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 2021

Dexus Property Trust[1]			
	31 Dec 2021	**31 Dec 2020**	**%**
	$m	**$m**	**Change**
Revenue from ordinary activities	514.9	626.6	-17.8%
Net profit attributable to security holders after tax [2]	803.2	441.3	82.0%
Funds from operations (FFO)[3]	396.7	375.6	5.6%
Underlying FFO[4]	375.1	328.5	14.2%
Adjusted funds from operations (AFFO)[3]	302.2	313.8	-3.7%
Distribution to security holders	301.2	313.6	-4.0%
	Cents	**Cents**	
FFO per security[3]	36.9	34.4	7.3%
AFFO per security[3]	28.1	28.8	-2.4%
Distribution per security for the period	28.0	28.8	-2.8%
Payout ratio (distribution as a % of AFFO)	99.7%	99.9%	-0.2%
Basic earnings per security[2]	74.7	40.5	84.4%
Diluted earnings per security[2]	73.8	40.4	82.7%
Franked distribution amount per security	-	-	-
	$m	**$m**	
Total assets[2]	19,381.4	17,368.5	11.6%
Total borrowings	5,591.3	4,500.3	24.2%
Security holders equity	13,028.2	12,192.3	6.9%
Market capitalisation	11,960.3	10,237.1	16.8%
	$ per security	**$ per security**	
Net tangible assets	11.77	10.96	7.4%
Securities price	11.12	9.40	18.3%
Securities on issue	1,075,565,246	1,089,055,137	
Record date	31 Dec 2021	31 Dec 2020	
Payment date	28 Feb 2022	26 Feb 2021	

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Details of joint ventures and associates

	Ownership Interest			
	31 Dec 2021	31 Dec 2020	**31 Dec 2021**	31 Dec 2020
Name of entity	**%**	%	**$m**	$m
Dexus Office Trust Australia (DOTA)	**50.0**	50.0	**2,424.2**	2,680.1
Dexus 80C Trust	**75.0**	75.0	**1,185.0**	1,092.9
Dexus Martin Place Trust	**50.0**	50.0	**995.2**	944.7
Dexus Australian Logistics Trust (DALT)	**51.0**	51.0	**640.7**	513.5
Jandakot City Holdings Trust (JCH)	**66.7**	-	**540.9**	-
Dexus Australian Logistics Trust No.2 (DALT2)	**51.0**	51.0	**503.6**	220.7
Dexus 480 Q Holding Trust	**50.0**	50.0	**384.3**	390.0
Bent Street Trust	**33.3**	33.3	**378.4**	368.0
AAIG Holding Trust	**49.4**	-	**341.1**	-
Dexus Industrial Trust Australia (DITA)	**50.0**	50.0	**272.2**	213.8
Dexus Kings Square Trust	**50.0**	50.0	**247.8**	239.6
Dexus Healthcare Property Fund (DHPF)	**23.1**	27.1	**235.8**	141.8
Dexus Industria REIT (DXI)	**17.4**	-	**199.1**	-
Dexus Creek Street Trust	**50.0**	50.0	**197.0**	200.6
Dexus Australian Logistics Trust No.3 (DALT3)	**51.0**	51.0	**104.1**	24.3
Site 7 Homebush Bay Trust	**50.0**	50.0	**90.7**	76.8
Dexus Australia Commercial Trust (DACT)	**10.0**	10.0	**64.1**	63.9
Site 6 Homebush Bay Trust	**50.0**	50.0	**55.1**	43.5
Dexus Convenience Retail REIT (DXC)	**8.9**	-	**47.6**	-
Mercatus Dexus Australia Partnership (MDAP)	**10.0**	-	**37.8**	-
SAHMRI 2 Holding Trust	**50.0**	50.0	**36.1**	26.7
Dexus Eagle Street Pier Trust	**50.0**	50.0	**35.0**	33.9
Dexus Australian Logistics Trust No.4 (DALT4)	**51.0**	-	**29.4**	-
Dexus Moorebank Trust	**50.0**	-	**24.0**	-
Jandakot Airport Holdings Trust (JAH)	**32.0**	-	**17.5**	-
Dexus Walker Street Trust	**50.0**	50.0	**9.1**	9.5
RealTech Ventures	**62.1**	62.1	**8.4**	8.9
APN Global REIT Income Fund (GREIT)	**55.7**	-	**7.7**	-
Dexus Real Estate Partnership 1 (DREP1)	**38.1**	-	**2.5**	-
Dexus Regional Property Fund	**3.3**	-	**1.5**	-
APN Asian REIT Fund (ARI)	**2.4**	-	**1.3**	-
Dexus Development Fund No. 2	**4.8**	-	**1.2**	-
Grosvenor Place Holding Trust	**50.0**	50.0	**1.0**	456.0
Divvy Parking Pty Limited	**24.8**	-	**-**	-
Total assets - investments accounted for using the equity method			**9,119.4**	**7,749.2**

Distribution Reinvestment Plan (DRP)

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

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 Property Trust has been chosen as the deemed acquirer of the balance of the DXS stapled entities, comprising Dexus Operations Trust and its consolidated entities.

2 Restatement to 2020 required to comply with guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement".

3 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.

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

Authorised by the Board of Dexus Funds Management Limited.

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About Dexus

Dexus (ASX: DXS) is one of Australia's leading fully integrated real estate groups, managing a high-quality Australian property portfolio valued at $45.3 billion. We believe that the strength and quality of our relationships will always be central to our success and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own $18.3 billion of office, industrial and healthcare properties, and investments. We manage a further $27.0 billion of office, retail, industrial and healthcare properties for third party clients. The group's $17.8 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. Sustainability is integrated across our business, and our sustainability approach is the lens we use to manage emerging ESG risks and opportunities for all our stakeholders. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange and is supported by more than 30,000 investors from 23 countries. With over 35 years of expertise in property investment, funds management, asset management and development, we have a proven track record in capital and risk management and delivering superior risk-adjusted returns for investors.
www.dexus.com

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 2000

Dexus
Interim Report
31 December 2021

ARSN: 648 526 470

Contents

Dexus consists of two stapled managed investment schemes, Dexus Property Trust and Dexus Operations Trust, collectively referred to as DXS or the Group. Dexus stapled securities are listed on the Australian Securities Exchange under the "DXS" code. The registered office of the Group is Level 25, 264-278 George Street, Sydney, NSW, 2000.

HY22 Operating and Financial Review

The Group's financial performance for the six months ended 31 December 2021 is summarised in the following section. In order to fully understand the results, the interim Consolidated Financial Statements included in this Interim Report should be referred to.

Review of operations

Dexus has adopted Funds From Operations (FFO) 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. FFO 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. The Directors consider FFO to be a measure that reflects the performance of the Group.

Strategy

This busy period has progressed Dexus's strategic objective of expanding its funds management business while enhancing the resilience of its increasingly diversified property portfolio.

The key megatrends of urbanisation, technology advances and the growth in pension capital flows have evolved and increased in importance as a result of the pandemic. Dexus is well positioned to continue to leverage these trends to support investor returns and deliver on its purpose of creating spaces where people thrive and vision of being globally recognised as Australia's leading real estate company.

Dexus's strategy is to deliver superior risk-adjusted returns from high quality real estate and seek opportunities that can deliver sustainable income streams while growing and diversifying its funds management business.

Dexus expects that sourcing quality properties will remain competitive as global pools of capital increasingly chase the same assets that it invests in, and as a result will maintain its active approach of utilising alternate ways to unlock and access opportunities.

Operating result

Group performance

The first six months 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.

Despite impacts from the pandemic, it has been an active start to the year with growth in the funds management business, continued leasing activity, as well as new acquisitions and selective asset sales. This momentum demonstrates Dexus's continued focus on leveraging its platform capabilities to drive performance across the portfolio and in its third-party funds.

Dexus's net profit after tax was $803.2 million, an increase of $361.9 million or 82.0% on the previous corresponding period. The increase in net profit was primarily driven by net revaluation gains of investment properties of $486.2 million, which were $341.5 million higher than the previous corresponding period.

At 31 December 2021, 124 of Dexus's 189[1] office, industrial and healthcare properties were independently valued by external valuers. Most of the valuation uplift was seen across the industrial portfolio which increased by 8.9%, with the office portfolio increasing 1.1% on prior book values on the back of leasing success at some assets.

Valuation gains across the total property portfolio for the period to 31 December 2021 contributed to the 35 cent or 3.1% increase in net tangible asset (NTA) per security to $11.77 at 31 December 2021.

The total property portfolio weighted average capitalisation rate tightened 15 basis points over the past six months from 4.91% at 30 June 2021 to 4.76% at 31 December 2021. The weighted average capitalisation rate of the Dexus office portfolio tightened 6 basis points from 4.91% at 30 June 2021 to 4.85% at 31 December 2021, and for the Dexus industrial portfolio tightened 50 basis points from 4.92% at 30 June 2021 to 4.42% at 31 December 2021.

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1 Including Jandakot Airport which comprises 51 assets.

Operating result (continued)

Group performance (continued)

Operationally, Funds From Operations[2] (FFO) increased $21.1 million or 5.6% to $396.7 million.

The key drivers of the movement included:

- Office property FFO increased primarily due to fixed rent increases and the acquisition of Capital Square Tower 1, Perth partly offset by the impact of divestments
- Industrial property FFO increased primarily due to acquisitions including Jandakot Airport, Perth and recently completed developments
- Management operations FFO increased significantly, driven by the addition of assets to the platform as a result of the merger of AMP Capital Diversified Property Fund (ADPF) with Dexus Wholesale Property Fund (DWPF), the acquisition of APN Property Group and other successful funds management initiatives
- Net finance costs reduced primarily due to interest reimbursement for the delayed settlement of Grosvenor Place, Sydney and interest income from Capital Square Tower 1, Perth

Underlying Funds From Operations (FFO) per security of 34.9 cents, which excludes trading profits, increased by 15.9% as a result of property acquisitions and growth in management operations income as well as income generated on Dexus's pooled fund co-investments and lower net finance costs.

AFFO and distribution per security of 28.1 and 28.0 cents were down 2.4% and 2.8% respectively on the previous corresponding period primarily due to the amount of trading profits in the first half of FY22 being lower than those in the first half of FY21 as well as higher maintenance capital expenditure and incentives. The distribution payout ratio remains in line with free cash flow in accordance with Dexus's distribution policy. The distribution will be paid to Dexus Security holders on Monday, 28 February 2022.

Rent collections were strong at 97.9% for the Dexus portfolio in the six months to 31 December 2021.

Dexus continued to maintain a strong and conservative balance sheet with gearing[3] at 31.1%, at the lower end of the target range of 30-40%, and $1.6 billion of cash and undrawn debt facilities. Dexus has manageable debt expiries over the next 12 months and remains within all of its debt covenant limits, retaining its credit ratings of A-/A3 from S&P and Moody's respectively.

Key financials	31 December 2021	31 December 2020	Change
Net profit after tax ($m)	803.2	441.3[4]	82.0%
Funds From Operations (FFO) ($m)	396.7	375.6	5.6%
Underlying FFO per security[5] (cents)	34.9	30.1	15.9%
FFO per security (cents)	36.9	34.4	7.3%
AFFO per security (cents)	28.1	28.8	(2.4)%
Distribution per security (cents)	28.0	28.8	(2.8)%
	31 December 2021	**30 June 2021**	**Change**
Net tangible asset backing per security ($)	11.77	11.42	3.1%
Gearing (%)[6]	31.1[3]	26.7	4.4ppt

2 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 on financial assets held at fair value through profit or loss, 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 SaaS customisation expenses), amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

3 Excluding Dexus's share of co-investments in pooled funds. Look-through gearing including Dexus's share of co-investments in pooled funds was 31.5% as at 31 December 2021.

4 Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement".

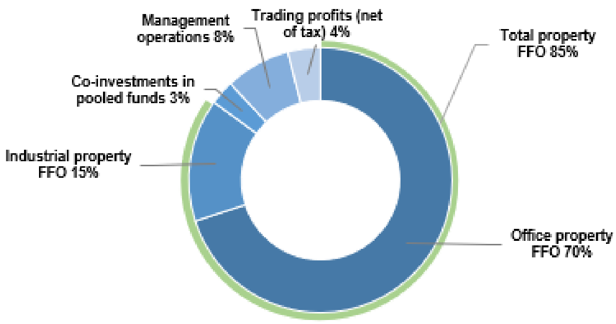
5 Underlying FFO excludes trading profits net of tax.

6 Adjusted for cash and debt in equity accounted investments.

Operating result (continued)

Group performance (continued)

85% of FFO from Property portfolio[7]



Valuation movements	HY22	FY21
Office portfolio	$147.0m	$189.5m
Industrial portfolio	$330.1m	$376.8m
Total portfolio[8]	**$486.6m**	**$584.0m**
Weighted average capitalisation rate		
Office portfolio	4.85%	4.91%
Industrial portfolio	4.42%	4.92%
Total portfolio	**4.76%**	**4.91%**

7 FFO contribution is calculated before finance costs, group corporate costs and other (including non-trading related tax expense).
8 Total portfolio excludes co-investments in pooled funds and includes healthcare and other property revaluation gain of $9.5m and excludes leased assets revaluation loss of $0.4m.

