26	20,000	20,000
Tranche A Series	Jul-24	90,000	90,000
Tranche C Series	Dec-23	30,000	30,000
Tranche D Series	Nov-26	37,500	37,500

The revolving cash advance facility is secured and cross collateralised over DXI's investment properties (by first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement). During the half year period, DXI renegotiated the pricing and extended the term of some existing tranches as well as introduced new tranches to its cash advance facility, resulting in an overall facility limit increase by $176,250,000.

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

		31 Dec 2021	31 Jun 2021
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 55%.	36.3%	32.5%
Gearing Ratio	At all times, gearing ratio does not exceed 55%.	31.5%	35.0%
Net Rental Income to Interest Costs Ratio	At all times, the net rental income to interest costs ratio under the facility does not fall below 2.0 times.	6.9 times	7.2 times
Weighted Average Lease Length to Expiry ("WALE")	WALE for the portfolio will be greater than 2.5 years.	5.9 years	5.3 years

Note 12 Borrowings (continued)

Derivatives – interest rate contracts

The Group has exposure to a debt facility that is subject to floating interest rates. The Group uses derivative financial instruments on a portfolio basis to manage its exposure to interest rates such as interest rate swaps (to lock in fixed interest rates) and/or interest rate options (to limit exposure to rising floating interest rates).

All derivative financial instruments are entered into on terms that provide pari-passu security and cross collateralisation rights over the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement) pursuant to the Group's revolving cash advance facility.

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

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets		
Interest rate contracts	**12**	-
Non-current assets		
Interest rate contracts	**1,271**	-
Current liabilities		
Interest rate contracts	**(9)**	(2,087)
Non-current liabilities		
Interest rate contracts	**(2,508)**	(2,865)
Total	**(1,234)**	(4,952)

Note 13 Fair value measurement

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

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

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

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

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

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

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

Note 14 Contingencies

The Directors of the Responsible Entity are not aware of any commitments and contingent liabilities in relation to the Group (30 June 2021: nil), other than those 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 15 Contributed equity

Carrying amount

	31 Dec 2021 $'000	31 Dec 2020 $'000
At the beginning of the period	**453,238**	398,571
Issue of contributed equity[1]	**350,000**	35,000
Distribution reinvestment	**2,400**	-
Equity issuance costs (net of income tax benefit)	**(6,800)**	(675)
At the end of the period	**798,838**	432,896
Attributable to:		
Securityholders of the parent entity	**599,063**	317,182
Securityholders of other stapled entities	**199,775**	115,714
At the end of the period	**798,838**	432,896

Number of securities on issue

	31 Dec 2021 No.	31 Dec 2020 No.
At the beginning of the period	**217,001,053**	197,525,519
Issue of contributed equity[1]	**101,449,276**	12,237,763
Distribution reinvestment	**712,232**	-
At the end of the period	**319,162,561**	209,763,282

1. During the half year period, DXI successfully completed an equity raising through issuance of 101.4 million stapled securities for approximately $350.0 million at a fixed issue price of $3.45 per security, comprising:
   - 29.0 million stapled securities for $100.0 million via an institutional placement;
   - 42.0 million stapled securities for $144.0 million via an institutional entitlement offer; and
   - 30.4 million stapled securities for $106.0 million via a retail entitlement offer.

Other disclosures

In this section

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

Note 16 Related party transactions

Transactions with key management personnel

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

Transactions with the Responsible Entity and related body corporates

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

Accordingly, transactions with entities related to Dexus PG Limited are disclosed below:

	31 December 2021		31 December 2020	
	Paid $'000	**Payable $'000**	Paid $'000	Payable $'000
Management fees[1 & 3]	**1,482**	**1,677**	1,147	1,172
Property management and leasing fees[2]	**175**	**-**	431	-
Total	**1,657**	**1,677**	1,578	1,172

1. DXAM is entitled to a base management fee of 0.55% per annum of the gross asset value of DXI as a whole (reducing to 0.50% p.a. of Gross Asset Value in excess of $750m and 0.45% p.a. of Gross Asset Value in excess of $1,500m). Management fees are allocated to the entities comprising DXI on a fair and reasonable basis and in accordance with each entities' Constitution.
2. APN Asset Services Pty Ltd, a related party of DXAM provides property management and leasing services to the Group. These services can be carried out by DXAM or sub-contracted to one or more third parties. In the event that DXAM provides property management or leasing services without engaging third parties, DXAM is entitled to charge a fee of up to 3% of annual gross income and leasing fees at market rates.
3. DXAM has entered into a base management fee waiver agreement with DXI, associated with the acquisitions of 2 Marker Place, Truganina, VIC and 33% interest in Jandakot Airport, Perth, WA (Assets) whereby DXAM will waive 50% of the incremental increase in base management fee to which it becomes entitled to from the respective assets' settlement date to 30 June 2022.

Note 16 Related party transactions (continued)

Security holdings and associated transactions with related parties

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

	31 December 2021		31 December 2020	
	Number of securities	**Distributions $**	Number of securities	Distributions $
Dexus PG Limited	**-**	**-**	-	361
Dexus Diversified Fund	**11,382,460**	**563,870**	-	-
APD Trust	**44,261,005**	**3,350,005**	28,719,327	2,469,862
APN AREIT Fund	**3,419,874**	**248,723**	5,365,956	448,042
APN CFS AREIT Fund	**471,693**	**34,306**	790,329	67,869
APN Property for Income Fund	**292,869**	**21,300**	446,617	37,289
APN Property for Income Fund 2	**92,684**	**6,741**	149,173	12,455
Geoff Brunsdon AM	**140,771**	**10,655**	90,426	6,746
Tim Slattery[1]	**-**	**-**	8,599	740
Joseph De Rango	**7,814**	**676**	7,700	662
Total	**60,069,170**	**4,236,276**	35,578,127	3,044,026

1. Mr. Slattery resigned as Director of Dexus PG Limited on 13 August 2021.

As at 31 December 2021, 18.82% (31 December 2020: 16.96%) of DXI stapled securities were held by related parties.

Note 17 Subsequent events

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

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

Directors' Declaration

In the Directors' opinion:

a) The interim Consolidated Financial Statements and Notes set out on pages 10 to 30 are in accordance with the *Corporations Act 2001,* including:

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

   (ii) giving a true and fair view of the Group's consolidated financial position as at 31 December 2021 and of its performance for the half year ended on that date.

b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Geoff Brunsdon AM

Chair

9 February 2022

Independent auditor's review report to the stapled security holders of Industria Trust No. 1

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Industria Trust No. 1 (the Trust) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration of Dexus Asset Management Limited (the Responsible Entity).

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

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date

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

Basis for conclusion

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

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

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

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

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

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

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

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

Matters relating to the electronic presentation of the reviewed financial report

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Samantha Johnson

Samantha Johnson
Partner

Sydney
9 February 2022