Operating result (continued)

Group performance (continued)

Statutory profit reconciliation	**31 December 2021 ($m)**	**31 December 2020 ($m)**
Statutory AIFRS net profit after tax	**803.2**	**441.3[9]**
(Gains)/losses from sales of investment property	-	(0.7)
Fair value gain on investment property	(486.2)	(144.7)
Fair value (gain)/loss on mark-to-market of derivatives	(1.0)	65.7
Incentives amortisation and rent straight-line[10]	77.1	76.2
Non-FFO tax expense	(12.1)	(3.1)
Co-investments	(35.4)	(15.1)
Other unrealised or one-off items[11]	51.1	(44.0)
Funds From Operations (FFO)[12]	**396.7**	**375.6**
Maintenance capital expenditure	(24.4)	(18.9)
Cash incentives and leasing costs paid	(25.6)	(12.6)
Rent free incentives[13]	(44.5)	(30.3)
Adjusted Funds From Operations (AFFO)[14]	**302.2**	**313.8**
Distribution	**301.2**	**313.6**
Distribution payout (% AFFO)	99.7%	99.9%

FFO composition	**31 December 2021 ($m)**	**31 December 2020 ($m)[15]**	**Change**
Office property FFO	338.7	330.5	2.5%
Industrial property FFO	69.2	57.5	20.3%
Total property FFO	**407.9**	**388.0**	**5.1%**
Management operations[16]	37.2	27.3	36.3%
Group corporate costs	(22.4)	(16.6)	34.9%
Net finance costs	(54.7)	(64.4)	(15.1)%
Co-investments in pooled funds	13.8	3.1	345.2%
Other[17]	(6.7)	(8.9)	(24.7)%
Underlying FFO	**375.1**	**328.5**	**14.2%**
Trading profits (net of tax)	21.6	47.1	(54.1)%
FFO	**396.7**	**375.6**	**5.6%**

9 Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of “Configuration or Customisation Costs in a Cloud Computing Arrangement”.
10 Including cash, rent free and fit out incentives amortisation.
11 HY22 other unrealised or one-off items includes $30.8m of unrealised fair value gains on interest bearing liabilities, offset by $68.6m transaction costs and one-off significant items (including costs associated with the implementation of the Simplification, APN acquisition, other successful transactions and one off significant items ($63.3m) and IFRIC SaaS customisation expenses ($5.3m)), $2.4m net fair value loss of investments at fair value, $1.1m amortisation of intangible assets, $9.8m rental guarantees, coupon income and other items.
12 Including Dexus’s share of equity accounted investments.
13 Includes rent waiver adjustment of $5.0 million for tenants not in arrears.
14 AFFO is in line with the Property Council of Australia definition.
15 HY21 amounts have been restated to align with HY22 categorisations including the new ‘Co-investments in pooled funds’ category.
16 Management operations FFO includes development management fees.
17 Other includes non-trading related tax expense, directly owned healthcare property and other miscellaneous items.

Operating result (continued)

Group outlook

Twists and turns on the road to recovery

Conditions for real estate are expected to remain positive over the next year despite the uncertainty caused by the outbreak of the Omicron variant of COVID-19.

The current surge in COVID-19 cases is expected to reduce economic growth expectations for Q1 2022 and have some effect on the forecasted FY22 full year growth, but experience implies that any lost growth will be quickly recovered in FY23. The outlook depends on the degree to which hospitalisations lead to new restrictions. However, authorities seem committed to 'living with COVID' so further harsh lockdowns appear unlikely, which is supported by the Australian population being highly vaccinated.

Dexus performance

The following sections review the HY22 performance of the Group's key financial drivers including the Property Portfolio, Trading and Funds Management.

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 85% of FFO[18] in HY22.

DEXUS OFFICE PORTFOLIO[19]

+4.4%[20]

Effective LFL income

FY21: +2.3%

29.7%

Average incentives[22]

FY21: 24.9%

95.1%

Occupancy

FY21: 95.2%

112,601sqm

Space leased[22]

5.0 years

WALE[24]

FY21: 4.6 years

DEXUS INDUSTRIAL PORTFOLIO[19]

-2.3%[21]

Effective LFL income

FY21: +3.7%

10.6%

Average incentives[23]

FY21: 17.8%

98.6%

Occupancy

FY21: 97.7%

115,664sqm

Space leased[23]

5.1 years

WALE[24]

FY21: 4.4 years

18 FFO contribution is calculated before finance costs, group corporate costs and other (including non-trading related tax expense).
19 Dexus balance sheet portfolio performance statistics exclude co-investments in pooled funds.
20 Excluding the impact of rent relief and provisions for expected credit losses. Office LFL income was +8.4% including the impact of rent relief and provision for expected credit losses.
21 Excluding the impact of rent relief and provisions for expected credit losses. Industrial LFL income was -1.8% including the impact of rent relief and provision for expected credit losses.
22 Excluding office development leasing of 2,273 square metres.
23 Excluding industrial development leasing of 154,534 square metres.
24 By income.

Dexus performance (continued)

Office portfolio performance

During the six months to 31 December 2021, Dexus leased 112,601 square metres[25] of office space across 151 transactions, in addition to 2,273 square metres[26] of space across six transactions in relation to office developments.

Key leasing activity included:

- In Melbourne, securing two new customers across 10,858 square metres at 180 Lonsdale Street
- In Perth, securing leasing across 2,141 square metres at 240 St Georges Terrace
- In Sydney, renewing a customer across 3,139 square metres at 383-395 Kent Street and securing leasing across 13,225 square metres at 4 Dawn Fraser Avenue, Sydney Olympic Park
- In Brisbane, securing leasing across 2,726 square metres at 145 Ann Street and 2,766 square metres at Waterfront Place

The operating environment has remained challenging for the past two years as a result of the pandemic. Over that time, the Dexus office portfolio has proven to be resilient with continued leasing activity and occupancy being maintained above 95%.

Sub-lease space across the group portfolio halved in the December quarter and many companies are looking through the current environment to the future, with a number of lease extensions and development leases agreed with large customers. Dexus is well placed for the recovery with a continued focus on customer engagement across its Prime grade portfolio.

Average incentives in the period were elevated compared to the first quarter of FY21, but in line with levels experienced since the second quarter of FY21, driven by larger deals secured in lockdown-affected markets. While the Omicron variant has delayed the return to the office, Dexus expects the return to take hold in the coming months and see the potential for incentives to decline in Sydney.

Face rents remain largely unchanged in the core CBD markets; however effective rents are under pressure as incentives continue to increase. Given the better-than-expected market occupancy levels and strength of key leading indicators, Dexus expects incentives to moderate in some markets over the next 12 months.

Office portfolio like-for-like income growth was +4.4% (FY21: +2.3%), excluding the impact of rent relief measures and provisions for expected credit losses (including these impacts: HY22 +8.4% and FY21 +0.9%). The Dexus office portfolio delivered a one-year return of 6.3% at 31 December 2021.

Industrial portfolio performance

During the six months to 31 December 2021, Dexus leased 115,664 square metres[25] of industrial space across 40 transactions with 9 development deals completed across 154,534 square metres[26]. Portfolio occupancy increased from 97.7% to 98.6%.

Key leasing activity included:

- Renewing a tenant across 27,612 square metres at Kings Park Industrial Estate, Marayong
- Renewing Toll across 16,915 square metres at 2 Alspec Place, Eastern Creek
- In Perth, securing development leasing across 16,137 square metres at Jandakot Industrial Estate

Record tenant demand is being driven by logistics firms and retailers investing in extra distribution space to cater for last mile fulfilment as well as the need to house extra inventory to protect against shortages, in addition to continued ecommerce tailwinds. As a result of the strong market rent growth, the portfolio’s over-rented position has reduced from around 6% at 30 June 2021 to 0.3% at 31 December 2021.

Dexus continues to work closely with its industrial customers to support their growth across Australia, assisted by its development pipeline, with new leases already secured at Jandakot in Perth.

Industrial portfolio like-for-like income declined -2.3% (FY21: +3.7%) excluding the impact of rent relief measures and provisions for expected credit losses (including these impacts: HY22 -1.8% and FY21 +4.5%), driven by downtime at business parks which have now been leased up. Dexus is confident of delivering growth across the total portfolio for FY22. The Dexus industrial portfolio delivered a one-year return of 26.3% to 31 December 2021.

25 Including Heads of Agreement and excludes development leasing.
26 Including Heads of Agreement.

Dexus performance (continued)

Developments

Dexus has a proven track record and significant capabilities in developing office, industrial, retail and healthcare properties. The group development pipeline now stands at a cost of $17.8 billion, of which $9.5 billion sits within the Dexus portfolio and $8.3 billion within third party funds. The development pipeline benefits the group by improving portfolio quality, providing inventory for third party capital partners and enhancing returns for both Dexus and third-party capital partners.

During the period, Dexus secured a number of acquisitions to enhance the group industrial development pipeline during the half, including Jandakot in Perth. Dexus now has over $750 million of committed projects across the group industrial development pipeline after completing 280,000 square metres in calendar year 2021. Dexus is well progressed in being able to activate its city-shaping office projects including Waterfront Brisbane, which is expected to commence this calendar year, as well as 60 Collins Street, Melbourne and Central Place, Sydney, which are both expected to commence next year. During the period, Dexus completed a 51,600 square metre industrial development at 31 Innovation Drive, Merrifield in Victoria.

Dexus currently has circa 380,000 square metres across fifteen industrial development projects owned by Dexus and its third-party capital partners, of which the majority have secured leases.

Dexus has reduced risk relating to its uncommitted city shaping developments because the existing assets on these sites are currently income producing and the majority are owned in partnership with third party capital partners, enabling Dexus to progress planning and enhance the optionality of these projects.

Transactions

Dexus had an active six months of transaction activity announcing $9.3 billion of contracted transactions across the group.

A total of $4.4 billion of acquisitions were undertaken across the group in the industrial, healthcare and convenience retail sectors. The recently announced industrial portfolio acquisition including Jandakot in Perth provides a meaningful industrial footprint in Western Australia and new Sydney product to service Dexus's growing customer base, with scope to enhance returns through development and the introduction of additional third-party capital.

The Dexus Industrial Partnership also agreed to acquire113-153 Aldington Road in Kemps Creek, NSW for circa $123 million.

Dexus announced the following asset sales as part of its capital recycling initiatives:

- Grosvenor Place, Sydney: settlement completed with $694 million of proceeds received by Dexus on 2 December 2021
- 201 Miller Street, North Sydney: exchanged contracts with $152 million of proceeds to be received by the Dexus Office Partnership, in which Dexus holds a 50% interest. Settlement is expected to occur in February 2022
- 383 Kent Street, Sydney: exchanged contracts with $385 million of proceeds to be received by Dexus (Dexus ownership: 100%). Settlement is expected to occur in July 2022
- 140 and 150 George Street, Parramatta: exchanged contracts with $155 million of proceeds to be received by the Dexus Office Partnership, in which Dexus holds a 50% interest. Settlement is expected to occur in August 2022
- 309-321 Kent Street, Sydney: exchanged contracts with $401 million of proceeds to be received by Dexus (Dexus ownership: 50%). Settlement is expected to occur in April 2022

Dexus continued to transition the portfolio away from lower returning assets into higher returning opportunities, many of which are being undertaken alongside funds management partners and enhance its group development pipeline.

Dexus performance (continued)

Property market outlook

Office market outlook

Australia's CBD office markets improved in the latter half of 2021 after a difficult period, contributing to positive net absorption across Australia's four major CBDs. Many of the lead indicators for office markets are positive.

Business confidence, an important lead indicator for office markets was positive in January 2022, and professional job advertisements, an indicator of corporate hiring intentions, continued to rise in November 2021 with white collar employment growth remaining positive.

Industrial market outlook

The Australian industrial market remains the success story in what has been another disrupted year.

Demand for industrial space almost doubled over the 2021 calendar year nationally, with growth concentrated in Sydney and Melbourne. The growth was attributable to logistics firms and retailers investing in extra distribution space to cater for last mile fulfilment as well as the need to house extra inventory to protect against shortages. Although identified ecommerce related take-up was slightly below 2020 levels, much of this demand is being picked up in the logistics sector.

Strong demand and low vacancy combined with a lack of immediately serviceable land is driving up land values, while portfolio sales continue to lead the market resulting in positive revaluations for industrial assets.

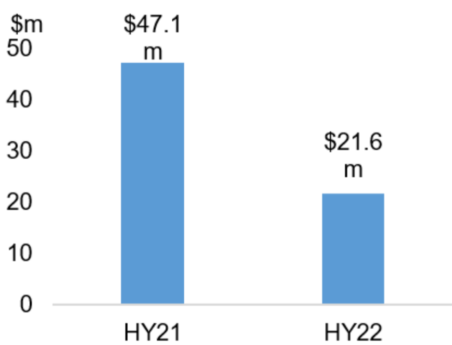
Trading performance

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 $21.6 million (post tax) of trading profits in the six-month period through:
- Exercising the option to sell its 100% interest in 436-484 Victoria Road, Gladesville which settled in August 2021
- Exercising the option to sell its 100% interest in 22 Business Park Drive, Ravenhall which settled in November 2021
- Exercising the remaining option to sell a portfolio of six trading assets (Truganina VIC and Lakes Business Park South, Botany NSW) to DALT, with the second tranche settling in November and December 2021 respectively

Trading FFO (post tax)



Dexus performance (continued)

Funds management performance

Dexus's strategic objective of being identified as the real estate investment partner of choice and track record of driving investment performance enables it to attract third party capital partners to invest alongside through the cycle.

Dexus undertook many initiatives in an active first half across its $27.0 billion diversified funds management business, which includes 21 vehicles, consistent with Dexus's strategic focus to expand and diversify the funds management business.

All funds and partnerships have performed well despite the market conditions, with DWPF continuing to outperform its benchmark over three, five, seven and ten years. DHPF continued to deliver strong performance, achieving a one-year return of 18.0%.

Since 30 June 2021, Dexus has secured $1.3 billion of new equity across the funds management business which resulted in a number of new investors being welcomed onto the platform.

Dexus integrated the listed and unlisted funds that comprised APN Property Group onto the Dexus platform, undertaking acquisitions in both Dexus Convenience Retail REIT (DXC) and Dexus Industria REIT (DXI), with both funds also raising equity during the half as they continued to execute on their respective strategies.

DXI raised $350 million of new equity to assist in funding the acquisition of a 33.3% interest in Jandakot Airport, Perth and 2 Maker Place, Truganina while DXC raised $55.5 million of new equity to further strengthen DXC's balance sheet following recent acquisitions including 7-Eleven Kingston and United Gordonvale.

In January 2022, Cbus Super was secured as a new joint venture investor, agreeing to purchase a 33.3% interest in the newly established Jandakot joint venture which will own 100% of Jandakot. Following the final settlement of the remaining Jandakot interest, the circa $1.3 billion joint venture will be held by Dexus (33.4%), DXI (33.3%) and Cbus Super (33.3%).

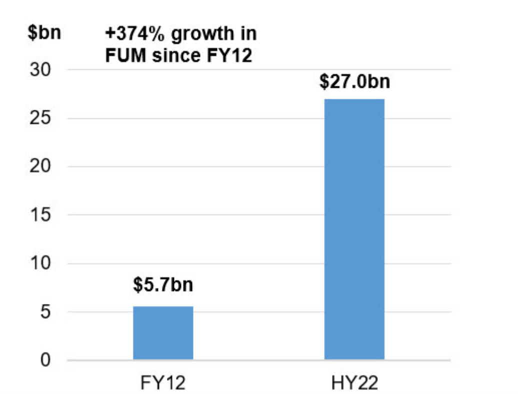
DHPF successfully raised $250 million of new equity and acquired Arcadia Pittwater Private Hospital and day rehabilitation facility located in Warriewood on the Northern Beaches of Sydney. DHPF's funds under management now stands at over $1.1 billion across 10 assets with an on completion value of $1.4 billion[27].

In Dexus Australian Logistics Trust (DALT), Blackstone's Core+ Real Estate strategy in Asia signed a binding agreement to acquire GIC's 49% joint venture interest in the Partnership, with the existing management arrangements for DALT remaining unchanged.

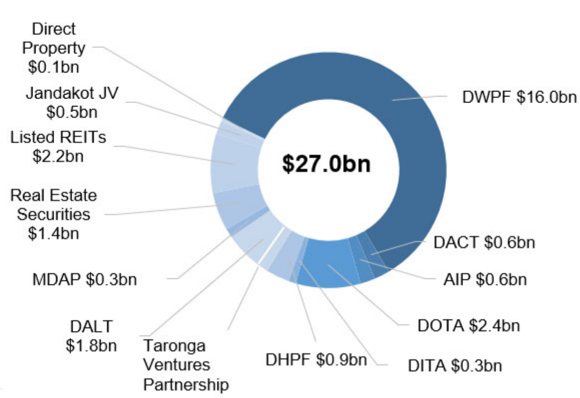
Dexus Real Estate Partnership 1 (DREP1) has neared its $300 million equity commitment target, following a $100 million commitment from Mercer Alternatives. Discussions are underway with a number of investors to participate in another close. DREP1 has already completed its first three investments and is actively pursuing further opportunities.

In April 2021 when unitholders in both DWPF and ADPF approved the merger of the two funds, ADPF was subject to a meaningful volume of redemption requests from existing ADPF Unitholders, which Dexus expects to satisfy on a pro rata basis over an approximate 18-month period through the divestment of a number of assets. To date, Dexus has completed or exchanged over $1.7 billion of sales to fulfill ADPF redemption requests and is on track to fulfill all requests before the October 2022 deadline.

Diversified funds management platform



Funds management portfolio

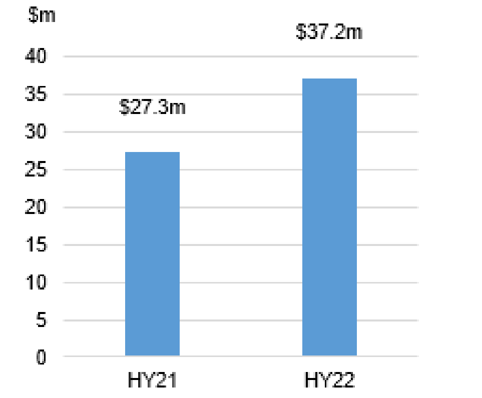


27 Includes Dexus ownership interest on completion value of assets under development.

Dexus performance (continued)

Management operations FFO

The increase in the management operations FFO result is driven by the addition of assets to the platform as a result of the merger of ADPF with DWPF, the acquisition of APN Property Group and other successful initiatives that are expected to continue to drive growth.



Funds management outlook

The funds management business's current exposure is 42% to office properties, 26% to industrial properties, 24% to retail properties, 3% to healthcare properties and 5% real estate securities.

The Australian office and industrial sector outlook is described on page 9.

Retail spending recovered strongly following the Q3 2021 lockdown with national turnover rising 5.8% in the year to November. Strong Black Friday sales and improved consumer sentiment supported the sector. Since then, a surge in Omicron case numbers, and a natural decline in mobility has affected spending, with cafés, restaurants and leisure CBD locations most affected. Anecdotally, sales over the Christmas period were similar to last year. While the Omicron surge is likely to affect discretionary spending in the short term, the long-term view remains positive. The improving outlook for discretionary spending and reduced probability of further lockdowns given Australia's high vaccination rate bodes well for the fortunes of larger shopping centres over the next year after a period of underperformance. In the recent past, smaller centres anchored by supermarkets have performed best, given their reliance on nondiscretionary spending. Sales should also be supported by employment growth and an enlarged pool of household savings.

In Australia's healthcare sector, healthcare operators are experiencing pressures from the Omicron outbreak via unpredictable activity levels and staffing challenges. However, real estate investors are largely protected from this short-term uncertainty due to the nature of their lease arrangements with operators. Investor interest in healthcare real estate continues to firm as both listed and unlisted institutional investors increase their exposure, while transaction volumes have steadily risen in recent years.

Environmental, Social and Governance (ESG) update

Dexus continued to manage its properties for emissions reductions supporting the group's net zero by 30 June 2022 commitment.

Dexus was again acknowledged as a global ESG leader, retaining its position on a several ESG benchmarks, including:

- For the third consecutive year, Dexus outperformed 569 real estate companies globally to become the only real estate company to achieve a Gold Class distinction in the S&P Global Sustainability Yearbook 2022, retaining its leadership on the Dow Jones Sustainability Index
- Achieving a score of A- on the CDP Climate Change survey
- Being recognised as a global leader in sustainability by Global Real Estate Sustainability Benchmark (GRESB) in its 2021 Real Estate Assessment, with Dexus and Dexus Office Trust (DOT) ranking 1st in Public Disclosure for Australian Office entities, and DWPF was named Overall Regional Sector Leader for Diversified Office and Retail entities. DHPF also ranked 1st in Healthcare Centres and 2nd in Developments for Non-Listed Healthcare entities. In addition, Dexus, DWPF and DOT each retained a 5 Star GRESB rating, placing their portfolios in the top 20% of all GRESB participants globally.

Dexus performance (continued)

Financial position

- Total look-through tangible assets increased by $1,599 million primarily due to $2,066.2 million of acquisitions, including co-investments, and $486.2 million of property valuation increases, partially offset by $1,100.0 million of divestments.
- Total look-through borrowings increased by $765 million largely due to funding required for acquisitions and development capital expenditure, partially offset by property divestments.

	31 December 2021	30 June 2021
Office properties ($m)	13,680	13,895
Industrial properties ($m)	4,031	2,904
Healthcare and other properties ($m)	107	282
Other ($m)	1,879	1,017
Total tangible assets ($m)	**19,697**	**18,098**
Borrowings ($m)	(5,768)	(5,003)
Other liabilities[28] ($m)	(1,273)	(815)
Net tangible assets ($m)	**12,657**	**12,280**
Total number of securities on issue	1,075,565,246	1,075,565,246
NTA ($ per security)	**11.77**	**11.42**

28 Excludes $118.0m (FY21: $76.6m) deferred tax liability relating to management rights.

Dexus performance (continued)

Capital management

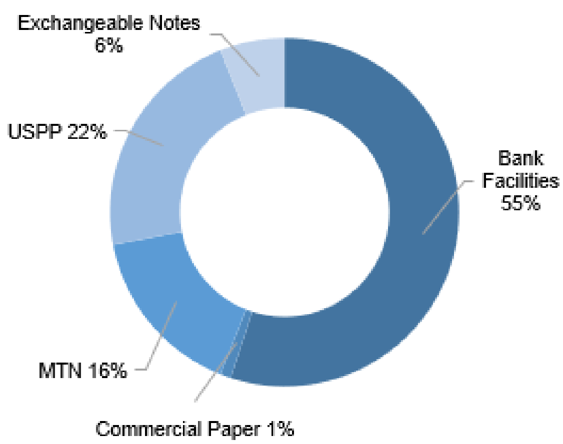
Dexus continued to maintain a strong and conservative balance sheet with gearing[29] at 31.1%, at the lower end of the target range of 30-40%, and $1.6 billion of cash and undrawn debt facilities.

Cost of debt remained low at 2.7%[30] and total debt duration remained high at 5.4 years.

Dexus has manageable debt expiries over the next 12 months and remains within all of its debt covenant limits, retaining its credit ratings of A-/A3 from S&P and Moody's respectively.

Key metrics	31 December 2021	30 June 2021
Gearing[31]	31.1%[29]	26.7%
Cost of debt[30]	2.7%	3.2%
Duration of debt	5.4 years	6.2 years
Hedged debt (incl caps)[32]	64%	81%
S&P/Moody's credit rating	A-/A3	A-/A3

Diversified sources of debt



Summary and guidance

Dexus has an established track record of delivering on its strategy. Strong momentum has continued across its diversified property platform in the first half of FY22 and despite the uncertainty caused by the Omicron variant Dexus remains confident that it can continue to execute on its objectives.

Dexus is supported by a fully integrated platform that comprises a high-quality investment portfolio with upside from a profitable funds management business and a significant development pipeline.

The substantial funds management business enables capital efficient investment alongside third party clients, with the platform growing by an average 21% per annum for the past 5 years, and the $17.8 billion development business enhances portfolio quality while providing inventory to grow third-party relationships.

Dexus maintains its guidance of delivering distribution per security growth of not less than 2% for the 12 months ended 30 June 2022 based on current expectations relating to COVID-19 and barring unforeseen circumstances.

29 Excluding Dexus's share of co-investments in pooled funds. Look-through gearing including Dexus's share of co-investments in pooled funds was 31.5% as at 31 December 2021.
30 Weighted average for the period, inclusive of fees and margins on a drawn basis.
31 Adjusted for cash and debt in equity accounted investments.
32 Average for the period. Hedged debt (excluding caps) was 56% for the six months to 31 December 2021 and 68% for the 12 months to 30 June 2021.

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Property Trust (DPT or the Trust) present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2021. The interim Consolidated Financial Statements represents DPT and its consolidated entities, which are referred to as Dexus (DXS or the Group).

The Trust, together with 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
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark H. Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
Warwick Negus, BBus (UTS), MCom (UNSW), SF (Fin)	1 February 2021
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012

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 13 of this Interim Report.

Significant changes in the state of affairs

During the six months to 31 December 2021, the Group completed the following significant corporate transactions:

1. On 6 July 2021, Dexus implemented the Simplification from a quadruple stapled trust structure (comprised of Dexus Diversified Trust (DDF), Dexus Industrial Trust (DIT), Dexus Office Trust (DOT) and DXO) to a dual stapled trust structure. This was achieved by "top-hatting" three of the existing trusts (DDF, DIT and DOT) with a newly established trust, DPT. Effective from this date, the Simplified Group now comprises a unit in each of DXO and DPT, with DXFM appointed as the Responsible Entity of DPT.
2. On 27 July 2021, APN Property Group (APN) security holders approved the Scheme of Arrangement for Dexus to acquire all of the stapled securities in APN for an all cash-consideration of 90 cents per security. On 13 August 2021, the Scheme was implemented. Effective from this date, APN and its controlled entities are now wholly owned subsidiaries of Dexus.
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, Dexus Industria REIT (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.

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 16 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 14 February 2022.

W Richard Sheppard
Chair
14 February 2022

Darren J Steinberg
Chief Executive Officer
14 February 2022

Auditor's Independence Declaration

As lead auditor for the review of Dexus Property Trust 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 Dexus Property Trust and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
14 February 2022

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2021

	Note	31 Dec 2021 $m	31 Dec 2020 Restated[1] $m
Revenue from ordinary activities			
Property revenue	2	**234.1**	257.5
Development revenue		**170.1**	288.2
Interest revenue		**1.2**	0.3
Management fees and other revenue		**109.5**	80.6
Total revenue from ordinary activities	1	**514.9**	626.6
Net fair value gain of investment properties		**192.1**	69.7
Share of net profit of investments accounted for using the equity method		**497.0**	211.5
Net fair value gain of foreign currency interest bearing liabilities		**30.8**	61.2
Net fair value gain of derivatives		**1.0**	-
Other income		**5.2**	-
Reversal of impairment of inventories		**-**	4.7
Total Income		**1,241.0**	973.7
Expenses			
Property expenses	2	**(73.9)**	(81.5)
Development costs		**(139.3)**	(220.9)
Finance costs	3	**(71.5)**	(71.5)
Impairment of investments accounted for using the equity method		**(0.9)**	-
Net fair value loss of financial assets at fair value through profit or loss	10	**(2.4)**	-
Net fair value loss of derivatives		**-**	(63.9)
Transaction costs		**(52.1)**	(2.4)
Net foreign exchange loss		**(0.1)**	-
Management operations, corporate and administration expenses		**(88.3)**	(66.8)
Total expenses		**(428.5)**	(507.0)
Profit before tax		**812.5**	466.7
Income tax expense	4	**(9.3)**	(25.4)
Profit for the period		**803.2**	441.3
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**2.6**	(14.5)
Changes in the foreign currency basis spread reserve		**7.9**	(9.7)
Total comprehensive income for the period		**813.7**	417.1
Profit for the period attributable to:			
Unitholders of the parent entity[2]		**780.3**	201.8
Unitholders of other stapled entities (non-controlling interests)[3]		**22.9**	239.5
Profit for the period		**803.2**	441.3
Total comprehensive income for the period attributable to:			
Unitholders of the parent entity[2]		**790.8**	177.6
Unitholders of other stapled entities (non-controlling interests)[3]		**22.9**	239.5
Total comprehensive income for the period		**813.7**	417.1
		Cents	Cents
Earnings per unit on profit attributable to unitholders of the Trust (parent entity)[2]			
Basic earnings per unit		**72.55**	18.50
Diluted earnings per unit		**71.69**	18.04
Earnings per stapled security on profit attributable to stapled security holders			
Basic earnings per security		**74.68**	40.46
Diluted earnings per security		**73.77**	40.42

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of “Configuration or Customisation Costs in a Cloud Computing Arrangement”. Refer to note 19 for further details.
2. As a result of the simplification of the stapled group structure implemented on 6 July 2021, DPT is deemed the new parent entity for financial reporting purposes. The parent entity for the comparative period was DDF. Refer to the Basis of preparation within the Notes to the Consolidated Financial Statements for further information.
3. As a result of the simplification of the stapled group structure implemented on 6 July 2021, non-controlling interests comprise DXO for financial reporting purposes. Non-controlling interests for the comparative period comprise DIT, DOT and DXO. Refer to the Basis of preparation within the Notes to the Consolidated Financial Statements for further information.

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

	Note	31 Dec 2021 $m	30 Jun 2021 $m
Current assets			
Cash and cash equivalents		**61.9**	43.5
Receivables	16	**154.6**	121.0
Non-current assets classified as held for sale	9	**786.3**	272.8
Inventories	8	**-**	137.2
Derivative financial instruments	13	**13.8**	13.8
Current tax receivable		**8.3**	21.2
Other		**62.8**	28.3
Total current assets		**1,087.7**	637.8
Non-current assets			
Investment properties	6	**7,999.0**	8,476.8
Plant and equipment		**9.4**	10.1
Right-of-use assets		**18.1**	13.6
Inventories	8	**42.4**	41.0
Investments accounted for using the equity method	7	**9,119.4**	8,070.4
Receivables		**15.7**	-
Derivative financial instruments	13	**390.5**	333.3
Intangible assets	17	**489.8**	305.4
Other financial assets at fair value through profit or loss	10	**177.6**	180.5
Loans to related parties		**31.8**	30.7
Total non-current assets		**18,293.7**	17,461.8
Total assets		**19,381.4**	18,099.6
Current liabilities			
Payables		**196.6**	173.8
Interest bearing liabilities	12	**260.9**	50.0
Lease liabilities	11	**4.9**	3.5
Derivative financial instruments	13	**6.1**	7.2
Provisions		**348.5**	291.2
Other		**8.0**	7.8
Total current liabilities		**825.0**	533.5
Non-current liabilities			
Interest bearing liabilities	12	**5,330.4**	4,874.7
Lease liabilities	11	**23.5**	20.5
Derivative financial instruments	13	**34.3**	42.9
Deferred tax liabilities		**116.8**	92.9
Provisions		**3.3**	2.7
Other		**19.9**	23.4
Total non-current liabilities		**5,528.2**	5,057.1
Total liabilities		**6,353.2**	5,590.6
Net assets		**13,028.2**	12,509.0
Equity			
Equity attributable to unitholders of the Trust (parent entity)[1]			
Contributed equity	15	**7,048.0**	2,341.4
Reserves		**9.7**	(0.8)
Retained profits		**5,577.7**	1,463.9
Parent entity unitholders' interest		**12,635.4**	3,804.5
Equity attributable to unitholders of other stapled entities[2]			
Contributed equity	15	**107.1**	4,813.7
Reserves		**44.1**	37.4
Retained profits		**241.6**	3,853.4
Other stapled unitholders' interest		**392.8**	8,704.5
Total equity		**13,028.2**	12,509.0

1. As a result of the simplification of the stapled group structure implemented on 6 July 2021, DPT is deemed the new parent entity for financial reporting purposes. The parent entity for the comparative period was DDF. Refer to the Basis of preparation within the Notes to the Consolidated Financial Statements for further information.
2. As a result of the simplification of the stapled group structure implemented on 6 July 2021, non-controlling interests comprise DXO for financial reporting purposes. Non-controlling interests for the comparative period comprise DIT, DOT and DXO. Refer to the Basis of preparation within the Notes to the Consolidated Financial Statements for further information.

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

	Note	Attributable to unitholders of the Trust (parent entity)[1]				Attributable to unitholders of other stapled entities[2]				
	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 2020		2,381.4	15.2	1,051.9	3,448.5	4,909.5	35.4	3,716.9	8,661.8	12,110.3
Change in accounting policy	19	-	-	-	-	-	-	(29.1)	(29.1)	(29.1)
Restated opening balance as at 1 July 2020		2,381.4	15.2	1,051.9	3,448.5	4,909.5	35.4	3,687.8	8,632.7	12,081.2
Net profit/(loss) for the period		-	-	201.8	201.8	-	-	239.5	239.5	441.3
Other comprehensive income/(loss) for the period		-	(24.2)	-	(24.2)	-	-	-	-	(24.2)
Total comprehensive income/(loss) for the period		-	(24.2)	201.8	177.6	-	-	239.5	239.5	417.1
Transactions with owners in their capacity as owners:										
Buy-back of contributed equity, net of transaction costs		(5.3)	-	-	(5.3)	(13.5)	-	-	(13.5)	(18.8)
Purchase of securities, net of transaction costs		-	-	-	-	-	(7.2)	-	(7.2)	(7.2)
Security-based payments expense		-	-	-	-	-	2.9	-	2.9	2.9
Distributions paid or provided for		-	-	-	-	-	-	(313.6)	(313.6)	(313.6)
Total transactions with owners in their capacity as owners:		(5.3)	-	-	(5.3)	(13.5)	(4.3)	(313.6)	(331.4)	(336.7)
Closing balance as per 31 December 2020		2,376.1	(9.0)	1,253.7	3,620.8	4,896.0	31.1	3,613.7	8,540.8	12,161.6
Opening balance as at 1 July 2021		2,341.4	(0.8)	1,463.9	3,804.5	4,813.7	37.4	3,853.4	8,704.5	12,509.0
Capital reorganisation[3]		4,706.6	-	3,634.7	8,341.3	(4,706.6)	-	(3,634.7)	(8,341.3)	-
Restated opening balance as at 1 July 2021		**7,048.0**	**(0.8)**	**5,098.6**	**12,145.8**	**107.1**	**37.4**	**218.7**	**363.2**	**12,509.0**
Net profit/(loss) for the period		**-**	**-**	**780.3**	**780.3**	**-**	**-**	**22.9**	**22.9**	**803.2**
Other comprehensive income/(loss) for the period		**-**	**10.5**	**-**	**10.5**	**-**	**-**	**-**	**-**	**10.5**
Total comprehensive income/(loss) for the period		**-**	**10.5**	**780.3**	**790.8**	**-**	**-**	**22.9**	**22.9**	**813.7**
Transactions with owners in their capacity as owners:										
Security-based payments expense		**-**	**-**	**-**	**-**	**-**	**6.7**	**-**	**6.7**	**6.7**
Distributions paid or provided for		**-**	**-**	**(301.2)**	**(301.2)**	**-**	**-**	**-**	**-**	**(301.2)**
Total transactions with owners in their capacity as owners		**-**	**-**	**(301.2)**	**(301.2)**	**-**	**6.7**	**-**	**6.7**	**(294.5)**
Closing balance as at 31 December 2021		**7,048.0**	**9.7**	**5,577.7**	**12,635.4**	**107.1**	**44.1**	**241.6**	**392.8**	**13,028.2**

1. As a result of the simplification of the stapled group structure implemented on 6 July 2021, DPT is deemed the new parent entity for financial reporting purposes. The parent entity for the comparative period was DDF. Refer to the Basis of preparation within the Notes to the Consolidated Financial Statements for further information.
2. As a result of the simplification of the stapled group structure implemented on 6 July 2021, non-controlling interests comprise DXO for financial reporting purposes. Non-controlling interests for the comparative period comprise DIT, DOT and DXO. Refer to the Basis of preparation within the Notes to the Consolidated Financial Statements for further information.
3. The simplification from a quadruple stapled trust structure to a dual stapled trust structure is viewed as a capital reorganisation as it was merely a change in the legal structure of the Group. There was no change to the assets or liabilities of the Group on implementation of the Simplification, excluding the impact of transaction costs. Refer to the Basis of preparation within the Notes to the Consolidated Financial Statements for further information.

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

	31 Dec 2021 $m	31 Dec 2020 Restated[1] $m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**365.7**	392.0
Payments in the course of operations (inclusive of GST)	**(211.2)**	(176.5)
Interest received	**1.2**	0.3
Finance costs paid	**(73.5)**	(67.9)
Distributions received from investments accounted for using the equity method	**106.6**	165.4
Income tax paid	**(12.4)**	(47.1)
Proceeds from sale of property classified as inventory and development services	**170.1**	284.9
Payments for property classified as inventory and development services	**(2.3)**	(57.5)
Net cash inflow/(outflow) from operating activities	**344.2**	493.6
Cash flows from investing activities		
Proceeds from sale of investment properties	**271.2**	521.9
Payments for capital expenditure on investment properties	**(84.6)**	(55.2)
Proceeds from the sale of investments accounted for using the equity method	**989.6**	-
Payments for investments accounted for using the equity method	**(1,490.0)**	(475.2)
Payments for acquisition of investment properties	**(100.4)**	(126.6)
Payments for plant and equipment	**(0.4)**	(0.3)
Payments for intangibles	**(3.5)**	(0.4)
Payment for acquisition of subsidiary, net of cash acquired	**(280.0)**	-
Net cash inflow/(outflow) from investing activities	**(698.1)**	(135.8)
Cash flows from financing activities		
Proceeds from borrowings	**1,734.8**	3,702.0
Repayment of borrowings	**(1,113.0)**	(3,762.0)
Payment of lease liabilities	**(2.1)**	(2.0)
Payments for buy-back of contributed equity, net of transaction costs	**-**	(18.8)
Purchase of securities for security-based payments plans	**-**	(7.2)
Distributions paid to security holders	**(247.4)**	(254.3)
Net cash inflow/(outflow) from financing activities	**372.3**	(342.3)
Net increase/(decrease) in cash and cash equivalents	**18.4**	15.5
Cash and cash equivalents at the beginning of the period	**43.5**	31.8
Cash and cash equivalents at the end of the period	**61.9**	47.3

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 19 for further details.

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* 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*.

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. Where required, comparative information has been restated for consistency with the current year's presentation.

The interim Consolidated Financial Statements are presented in Australian dollars, with all values rounded to 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 equity accounted investments, derivative financial instruments, security based payments, and other financial assets and liabilities which are stated at their fair value.

Dexus Simplification

On 6 July 2021, Dexus implemented the Simplification from a quadruple stapled trust structure (comprised of DDF, DIT, DOT and DXO) to a dual stapled trust structure comprised of DPT and DXO. This was achieved by "top-hatting" three of the existing trusts (DDF, DIT and DOT) with a newly established trust, DPT. Effective from this date, the Simplified Group now comprises a unit in each of DXO and DPT, with DXFM appointed as the Responsible Entity of DPT.

In accordance with AASB 3 *Business Combinations*, the change in stapled structure from four stapled trusts to two, requires the Directors to reassess which trust is the deemed parent for the purpose of preparing Consolidated Financial Statements for Dexus, post simplification. Dexus has determined that DPT is the deemed parent entity for Dexus post simplification on the basis that:

- DPT, although being a newly established trust, is the legal parent and vehicle for owning the interests in DDF, DIT and DOT; and
- DPT represented 97% of the equity and 95% of total assets of DXS at 30 June 2021, and is larger in relative size than DXO.

This transaction had no impact on the assets or liabilities of Dexus (excluding transaction costs) and is deemed a capital reorganisation rather than a business combination (as defined in AASB 3 *Business Combinations*).

On implementation of the Simplification, the total equity balance of Dexus (Contributed equity, Reserves and Retained earnings) remained unchanged (excluding the impact of transaction costs). However the allocation between Equity attributable to Unitholders of the Trust (parent entity) and Equity attributable to Unitholders of other stapled entities changed. The portion of total equity attributable to each of the parent entity and other stapled entities has been determined by applying the predecessor method, whereby the consolidated Contributed equity, Reserves and Retained earnings of the existing head trusts have been reallocated between those attributable to DPT and those attributable to DXO. Prior period comparatives have not been restated to reflect the impact of the current year restructure.

Dexus stapled securities are quoted on the Australian Securities Exchange under the "DXS" code, and from 7 July 2021 comprise a unit in each of DPT and DXO.

Basis of preparation (continued)

Dexus Simplification (continued)

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

Equity attributable to the other trust stapled to DPT is a form of non-controlling interest and represents the equity of DXO. The amount of non-controlling interest attributable to stapled security holders is disclosed in the Consolidated Statement of Financial Position.

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards. DXFM as Responsible Entity for DPT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

Change in accounting policies

On 27 April 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued an addendum regarding the treatment of “Configuration or Customisation Costs in a Cloud Computing Arrangement”. The focus of the addendum was to clarify how a customer should account for the cost of configuring or customising a supplier’s software when it is a “Software as a Service” (SaaS) product. In response to this clarification, the Group has retrospectively changed its accounting policy for the amount of any SaaS arrangements previously recorded as intangible assets. Refer to note 17 *Intangible assets* and note 19 *Change in accounting policy* for impacts on the interim Consolidated Financial Statements.

Significant change from the annual financial report

During the half year, the Group entered into a business combination to acquire APN Property Group (APN). Details of the acquisition are outlined in note 18 *Business combination*. The accounting policy for business combinations and related goodwill is outlined below.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the acquisition date and adjusted for the amount of any non-controlling interests in the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition by acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the net identifiable assets of the acquired entity. Acquisition related costs are expensed as incurred.

Goodwill is the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition date fair value of any previous equity interest in the acquired entity, less the fair value of the net identifiable assets acquired. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses and is tested for impairment annually.

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, and Receivables.

The first six months 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.

Basis of preparation (continued)

Critical accounting estimates (continued)

Despite impacts from the pandemic, it has been an active start to the year with growth in the funds management business, continued leasing activity as well as new acquisitions and selective asset sales. This momentum demonstrates Dexus's continued focused on leveraging its platform capabilities to drive performance across the portfolio and in its third party funds.

During the six months to 31 December 2021, Dexus leased 112,601 square metres of office space across 151 transactions, in addition to 2,273 square metres of space across six transactions in relation to office developments underway. Dexus office portfolio occupancy remained stable at 95.1% (June 2021: 95.2%).

During the six months to 31 December 2021, Dexus leased 115,664 square metres of industrial space across 40 transactions with 9 development deals completed across 154,534 square metres. Dexus industrial portfolio occupancy increased to 98.6% (June 2021: 97.7%).

Retail tenants located at the base of Dexus's office buildings continue to be impacted with lower foot traffic and sales as a result of COVID-19 and Government imposed restrictions.

Dexus continues to work with impacted tenants to finalise rent relief packages in accordance with the legislation and regulations in NSW and Victoria.

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, other financial assets at fair value through profit or loss, investment properties (including those held within investments accounted for using the equity method), 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 to the interim Consolidated Financial Statements are organised into the following sections:

Group performance	**Property portfolio assets**	**Capital management and other investments**	**Other disclosures**
1. Operating segments	6. Investment properties	11. Lease liabilities	17. Intangible assets
2. Property revenue	7. Investments accounted for using the equity method	12. Interest bearing liabilities	18. Business combination
3. Finance costs	8. Inventories	13. Fair value measurement	19. Change in accounting policy
4. Taxation	9. Non-current assets classified as held for sale	14. Contingencies	20. Subsequent events
5. Distributions paid and payable	10. Financial assets at fair value through profit or loss	15. Contributed equity	
		16. Receivables	

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, property revenue, 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 owned directly or in joint ventures or partnerships.
Industrial	Domestic industrial properties, industrial estates and industrial developments owned directly or in joint ventures or partnerships.
Co-investments	Distribution income earned from investments in pooled property and real estate security funds.
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 and other investments.

Revisions to segment results

During the half year to 31 December 2021, Dexus implemented a change to the presentation of its segment financial information. The change related to:

- The creation of a Co-investments segment revenue line item to provide greater visibility of the earnings generated from Co-investments;
- The Co-investments segment includes investments in the following managed funds and strategic ventures: Australian Unity Healthcare Property Trust, APN Asian REIT Fund, APN Global REIT Income Fund, Dexus Convenience Retail REIT, Dexus Development Fund No.2, Dexus Healthcare Property Fund, Dexus Industria REIT, Dexus Regional Property Fund, Dexus DREP 1 Co-investment Trust, Divvy Parking Pty Ltd and RealTech Ventures;
- The investments in Australian Unity Healthcare Property Trust, Dexus Healthcare Property Fund, Divvy Parking Pty Ltd and RealTech Ventures have been reallocated from *All other segments* to the new *Co-investments* segment.

This change impacts segment results and balance sheets, however it has no impact on the Group's overall results or balance sheet. Comparative segment financial information has been restated to reflect this change.

Group performance (continued)

Note 1 Operating segments (continued)

31 December 2021	Office $m	Industrial $m	Co-investments $m	Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
Segment performance measures									
Property revenue	386.2	86.5	-	-	-	-	-	(2.7)	**470.0**
Property management fees	-	-	-	22.0	-	-	-	-	**22.0**
Development revenue	-	-	-	-	-	170.1	-	-	**170.1**
Management fee revenue	-	-	-	12.7	56.9	7.7	-	-	**77.3**
Co-investment income	-	-	13.8	-	-	-	-	-	**13.8**
Total operating segment revenue	**386.2**	**86.5**	**13.8**	**34.7**	**56.9**	**177.8**	**-**	**(2.7)**	**753.2**
Property expenses & property management salaries	(115.1)	(22.9)	-	(12.1)	-	-	-	-	**(150.1)**
Management operations expenses	-	-	-	(17.5)	(21.3)	(11.2)	-	-	**(50.0)**
Corporate and administration expenses	(7.2)	(2.0)	-	-	-	-	(22.4)	2.7	**(28.9)**
Development costs	-	-	-	-	-	(139.3)	-	-	**(139.3)**
Interest revenue	-	-	-	-	-	-	14.0	-	**14.0**
Finance costs	-	-	-	-	-	-	(68.7)	-	**(68.7)**
Incentive amortisation and rent straight-line	70.4	6.7	-	-	-	-	-	-	**77.1**
FFO tax expense	-	-	-	-	-	(9.2)	(12.2)	-	**(21.4)**
Rental guarantees, coupon income and other	4.4	0.9	-	-	-	-	5.5	-	**10.8**
Funds From Operations (FFO)	**338.7**	**69.2**	**13.8**	**5.1**	**35.6**	**18.1**	**(83.8)**	**-**	**396.7**
Net fair value gain/(loss) of investment properties	147.0	330.1	-	-	-	-	9.1	-	**486.2**
Net fair value gain/(loss) of derivatives	-	-	-	-	-	-	1.0	-	**1.0**
Transaction costs and other significant items	-	-	-	-	-	-	(68.6)	-	**(68.6)**
Net fair value gain/(loss) of investments at fair value	-	-	-	-	-	-	(2.4)	-	**(2.4)**
Net fair value gain/(loss) of interest bearing liabilities	-	-	-	-	-	-	30.8	-	**30.8**
Incentive amortisation and rent straight-line	(70.4)	(6.7)	-	-	-	-	-	-	**(77.1)**
Amortisation of intangible assets and impairments	-	-	-	-	-	-	(1.1)	-	**(1.1)**
Non FFO tax expense	-	-	-	-	-	-	12.1	-	**12.1**
Rental guarantees, coupon income and other	(4.4)	(0.9)	-	-	-	-	(4.5)	-	**(9.8)**
Share of net profit of investments accounted for using the equity method	-	-	45.4	-	-	-	-	-	**45.4**
Distribution income	-	-	3.8	-	-	-	-	-	**3.8**
Co-investment income	-	-	(13.8)	-	-	-	-	-	**(13.8)**
Net profit/(loss) attributable to stapled security holders	**410.9**	**391.7**	**49.2**	**5.1**	**35.6**	**18.1**	**(107.4)**	**-**	**803.2**
Investment properties	6,318.1	1,654.5	-	-	-	-	26.4	-	**7,999.0**
Non-current assets held for sale	938.0	-	-	-	-	-	-	-	**938.0**
Inventories	-	-	-	-	-	42.4	-	-	**42.4**
Equity accounted investment properties	6,424.2	2,334.4	642.7	-	-	-	90.8	-	**9,492.1**
Equity accounted real estate security funds	-	-	9.0	-	-	-	-	-	**9.0**
Financial assets at fair value through profit or loss	-	-	177.6	-	-	-	-	-	**177.6**
Property portfolio and pooled funds	**13,680.3**	**3,988.9**	**829.3**	**-**	**-**	**42.4**	**117.2**	**-**	**18,658.1**

Group performance (continued)

Note 1 Operating segments (continued)

31 December 2020	Office $m	Industrial $m	Co-investments $m	Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total Restated[1] $m
Segment performance measures									
Property revenue	382.5	68.5	-	-	-	-	3.4	(2.7)	**451.7**
Property management fees	-	-	-	20.2	-	-	-	-	**20.2**
Development revenue	-	-	-	-	-	288.2	-	-	**288.2**
Management fee revenue	-	-	-	11.7	34.6	6.2	-	-	**52.5**
Co-investment income	-	-	3.1	-	-	-	-	-	**3.1**
Total operating segment revenue	**382.5**	**68.5**	**3.1**	**31.9**	**34.6**	**294.4**	**3.4**	**(2.7)**	**815.7**
Property expenses & property management salaries	(125.8)	(18.2)	-	(10.3)	-	-	(0.4)	-	**(154.7)**
Management operations expenses	-	-	-	(15.6)	(13.1)	(6.4)	-	-	**(35.1)**
Corporate and administration expenses	(6.4)	(1.6)	-	-	-	-	(16.6)	2.7	**(21.9)**
Development costs	-	-	-	-	-	(220.9)	-	-	**(220.9)**
Interest revenue	-	-	-	-	-	-	0.4	-	**0.4**
Finance costs	-	-	-	-	-	-	(64.9)	-	**(64.9)**
Incentive amortisation and rent straight-line	67.4	8.8	-	-	-	-	-	-	**76.2**
FFO tax expense	-	-	-	-	-	(20.2)	(9.0)	-	**(29.2)**
Rental guarantees, coupon income and other	12.8	-	-	-	-	-	(2.8)	-	**10.0**
Funds From Operations (FFO)	**330.5**	**57.5**	**3.1**	**6.0**	**21.5**	**46.9**	**(89.9)**	**-**	**375.6**
Net fair value gain/(loss) of investment properties	32.8	112.0	-	-	-	-	(0.1)	-	**144.7**
Impairment of inventories	-	-	-	-	-	4.7	-	-	**4.7**
Net fair value gain/(loss) of derivatives	-	-	-	-	-	-	(65.7)	-	**(65.7)**
Transaction costs and other significant items	-	-	-	-	-	-	(3.5)	-	**(3.5)**
Net gain/(loss) on sale of investment properties	0.7	-	-	-	-	-	-	-	**0.7**
Net fair value gain/(loss) of interest bearing liabilities	-	-	-	-	-	-	61.2	-	**61.2**
Incentive amortisation and rent straight-line	(67.4)	(8.8)	-	-	-	-	-	-	**(76.2)**
Amortisation of intangible assets and impairments	-	-	-	-	-	-	(5.1)	-	**(5.1)**
Non FFO tax expense	-	-	-	-	-	-	3.1	-	**3.1**
Rental guarantees, coupon income and other	(12.8)	-	-	-	-	-	(0.5)	-	**(13.3)**
Share of net profit of investments accounted for using the equity method	-	-	18.2	-	-	-	-	-	**18.2**
Co-investment income	-	-	(3.1)	-	-	-	-	-	**(3.1)**
Net profit/(loss) attributable to stapled security holders	**283.8**	**160.7**	**18.2**	**6.0**	**21.5**	**51.6**	**(100.5)**	**-**	**441.3**
Investment properties	6,852.7	1,303.6	-	-	-	-	8.9	-	**8,165.2**
Non-current assets held for sale	993.0	20.3	-	-	-	-	-	-	**1,013.3**
Inventories	-	-	-	-	-	163.3	-	-	**163.3**
Equity accounted investment properties	5,922.7	956.7	188.1	-	-	-	63.2	-	**7,130.7**
Property portfolio and pooled funds	**13,768.4**	**2,280.6**	**188.1**	**-**	**-**	**163.3**	**72.1**	**-**	**16,472.5**

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of “Configuration or Customisation Costs in a Cloud Computing Arrangement”. Comparatives have also been restated to reflect the impacts resulting from presentational changes made during the half year to 31 December 2021, to separately disclose segment information relating to Co-investments.

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 and reversal of impairments, derivative and foreign exchange mark-to-market impacts, fair value movements on financial assets held at fair value through profit or loss, 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 SaaS customisation expenses), 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 2021 $m	31 Dec 2020 Restated[1] $m
Property lease revenue	**420.2**	399.6
Property services revenue	**49.8**	52.1
Property revenue	**470.0**	451.7
Co-investment income	**13.8**	3.1
Property management fees	**22.0**	20.2
Development revenue	**170.1**	288.2
Management fee revenue	**77.3**	52.5
Total operating segment revenue	**753.2**	815.7
Share of revenue from joint ventures	**(239.5)**	(189.4)
Interest revenue	**1.2**	0.3
Total revenue from ordinary activities	**514.9**	626.6

1. Restatement of prior year comparatives required to reflect the impacts resulting from presentational changes made during the half year to 31 December 2021, to separately disclose segment information relating to Co-investments.

Reconciliation of segment assets to the Consolidated Statement of Financial Position

	31 Dec 2021 $m	30 Jun 2021 $m
Property portfolio[1]	**18,471.5**	17,096.6
Equity accounted real estate security funds[2]	**9.0**	-
Financial assets at fair value through profit or loss	**177.6**	180.5
Right-of-use assets	**18.1**	13.6
Cash and cash equivalents	**61.9**	43.5
Receivables	**154.6**	121.0
Intangible assets	**489.8**	305.4
Derivative financial instruments	**404.3**	347.1
Plant and equipment	**9.4**	10.1
Prepayments and other assets[3]	**(414.8)**	(18.2)
Total assets	**19,381.4**	18,099.6

1. Includes the Group's portion of investment properties accounted for using the equity method.
2. Includes co-investments in unlisted real estate security funds which are managed by the Group. The principal activity of these funds is to invest in domestic and global listed real estate investment trusts. The Group is deemed to have significant influence over these managed funds, due to its ability to influence the decisions made by the Board of the Responsible Entity of these funds, which is a 100% owned subsidiary of the Group.
3. 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 Property revenue and expenses

	31 Dec 2021 $m	31 Dec 2020 $m
Rent and recoverable outgoings	**219.0**	242.4
Services revenue	**26.9**	31.7
Incentive amortisation	**(39.9)**	(39.8)
Other revenue	**28.1**	23.2
Total property revenue	**234.1**	257.5

Property expenses of $73.9 million (December 2020: $81.5 million) includes rates, taxes and other property outgoings incurred in relation to investment properties.

Impact of COVID-19 on Property revenue

The rent relief measures outlined in the Australian Government National Code of Conduct (Code of Conduct) and given effect to by State based legislation and regulations operate over the following periods:

- NSW – For the period 13 July 2021 to 13 March 2022
- VIC – For the period 28 July 2021 to 15 March 2022

Dexus continues to work with impacted tenants to finalise rent relief packages in accordance with the legislation and regulations in these States.

The various rent relief measures are accounted for as follows in line with ASIC guidance '*20-157MR Focuses for financial reporting under COVID-19 conditions'* published on 7 July 2020.

When a rent waiver agreement is made between the landlord and tenant:

- Rent waived that relates to future occupancy is spread over the remaining lease term and recognised on straight-line basis;
- Rent waived that relates to past occupancy is expensed immediately, except to the extent there exists a pre-existing provision for expected credit losses relating to unpaid rent.

Property revenue has been recognised for occupancy up to the date of a waiver agreement. Where there was no agreement at 31 December 2021, a provision for expected credit losses per AASB 9 *Financial Instruments* has been recognised against any receivable for unpaid rent for past occupancy.

The provision for expected credit losses is recognised with a corresponding expense in Property expenses. The provision covers the difference between contractual cash flows that are due and cash flows expected to be received. Accordingly, the provision includes both that part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant. Refer to note 16 *Receivables* for the amount of the provision for expected credit losses recognised at the reporting date.

In the circumstance where the tenant has fully paid rent for the period of occupancy up to balance date, there is no rent receivable against which to make a provision. Where it is expected that some of the rent already paid by the tenant will be waived, there is no basis to recognise a liability at balance date.

Rent deferrals, where in substance the deferral is a delay in the timing of payments, have no impact on property revenue recognition. A separate assessment of the recoverability of rent receivable is performed in accordance with the policy outlined in note 16 *Receivables*.

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 **$m**	31 Dec 2020 $m
Interest paid/payable	**61.7**	56.3
Amount capitalised	**(3.3)**	(1.3)
Net fair value (gain)/loss of interest rate derivatives	**5.7**	11.0
Finance costs - leases and debt modification	**2.5**	2.2
Other finance costs	**4.9**	3.3
Total finance costs	**71.5**	71.5

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.75% (December 2020: 3.25%).

Note 4 Taxation

Under current Australian income tax legislation, DPT is not liable for income tax provided it satisfies 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.

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

	31 Dec 2021 **$m**	31 Dec 2020 Restated[1] $m
Profit before income tax	**812.5**	466.7
Less: profit attributed to entities not subject to tax	**(781.8)**	(382.3)
Profit subject to income tax	**30.7**	84.4
Prima facie tax expense at the Australian tax rate of 30% (December 2020: 30%)	**(9.2)**	**(25.3)**
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
(Non-assessable)/non-deductible items	**(0.1)**	(0.1)
Income tax expense	**(9.3)**	(25.4)

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of “Configuration or Customisation Costs in a Cloud Computing Arrangement”. Refer to note 19 for further details.

Note 5 Distributions paid and payable

Distributions are recognised when declared.

a) Distribution to security holders

	31 Dec 2021 $m	31 Dec 2020 $m
31 December (payable 28 February 2022)	**301.2**	313.6
Total distribution to security holders	**301.2**	313.6

b) Distribution rate

	31 Dec 2021 Cents per security	31 Dec 2020 Cents per security
31 December (payable 28 February 2022)	**28.0**	28.8
Total distributions	**28.0**	28.8

Property portfolio assets

In this section

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

31 December 2021	Note	Leased Asset $m	Office $m	Industrial $m	Co-investments $m	Healthcare and other $m	Total $m
Investment properties	6	8.3	6,318.1	1,654.5	-	18.1	**7,999.0**
Investments accounted for using the equity method	7	2.3	6,424.2	2,334.4	642.7	88.5	**9,492.1**
Inventories	8	-	-	42.4	-	-	**42.4**
Non-current assets classified as held for sale	9	-	938.0	-	-	-	**938.0**
Financial assets at fair value through profit or loss	10	-	-	-	177.6	-	**177.6**
Total		**10.6**	**13,680.3**	**4,031.3**	**820.3**	**106.6**	**18,649.1**

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 and investment properties included within equity accounted investments which are expected to be sold within 12 months of the reporting date and are currently being marketed for sale.
- *Financial assets at fair value through profit or loss:* relates to minority interests in unlisted managed property funds.

Note 6 Investment properties

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

Reconciliation

		For the 6 months to 31 Dec 2021 $m	For the 12 months to 30 Jun 2021 $m
Opening balance at the beginning of the period		**8,476.8**	8,215.9
Additions		**52.5**	101.4
Acquisitions		**69.2**	197.5
Lease incentives		**36.7**	43.9
Amortisation of lease incentives		**(43.6)**	(83.8)
Rent straightlining		**0.2**	(1.2)
Disposals		**-**	(13.0)
Transfer to non-current assets classified as held for sale	9	**(786.3)**	(272.8)
Transfer from inventories	8	**-**	6.9
Net fair value gain/(loss) of investment properties [1]		**193.5**	282.0
Closing balance at the end of the period		**7,999.0**	8,476.8

1. Excludes the fair value loss recognised on the sale of 60 Miller Street, North Sydney NSW. At 30 June 2021, this asset was recognised as a part of Non-current assets classified as held for sale.

Note 6 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.

Acquisitions

2 Chilvers Street, Baldivis, WA, was acquired as part of the APN acquisition for $1.9 million excluding transaction costs. Refer to note 18 *Business combinations* for further details.

On 5 October 2021, settlement occurred for the acquisition of 53 Old Pacific Highway, North Pimpama, QLD for $6.8 million excluding acquisition costs.

On 5 October 2021, settlement occurred for the acquisition of 18 Andrews Street, Cannon Hill, QLD for $8.4 million excluding acquisition costs.

On 7 October 2021, settlement occurred for the acquisition of Stage 1 and 2 1-21 McPhee Drive, Berrinba, QLD for $46.6 million excluding acquisition costs.

Disposals

On 3 August 2021, settlement occurred for the disposal of 60 Miller Street, North Sydney for $275.0 million excluding transaction costs.

Impact of COVID-19 on fair value of investment properties

There is a continuing level of uncertainty in relation to the ultimate impact of COVID-19 on the Group's investment property valuations. As a result, the independent valuations incorporate a range of assumptions used in determining appropriate fair values for investment properties as at 31 December 2021. The assumptions that have had the greatest impact on the valuations are listed below:

- Valuers have adjusted market rental growth, downtime and incentive assumptions within their discounted cashflow (DCF);
- Some valuers have incorporated an allowance for the uncertainty in relation to the payment of rent with regards to the Government's Code of Conduct where the tenant pool comprises small to medium enterprises (SMEs) or where operating hours have been impacted; and
- Capitalisation and discount rates have generally remained relatively stable for office assets and firmed for industrial assets.

Some of the independent valuations obtained by the Group also include significant valuation uncertainty clauses due to the unknown impacts of COVID-19 including Government imposed restrictions and limited interstate travel may have on the investment property assets in the various markets. These clauses have been removed from most industrial valuations due to the current transaction volumes and market pricing. The Group considers that the assumptions used in the valuations are materially appropriate for the purposes of determining fair value of investment properties at 31 December 2021.

Note 7 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 either property investment related in Australia or investment in Australian and global listed real estate investment trusts.

	Ownership interest			
	31 Dec 2021	30 Jun 2021	**31 Dec 2021**	30 Jun 2021
Name of entity	**%**	%	**$m**	$m
Dexus Office Trust Australia (DOTA)	**50.0**	50.0	**2,424.2**	2,573.1
Dexus 80C Trust	**75.0**	75.0	**1,185.0**	1,154.5
Dexus Martin Place Trust	**50.0**	50.0	**995.2**	986.7
Dexus Australian Logistics Trust (DALT)	**51.0**	51.0	**640.7**	559.3
Jandakot City Holdings Trust (JCH)[1]	**66.7**	-	**540.9**	-
Dexus Australian Logistics Trust No.2 (DALT2)	**51.0**	51.0	**503.6**	373.2
Dexus 480 Q Holding Trust	**50.0**	50.0	**384.3**	385.7
Bent Street Trust	**33.3**	33.3	**378.4**	375.6
AAIG Holding Trust[2]	**49.4**	-	**341.1**	-
Dexus Industrial Trust Australia (DITA)	**50.0**	50.0	**272.2**	238.6
Dexus Kings Square Trust	**50.0**	50.0	**247.8**	251.4
Dexus Healthcare Property Fund (DHPF)	**23.1**	23.1	**235.8**	157.6
Dexus Industria REIT (DXI)[3]	**17.4**	-	**199.1**	-
Dexus Creek Street Trust	**50.0**	50.0	**197.0**	205.7
Dexus Australian Logistics Trust No.3 (DALT3)	**51.0**	51.0	**104.1**	77.0
Site 7 Homebush Bay Trust[4]	**50.0**	50.0	**90.7**	87.4
Dexus Australia Commercial Trust (DACT)	**10.0**	10.0	**64.1**	62.9
Site 6 Homebush Bay Trust[4]	**50.0**	50.0	**55.1**	43.8
Dexus Convenience Retail REIT (DXC)[5]	**8.9**	-	**47.6**	-
Mercatus Dexus Australia Partnership (MDAP)[6]	**10.0**	-	**37.8**	-
SAHMRI 2 Holding Trust	**50.0**	50.0	**36.1**	26.1
Dexus Eagle Street Pier Trust	**50.0**	50.0	**35.0**	35.5
Dexus Australian Logistics Trust No.4 (DALT4)	**51.0**	-	**29.4**	-
Dexus Moorebank Trust	**50.0**	-	**24.0**	-
Jandakot Airport Holdings Trust (JAH)[1]	**32.0**	-	**17.5**	-
Dexus Walker Street Trust	**50.0**	50.0	**9.1**	9.2
RealTech Ventures	**62.1**	62.1	**8.4**	11.5
APN Global REIT Income Fund (GREIT)[5]	**55.7**	-	**7.7**	-
Dexus Real Estate Partnership 1 (DREP1)[7]	**38.1**	-	**2.5**	-
Dexus Regional Property Fund[5]	**3.3**	-	**1.5**	-
APN Asian REIT Fund (ARI)[5]	**2.4**	-	**1.3**	-
Dexus Development Fund No. 2[5]	**4.8**	-	**1.2**	-
Grosvenor Place Holding Trust[4,8]	**50.0**	50.0	**1.0**	454.6
Divvy Parking Pty Limited	**24.8**	24.8	**-**	1.0
Total assets - investments accounted for using the equity method[9]			**9,119.4**	8,070.4

1. Dexus initially acquired 100% of Jandakot City Holdings Pty Ltd and 49% of Jandakot Airport Holdings Trust. Shortly after settlement Dexus sold 33.3% of its interest in both Jandakot City Holdings Pty Ltd and Jandakot Airport Holdings Trust to DXI. 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 noted above have therefore been provisionally determined based on the directors' best estimate of the likely fair value.
2. On 22 July 2021, Dexus acquired a 49.37% interest in a holding unit trust that owns Capital Square Tower 1 at 98 Mounts Bay Road in Perth, for a total consideration of $339.0 million excluding acquisition costs.
3. The investment in DXI was previously classified as a financial asset at fair value through profit and loss. The APN Property Group acquisition resulted in the Group obtaining significant influence over the investment and adopting the equity method of accounting. Dexus acquired a further 15.3% interest in DXI as part of the APN Property Group acquisition (refer to note 18 for further details) and subsequently increased its interest in DXI to 17.5%.
4. These entities are 50% owned by Dexus Office Trust Australia. The Group's economic interest is 75% when combined with the interest held by DOTA.

Note 7 Investments accounted for using the equity method (continued)

5. Acquired as part of the APN Property Group acquisition. Refer to note 18 for further details.
6. On 8 July 2021, Mercatus Dexus Australia Partnership (MDAP), a joint venture with Mercatus Co-operative Limited (Mercatus) settled on the acquisition of a 33.33% interest in 1 Bligh Street, Sydney for $375.0 million excluding acquisition costs.
7. DREP1 was established on 27 May 2021. Its principal activity is to make investments generating opportunistic returns.
8. On 2 December 2021, settlement occurred for the disposal of Grosvenor Place, 225 George Street, Sydney, NSW.
9. The Group's share of investment properties in the investments accounted for using the equity method was $9,492.1 million (June 2021: $7,474.6 million). Additionally, held for sale assets in the investments accounted for using the equity method was $151.7 million (June 2021: $694.2 million). 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 tested for impairment under AASB 136 *Impairment of Assets* to 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 6 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 attributable to COVID-19 impacts.

Note 8 Inventories

Development properties held for repositioning, construction and sale are recorded at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed.

Development revenue includes proceeds on the sale of inventory and revenue earned through the provision of development services on assets sold as inventory. Revenue earned on the provision of development services is recognised using the percentage complete method. The stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the project result can be reliably estimated, development services revenue and associated expenses are recognised in profit or loss. Where the project result cannot be reliably estimated, profits are deferred and the difference between consideration received and expenses incurred is carried forward as either a receivable or payable. Development services revenue and expenses are recognised immediately when the project result can be reliably estimated.

a) Development properties held for sale

	31 Dec 2021 **$m**	30 Jun 2021 $m
Current assets		
Development properties held for sale	**-**	137.2
Total current assets - inventories	**-**	137.2
Non-current assets		
Development properties held for sale	**42.4**	41.0
Total non-current assets - inventories	**42.4**	41.0
Total assets - inventories	**42.4**	178.2

Note 8 Inventories (continued)

b) Reconciliation

	Note	For the 6 months to 31 Dec 2021 $m	For the 12 months to 30 Jun 2021 $m
Opening balance at the beginning of the period		**178.2**	335.8
Transfer to investment properties	6	**-**	(6.9)
Acquisitions		**-**	9.6
Disposals		**(138.6)**	(176.2)
Reversal of impairment		**-**	4.7
Additions		**2.8**	11.2
Closing balance at the end of the period		**42.4**	178.2

Disposals

On 9 August 2021, settlement occurred for the disposal of 436-484 Victoria Road, Gladesville, NSW for $55.0 million excluding transaction costs.

On 4 November 2021, settlement occurred for the disposal of a 49% interest in 7 Custom Place, Truganina, VIC, 9 Custom Place, Truganina, VIC, 8 Felstead Drive, Truganina, VIC, and 58 Foundation Drive, Truganina, VIC, for gross proceeds of $56.0 million excluding transaction costs.

On 17 November 2021, settlement occurred for the disposal of 22 Business Park Drive, Ravenhall, VIC for $13.5 million excluding transaction costs.

On 2 December 2021, settlement occurred for the disposal of a 50% interest in 11 Lord Street, Botany, NSW for gross proceeds of $48.0 million excluding transaction costs.

Impact of COVID-19 on Inventories

An assessment of whether the project result is impacted as a result of COVID-19 has been performed. There has been minimal impact on development services revenue and expenses as a result of project delays, changes in assessments related to future sales prices or changes in costs expected to be incurred to complete any projects.

Key estimates used to determine the Net Realisable Value (NRV) of inventories have been reviewed and updated in light of COVID-19. No impairment provisions have been recognised.

Note 9 Non-current assets classified as held for sale

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

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

At 31 December 2021, the balance relates to 309-321 Kent Street and 383-395 Kent Street, Sydney NSW.

At 30 June 2021, the balance related to 60 Miller Street, North Sydney NSW.

Note 10 Financial assets at fair value through profit or loss

The Group's investments in financial assets consists of minority equity interests in Australian managed property funds. Financial assets are initially recognised at fair value, excluding transaction costs. Transaction costs are expensed as incurred in the Consolidated Statement of Comprehensive Income. Financial assets are subsequently measured at fair value with any realised or unrealised gains being recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

a) Classification of financial assets at fair value through profit or loss (FVPL)

	31 Dec 2021 $m	30 Jun 2021 $m
Non-current assets		
Equity investments in Australian managed funds	177.6	180.5
Total current financial assets at fair value through profit or loss	**177.6**	180.5

b) Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss:

	31 Dec 2021 $m	30 Jun 2021 $m
Fair value gains/(losses) on equity investments in Australian managed funds	**(2.4)**	-
Total gains/(losses) at fair value through profit or loss	**(2.4)**	-

c) Equity price risks

The Group is exposed to equity price risk arising from investments held and classified as at fair value through profit or loss. The exposure to equity price risk at the end of the reporting period, assuming equity prices had been 10% higher or lower while all other variables were held constant, would increase/decrease net profit by $17.8 million (June 2021: $18.0 million).

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 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, *Interest bearing liabilities* in note 12, *Fair value measurement* in note 13 and *Contingencies* in note 14;
- Equity: *Contributed equity* in note 15.

Note 11 Lease liabilities

	Note	**31 Dec 2021 $m**	30 Jun 2021 $m
Current			
Lease liabilities - ground leases	(a)	**0.8**	0.8
Lease liabilities - other property leases	(b)	**4.1**	2.7
Total current liabilities - lease liabilities		**4.9**	3.5
Non-current			
Lease liabilities - ground leases	(a)	**7.5**	7.8
Lease liabilities - other property leases	(b)	**16.0**	12.7
Total non-current liabilities - lease liabilities		**23.5**	20.5
Total liabilities - lease liabilities		**28.4**	24.0

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 6 *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 12 Interest bearing liabilities

	Note	31 Dec 2021 $m	30 Jun 2021 $m
Current			
Unsecured			
Bank loans	(b)	**100.0**	50.0
Medium term notes	(d)	**160.9**	-
Total unsecured		**260.9**	50.0
Total current liabilities - interest bearing liabilities		**260.9**	50.0
Non-current			
Unsecured			
US senior notes[1]	(a)	**1,981.5**	1,957.8
Bank loans	(b)	**1,832.5**	1,241.0
Commercial paper	(c)	**100.0**	100.0
Medium term notes	(d)	**1,043.9**	1,205.3
Exchangeable notes	(e)	**405.2**	403.1
Total unsecured		**5,363.1**	4,907.2
Deferred borrowing costs		**(22.4)**	(20.7)
Debt modifications		**(10.3)**	(11.8)
Total non-current liabilities - interest bearing liabilities		**5,330.4**	4,874.7
Total interest bearing liabilities[1]		**5,591.3**	4,924.7

1. Includes cumulative fair value adjustments amounting to $92.3 million (June 2021: $123.1 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 $m
US senior notes (USPP)[1]	(a)	US$	Unsecured	Jul-23 to Nov-32	**1,564.2**	**1,564.2**
US senior notes (USPP)	(a)	A$	Unsecured	Jun-28 to Oct-38	**325.0**	**325.0**
Multi-option revolving credit facilities	(b)	Multi Currency	Unsecured	Aug-22 to May-28	**1,932.5**	**3,525.0**
Commercial paper	(c)	A$	Unsecured	Apr-24	**100.0**	**100.0**
Medium term notes	(d)	A$	Unsecured	Nov-22 to Aug-38	**1,204.8**	**1,204.8**
Exchangeable note	(e)	A$	Unsecured	Jun-26	**405.2**	**405.2**
Total					**5,531.7**	**7,124.2**
Bank guarantee in place					**74.4**	
Unused at balance date					**1,518.1**	

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 12 Interest bearing liabilities (continued)

Financing arrangements (continued)

a) US senior notes (USPP)

This includes a total of US$1,135.0 million and A$325.0 million (A$1,889.2 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.

b) Multi-option revolving credit facilities

This includes A$3,525.0 million of facilities maturing between August 2022 and May 2028 with a weighted average maturity of May 2025. A$74.4 million is utilised as bank guarantees for Australian Financial Services Licences (AFSL) requirements and other business requirements including developments.

c) 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 April 2024. The standby facility has same day availability.

d) Medium term notes

This includes a total of A$1,205.0 million of Medium Term Notes with a weighted average maturity of March 2029. The remaining A$0.2 million is the net discount on the issue of these instruments.

e) Exchangeable notes

This includes Exchangeable Notes with a face value totalling $425.0 million. The notes are exchangeable based on the exchange price (currently $15.00 representing approximately 28.3 million securities) on the exchange date, 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 2021, no notes have been exchanged.

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.

Equity investments in Australian managed funds are measured at Level 3 having regard to unit prices which are based on the net assets of the relevant fund, which is largely comprised of investment property held at fair value.

All derivative financial instruments 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.

Note 14 Contingencies

DPT, together with DXO, is a guarantor of A$7,124.2 million (June 2021: A$5,918.1 million) of interest-bearing liabilities (refer to note 12 *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$74.4 million, comprising A$70.1 million held to comply with the terms of the AFSL and A$4.3 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.

Note 14 Contingencies (continued)

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 15 Contributed equity

Number of securities on issue

	For the 6 months to 31 Dec 2021	For the 12 months to 30 Jun 2021
	No. of securities	No. of securities
Opening balance at the beginning of the period	**1,075,565,246**	1,091,202,163
Buy-back of contributed equity	**-**	(15,636,917)
Closing balance at the end of the period	**1,075,565,246**	1,075,565,246

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.

On 13 October 2020, Dexus announced an extension of the buy-back for a period of 12 months commencing on 23 October 2020. On 22 October 2021, Dexus announced a further extension of the buy-back for a period of 12 months commencing on 25 October 2021.

During the 6 months to 31 December 2021, there were no Dexus securities acquired or cancelled.

Note 16 Receivables

	31 Dec 2021	30 June 2021
	$m	$m
Rent receivable[1]	**28.9**	35.0
Less: provision for expected credit loss	**(16.3)**	(17.7)
Total rent receivables	**12.6**	17.3
Distributions receivable	**70.0**	49.0
Fee receivable	**53.8**	51.2
Other receivables	**18.2**	3.5
Total other receivables	**142.0**	103.7
Total receivables	**154.6**	121.0

1. Rent receivable includes outgoings recoveries.

Impact of COVID-19 on Receivables

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

Other disclosures

In this section

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

Note 17 Intangible assets

The Group's intangible assets comprise management rights, goodwill and capitalised software.

Management rights represent the asset management rights owned by Dexus Holdings Pty Limited (and its controlled entities), a wholly owned subsidiary of DXO, which entitles 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 $3.1 million (June 2021: $0.4 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of two to 7.5 years. Management rights that are deemed to have an indefinite life are held at a value of $433.4 million (June 2021: $300.5 million).

Costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets. Costs associated with configuration and customisation in a cloud computing arrangement are recognised as an expense when incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected term of the arrangement. Refer to note 19 *Change in accounting policy* for further details in relation to the accounting policy adopted. Software is measured at cost and amortised using the straight-line method over its estimated useful life, expected to be three to five years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill and management rights with an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Management have performed an interim review of the recoverable amount of its management rights, including an assessment of the impacts of COVID-19. The Directors and management have considered the key assumptions adopted and have not identified impairments of those carrying amounts.

Note 17 Intangible assets (continued)

	31 Dec 2021 $m	30 Jun 2021 $m
Management rights		
Opening balance at the beginning of the period	**300.9**	286.5
Additions[1,2]	**135.9**	14.5
Amortisation charge	**(0.3)**	(0.1)
Closing balance at the end of the period	**436.5**	300.9
Cost	**444.8**	308.9
Accumulated amortisation	**(5.7)**	(5.4)
Accumulated impairment	**(2.6)**	(2.6)
Total management rights	**436.5**	300.9
Goodwill[3]		
Opening balance at the beginning of the period	**0.9**	0.9
Additions	**49.0**	-
Closing balance at the end of the period	**49.9**	0.9
Cost	**54.9**	5.9
Accumulated impairment	**(5.0)**	(5.0)
Total goodwill	**49.9**	0.9
Software		
Opening balance at the beginning of the period	**3.6**	4.4
Additions	**0.4**	1.2
Amortisation charge	**(0.6)**	(2.0)
Closing balance at the end of the period	**3.4**	3.6
Cost	**18.0**	17.6
Accumulated amortisation	**(14.6)**	(14.0)
Cost - Fully amortised assets written off	**(10.6)**	(10.0)
Accumulated amortisation - Fully amortised assets written off	**10.6**	10.0
Total software	**3.4**	3.6
Total non-current intangible assets	**489.8**	305.4

1. On 13 August 2021, Dexus acquired 100% of APN, a specialist Australian real estate investment manager. As part of the identifiable assets acquired, $132.9 million of management rights were recognised. Refer to note 18 for further details.
2. During the period, Dexus incurred costs in connection with Dexus Wholesale Property Limited, a Dexus entity, being appointed as Responsible Entity of Dexus ADPF.
3. The excess between the cash consideration transferred and the fair value of the net identifiable assets acquired as part of the APN acquisition has been recorded as goodwill. Refer to note 18 for further details.

Note 18 Business combination

Acquisition of APN Property Group (APN)

On 27 July 2021, APN security holders approved the Scheme of Arrangement for Dexus to acquire all of the stapled securities in APN for an all cash-consideration of 90 cents per security.

On 13 August 2021, the Scheme was implemented and Dexus acquired 100% of the issued share capital of APN. APN is a specialist Australian real estate investment manager and qualifies as a business as defined in AASB 3 *Business Combinations*. The acquisition further expands and diversifies Dexus's funds management business and contributed $2.9 billion of incremental funds under management to the platform.

The amounts recognised in respect of the consideration paid, identifiable assets acquired, and liabilities assumed are set out in the table below.

Purchase consideration

	$m
Cash consideration	**303.6**

Identifiable assets and liabilities recognised

	$m
Cash and cash equivalents	**23.6**
Trade and other receivables	**7.0**
Investments accounted for using the equity method	**164.6**
Investment properties	**1.9**
Property, plant and equipment	**0.5**
Intangible assets: management rights[1]	**132.9**
Right of use asset	**1.5**
Trade and other payables	**(13.9)**
Current tax liabilities	**(1.3)**
Provisions	**(2.0)**
Lease liability	**(1.7)**
Interest bearing liabilities	**(19.9)**
Deferred tax liabilities	**(38.6)**
Net identifiable assets acquired	**254.6**
Goodwill[2]	**49.0**
Net assets acquired	**303.6**

1. Recognised in connection with APN managed funds, which include both open ended and closed ended funds.
2. Goodwill is attributable to the people, established business practices and relationships obtained via the acquisition and is not deductible for tax purposes.

Payment for acquisition of subsidiary

	$m
Cash consideration	**303.6**
Less: Cash and cash equivalents acquired	**(23.6)**
Net outflow of cash from investing activities	**280.0**

Note 18 Business combination (continued)

Acquisition related costs

Acquisition related costs of $8.4 million have been included within transaction costs in the Consolidated Statement of Comprehensive Income and in Operating cash flows in the Consolidated Statement of Cash Flows.

Revenue and profit contribution

APN Property Group contributed revenues of $13.3 million and net profit of $13.3 million to the group for the period from 13 August to 31 December 2021. If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and profit for the half year ended 31 December 2021 would have been $15.7 million and $11.0 million respectively.

Acquired receivables

The fair value of trade receivables acquired was $7.0 million and reflects the gross contractual amount for trade receivables at the acquisition date. Based on management's best estimate on the acquisition date, the total amount was deemed recoverable and therefore no provision for expected credit losses was recognised.

Note 19 Change in accounting policy

Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 *Intangible Assets)*

On 27 April 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued an addendum regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". The addendum clarified how a customer should account for the cost of configuring or customising a supplier's software when it is a "Software as a Service" (SaaS) product.

The IFRIC concluded that configuration or customisation costs incurred by a customer in relation to application software which the customer has access to but does not own, should be expensed through profit or loss as these costs do not create a resource controlled by the customer which is separate from the software unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

As a consequence, the Group has retrospectively changed its accounting policy in respect of SaaS arrangements previously recorded as intangible assets, on the basis that these do not meet the recognition criteria in AASB 138 *Intangible Assets*.

Note 19 Change in accounting policy (continued)

The following table summarises the impact of this change in accounting policy on the interim Consolidated Financial Statements.

Increase/(decrease) of previously recorded balances	31 Dec 2021 Cumulative $m	31 Dec 2020 Cumulative $m	1 Jul 2020 $m
Consolidated Statement of Financial Position			
Intangible assets	(52.8)	(43.9)	(41.6)
Deferred tax liabilities	(15.8)	(13.2)	(12.5)
Net profit/ Retained earnings	(36.9)	(30.7)	(29.1)

Increase/(decrease) of previously recorded balances	31 Dec 2021 $m	31 Dec 2020 $m
Consolidated Statement of Comprehensive Income		
Management operations, corporate and administration expenses	-	2.3
Profit before tax	-	(2.3)
Tax expense	-	(0.7)
Net profit	-	(1.6)
Earnings per share - basic	-	(0.15)
Earnings per share - diluted	-	(0.14)

Increase/(decrease) of previously recorded balances	31 Dec 2021 $m	31 Dec 2020 $m
Consolidated Statement of Cash Flows		
Cash flows from operating activities		
Payments in the course of operations (inclusive of GST)	-	6.2
Cash flows from investing activities		
Payments for intangibles	-	(6.2)

Note 20 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 any government-imposed restrictions 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.

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.

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 17 to 45 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; 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

14 February 2022

Independent auditor's review report to the stapled security holders of Dexus Property Trust

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Dexus Property Trust (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 Funds 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 Trust 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 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' 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

Matthew Lunn
Partner

Sydney
14 February 2022

Dexus Operations Trust
Interim Report
31 December 2021

ARSN: 110 521 223

Contents

Dexus consists of two stapled managed investment schemes, Dexus Property Trust and Dexus Operations Trust, collectively referred to as DXS or the Group. Dexus stapled securities are listed on the Australian Securities Exchange under the "DXS" code. The registered office of the Group is Level 25, 264-278 George Street, Sydney, NSW, 2000.

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 2021. The interim Consolidated Financial Statements represents DXO and its consolidated entities.

The Trust, together with Dexus Property Trust (DPT), 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
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark H Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
Warwick Negus, BBus (UTS), MCom (UNSW), SF (Fin)	1 February 2021
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012

Operating and financial review

The results for the half year ended 31 December 2021 were:

- Profit attributable to unitholders was $29.4 million (December 2020: $59.0 million);
- Total assets were $1,566.1 million (June 2021: $952.1 million); and
- Net assets were $382.8 million (June 2021: $352.9 million).

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

Significant changes in the state of affairs

During the six months to 31 December 2021, the Group completed the following significant corporate transactions:

1. On 6 July 2021, Dexus implemented the Simplification from a quadruple stapled trust structure (comprised of Dexus Diversified Trust (DDF), Dexus Industrial Trust (DIT), Dexus Office Trust (DOT) and DXO) to a dual stapled trust structure. This was achieved by "top-hatting" three of the existing trusts (DDF, DIT and DOT) with a newly established trust, DPT. Effective from this date, the Simplified Group now comprises a unit in each of DXO and DPT, with DXFM appointed as the Responsible Entity of DPT.

2. On 27 July 2021, APN Property Group (APN) security holders approved the Scheme of Arrangement for Dexus to acquire all of the stapled securities in APN for an all cash-consideration of 90 cents per security. On 13 August 2021, the Scheme was implemented. Effective from this date, APN and its controlled entities are now wholly owned subsidiaries of Dexus.

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, Dexus Industria REIT (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.

Auditor's Independence Declaration

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

Rounding of amounts and currency

As the Trust is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the 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 14 February 2022.

W Richard Sheppard
Chair
14 February 2022

Darren J Steinberg
Chief Executive Officer
14 February 2022

Auditor's Independence Declaration

As lead auditor for the review of Dexus Operations Trust 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 Dexus Operations Trust and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
14 February 2022

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2021

	Note	31 Dec 2021 $'000	31 Dec 2020 Restated[1] $'000
Revenue from ordinary activities			
Property revenue	2	**12,339**	17,281
Development revenue		**170,066**	288,223
Distribution revenue		**227**	468
Interest revenue		**57**	18
Management fees and other revenue	3	**136,235**	107,602
Total revenue from ordinary activities		**318,924**	413,592
Share of net profit of investments accounted for using the equity method		**4,220**	-
Other income		**953**	22
Reversal of impairment of inventories		**-**	4,713
Total income		**324,097**	418,327
Expenses			
Property expenses	2	**(4,539)**	(5,752)
Development costs		**(139,283)**	(222,085)
Finance costs	4	**(6,297)**	(7,359)
Impairment of goodwill		**-**	(49)
Net fair value loss of investment properties		**(8,693)**	(9,403)
Impairment of investments accounted for using the equity method		**(886)**	-
Share of net loss of investments accounted for using the equity method		**-**	(111)
Transaction costs		**(19,556)**	(364)
Management operations, corporate and administration expenses	5	**(112,940)**	(88,803)
Total expenses		**(292,194)**	(333,926)
Profit before tax		**31,904**	84,401
Income tax expense	6	**(2,541)**	(25,406)
Profit for the period		**29,363**	58,995
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in financial assets at fair value through other comprehensive income		**376**	2,159
Total comprehensive income for the period		**29,739**	61,154
		Cents	Cents
Earnings per unit on profit attributable to unitholders of the Trust (parent entity)			
Basic earnings per unit		**2.73**	5.41
Diluted earnings per unit		**2.73**	5.27

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 17 for further details.

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

	Note	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets			
Cash and cash equivalents		**19,972**	9,946
Receivables	14	**85,511**	62,713
Inventories	9	**-**	137,175
Current tax receivable		**7,977**	21,279
Other		**18,879**	8,451
Total current assets		**132,339**	239,564
Non-current assets			
Investment properties	7	**226,151**	288,845
Plant and equipment		**9,357**	10,098
Right-of-use assets		**41,105**	34,256
Inventories	9	**42,368**	40,989
Investments accounted for using the equity method	8	**588,205**	16,649
Intangible assets	15	**502,425**	305,465
Investment in financial assets at fair value through other comprehensive income	13	**8,427**	16,235
Receivables		**15,671**	-
Other		**12**	10
Total non-current assets		**1,433,721**	712,547
Total assets		**1,566,060**	952,111
Current liabilities			
Payables		**65,358**	55,847
Lease liabilities	10	**9,291**	7,821
Provisions		**36,015**	96,864
Contract liability		**7,719**	7,655
Other		**1,613**	6,416
Total current liabilities		**119,996**	174,603
Non-current liabilities			
Loans with related parties		**875,140**	263,772
Lease liabilities	10	**36,060**	30,215
Deferred tax liabilities		**116,843**	92,912
Provisions		**15,044**	13,631
Unearned revenue related to performance fees		**19,318**	19,318
Contract liability		**898**	4,724
Total non-current liabilities		**1,063,303**	424,572
Total liabilities		**1,183,299**	599,175
Net assets		**382,761**	352,936
Equity			
Contributed equity	12	**107,185**	**107,185**
Reserves		**44,164**	**43,702**
Retained profits		**231,412**	**202,049**
Total equity		**382,761**	**352,936**

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

	Note	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Opening balance as at 1 July 2020		**111,571**	**39,944**	**187,599**	**339,114**
Change in accounting policy	17	-	-	(29,110)	(29,110)
Restated opening balance as at 1 July 2020[1]		**111,571**	**39,944**	**158,489**	**310,004**
Profit/(loss) for the period		-	-	58,995	58,995
Other comprehensive income/(loss) for the period		-	2,159	-	2,159
Total comprehensive income/(loss) for the period		-	2,159	58,995	61,154
Transactions with owners in their capacity as unitholders:					
Buy-back of contributed equity, net of transaction costs		(547)	-	-	(547)
Purchase of securities, net of transaction costs			(182)	-	(182)
Security-based payments expense		-	115	-	115
Total transactions with owners in their capacity as unitholders		(547)	(67)	-	(614)
Closing balance as at 31 December 2020		111,024	42,036	217,484	370,544
Opening balance as at 1 July 2021		**107,185**	**43,702**	**202,049**	**352,936**
Profit/(loss) for the period		**-**	**-**	**29,363**	**29,363**
Other comprehensive income/(loss) for the period		**-**	**376**	**-**	**376**
Total comprehensive income/(loss) for the period		**-**	**376**	**29,363**	**29,739**
Transactions with owners in their capacity as unitholders:					
Security-based payments expense		**-**	**86**	**-**	**86**
Total transactions with owners in their capacity as unitholders		**-**	**86**	**-**	**86**
Closing balance as at 31 December 2021		**107,185**	**44,164**	**231,412**	**382,761**

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 17 for further details.

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

	31 Dec 2021 $'000	31 Dec 2020 Restated[1] $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**108,259**	139,144
Payments in the course of operations (inclusive of GST)	**(62,397)**	(106,788)
Interest received	**57**	18
Finance costs paid	**(4,979)**	(7,451)
Distributions received from investments accounted for using the equity method	**526**	175
Income tax paid	**(12,436)**	(47,170)
Proceeds from sale of property classified as inventory and development services	**170,066**	284,873
Payments for property classified as inventory and development services	**(2,330)**	(57,526)
Net cash inflow from operating activities	**196,766**	205,275
Cash flows from investing activities		
Proceeds from sale of investment properties	**75,378**	-
Proceeds from sale of investments accounted for using the equity method	**299,848**	-
Payments for capital expenditure on investment properties	**(4,759)**	(19,265)
Payments for investments accounted for using the equity method	**(856,707)**	-
Payments for acquisition of investment properties	**(15,200)**	(33,973)
Payments for plant and equipment	**(410)**	(326)
Payments for intangibles	**(3,484)**	(413)
Payment for acquisition of subsidiary, net of cash acquired	**(239,930)**	-
Net cash (outflow) from investing activities	**(745,264)**	(53,977)
Cash flows from financing activities		
Borrowings received from related parties	**1,581,490**	428,054
Borrowings provided to related parties	**(969,076)**	(514,664)
Payments for buy-back of contributed equity, net of transaction costs	**-**	(547)
Purchase of securities for security-based payments plans	**-**	(7,287)
Payment of lease liabilities	**(4,095)**	(4,383)
Distributions received	**227**	468
Distributions paid to unitholders	**(50,022)**	(50,000)
Net cash inflow/(outflow) from financing activities	**558,524**	(148,359)
Net increase in cash and cash equivalents	**10,026**	2,939
Cash and cash equivalents at the beginning of the period	**9,946**	8,833
Cash and cash equivalents at the end of the period	**19,972**	11,772

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of “Configuration or Customisation Costs in a Cloud Computing Arrangement”. Refer to note 17 for further details.

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* and AASB 134 *Interim Financial Reporting* issued by the Australian Accounting Standards Board;
- 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;
- 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 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 2021 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 DPT 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 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*.

Where required, the Trust may present restated comparative information for consistency with the current year's presentation.

Change in accounting policies

On 27 April 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued an addendum regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". The focus of the addendum was to clarify how a customer should account for the cost of configuring or customising a supplier's software when it is a "Software as a Service" (SaaS) product. In response to this clarification, the Trust has retrospectively changed its accounting policy for the amount of any SaaS arrangements previously recorded as intangible assets. Refer to note 15 *Intangible assets* and note 17 *Change in accounting policy* for impacts on the interim Consolidated Financial Statements.

Significant change from the annual financial report

During the half year, the Trust entered into a business combination to acquire APN Property Group Limited (APN). Details of the acquisition are outlined in note 16 *Business combination*. The accounting policy for business combinations and related goodwill is outlined below.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the acquisition date and adjusted for the amount of any non-controlling interests in the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Trust recognises any non-controlling interest in the acquired entity on an acquisition by acquisition basis either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the acquired entity. Acquisition related costs are expensed as incurred.

Basis of preparation (continued)

Significant change from the annual financial report (continued)

Goodwill is the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition date fair value of any previous equity interest in the acquired entity, less the fair value of the net identifiable assets acquired. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses and is tested for impairment annually.

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.

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, and Receivables.

The first six months 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.

Despite impacts from the pandemic, it has been an active start to the year with growth in the funds management business, continued leasing activity as well as new acquisitions and selective asset sales. This momentum demonstrates Dexus's continued focused on leveraging its platform capabilities to drive performance across the portfolio and in its third party funds.

During the six months to 31 December 2021, Dexus leased 112,601 square metres of office space across 151 transactions, in addition to 2,273 square metres of space across six transactions in relation to office developments underway. Dexus office portfolio occupancy remained stable at 95.1% (June 2021: 95.2%).

During the six months to 31 December 2021, Dexus leased 115,664 square metres of industrial space across 40 transactions with 9 development deals completed across 154,534 square metres. Dexus industrial portfolio occupancy increased to 98.6% (June 2021: 97.7%).

Retail tenants located at the base of Dexus's office buildings continue to be impacted with lower foot traffic and sales as a result of COVID-19 and Government imposed restrictions.

Dexus continues to work with impacted tenants to finalise rent relief packages in accordance with the legislation and regulations in NSW and Victoria.

In the process of applying the Trust'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, investment properties (including those held within investments accounted for using the equity method), 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)

Critical accounting estimates (continued)

The Notes to the interim Consolidated Financial Statements 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	15. Intangible assets
2. Property revenue and expenses	8. Investments accounted for using the equity method	11. Contingencies	16. Business combination
3. Management fee revenue	9. Inventories	12. Contributed equity	17. Change in accounting policy
4. Finance costs		13. Fair value measurement	18. Subsequent events
5. Management operations, corporate and administration expenses		14. Receivables	
6. Taxation			

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 taxation.

Note 1 Operating segments

Description of segments

The Trust'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 Dexus are reviewed on a consolidated basis and are not monitored at an individual trust level.

Disclosures concerning Dexus' 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 services revenue is recognised as the service is delivered, in accordance with the terms of the relevant contracts.

	31 Dec 2021	31 Dec 2020
	$'000	$'000
Rent and recoverable outgoings	**10,854**	14,237
Services revenue	**1,258**	1,820
Incentive amortisation	**(1,250)**	(1,656)
Other revenue	**1,477**	2,880
Total property revenue	**12,339**	17,281

Property expenses of $4.5 million (December 2020: $5.8 million) includes rates, taxes and other property outgoings incurred in relation to investment properties.

Impact of COVID-19 on Property revenue

The rent relief measures outlined in the Australian Government National Code of Conduct (Code of Conduct) and given effect to by State based legislation and regulations operate over the following periods:

- NSW – For the period 13 July 2021 to 13 March 2022
- VIC – For the period 28 July 2021 to 15 March 2022

Dexus continues to work with impacted tenants to finalise rent relief packages in accordance with the legislation and regulations in these States.

The various rent relief measures are accounted for as follows in line with ASIC guidance '*20-157MR Focuses for financial reporting under COVID-19 conditions*' published on 7 July 2020.

Note 2 Property revenue and expenses (continued)

Impact of COVID-19 on Property revenue (continued)

When a rent waiver agreement is made between the landlord and tenant:

- Rent waived that relates to future occupancy is spread over the remaining lease term and recognised on a straight-line basis; and
- Rent waived that relates to past occupancy is expensed immediately, except to the extent there exists a pre-existing provision for expected credit losses relating to unpaid rent.

Property revenue has been recognised for occupancy up to the date of a waiver agreement. Where there was no agreement at 31 December 2021, a provision for expected credit losses per AASB 9 *Financial Instruments* has been recognised against any receivable for unpaid rent for past occupancy.

The provision for expected credit losses is recognised with a corresponding expense in Property expenses. The provision covers the difference between contractual cash flows that are due and cash flows expected to be received. Accordingly, the provision includes both that part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant. Refer to note 14 *Receivables* for the amount of the provision for expected credit losses recognised at the reporting date.

In the circumstance where the tenant has fully paid rent for the period of occupancy up to balance date, there is no rent receivable against which to make a provision. Where it is expected that some of the rent already paid by the tenant will be waived, there is no basis to recognise a liability at balance date.

Rent deferrals, where in substance the deferral is a delay in the timing of payments, have no impact on property revenue recognition. A separate assessment of the recoverability of rent receivable is performed in accordance with the policy outlined in note 14 *Receivables*.

Note 3 Management fee revenue

	31 Dec 2021	31 Dec 2020
	$'000	$'000
Investment management and responsible entity fees	**80,700**	59,276
Rent and lease renewal fees	**10,009**	8,298
Property management fees	**21,530**	19,751
Capital works, development and project delivery fees	**14,300**	11,785
Wages recovery and other fees	**9,696**	8,492
Total management fee revenue	**136,235**	107,602

Note 4 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	31 Dec 2020
	$'000	$'000
Interest paid/payable to related parties	**6,127**	7,046
Amount capitalised	**(504)**	(263)
Finance costs - leases	**608**	533
Other finance costs	**66**	43
Total finance costs	**6,297**	7,359

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 2.75% (December 2020: 3.25%).

Note 5 Management operations, corporate and administration expenses

	31 Dec 2021	31 Dec 2020 Restated[1]
	$'000	$'000
Audit, taxation, legal and other professional fees	**3,211**	2,339
Depreciation and amortisation	**7,154**	7,233
Employee benefits expense and other staff expenses	**86,244**	63,984
Software customisation expenses	**2,611**	2,285
Administration and other expenses	**13,720**	12,962
Total management operations, corporate and administration expenses	**112,940**	88,803

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 17 for further details.

Note 6 Taxation

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

	31 Dec 2021	31 Dec 2020 Restated[1]
	$'000	$'000
Profit before income tax	**31,904**	84,401
Profit subject to income tax	**31,904**	84,401
Prima facie tax expense at the Australian tax rate of 30% (December 2020: 30%)	**(9,571)**	(25,320)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Derecognition of deferred tax liability due to redemption of management units	**7,155**	-
(Non-assessable)/non-deductible items	**(125)**	(86)
Income tax expense	**(2,541)**	(25,406)

1. Restatement of prior year comparatives required to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 17 for further details.

Property portfolio assets

In this section

This section summaries 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

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

Reconciliation

	For the 6 months to 31 Dec 2021 $'000	For the 12 months to 30 Jun 2021 $'000
Opening balance at the beginning of the period	**288,845**	252,396
Additions	**3,915**	13,005
Acquisitions	**17,932**	33,973
Lease incentives	**555**	1,992
Amortisation of lease incentives	**(1,127)**	(2,465)
Rent straightlining	**102**	653
Disposals	**(75,378)**	(36,210)
Transfer from inventories	**-**	6,940
Net fair value gain/(loss) of investment properties	**(8,693)**	18,561
Closing balance at the end of the period	**226,151**	288,845

Acquisitions

2 Chilvers Street, Baldivis, WA, was acquired as part of the APN acquisition for $1.9 million excluding transaction costs. See note 16 *Business combination* for further details.

On 5 October 2021, settlement occurred for the acquisition of 53 Old Pacific Highway, North Pimpama, QLD, for gross proceeds of $6.8 million excluding transaction costs.

On 5 October 2021, settlement occurred for the acquisition of 18 Andrews Street, Cannon Hill, QLD, for gross proceeds of $8.4 million excluding transaction costs.

Disposals

On 4 November 2021, settlement occurred for the disposal of a 51% interest in 7 Custom Place, Truganina, VIC, 9 Custom Place, Truganina, VIC, 8 Felstead Drive, Truganina, VIC, and 58 Foundation Drive, Truganina, VIC, for gross proceeds of $75.4 million excluding transaction costs.

Note 7 Investment properties (continued)

Impact of COVID-19 on fair value of investment properties

There is a continuing level of uncertainty in relation to the ultimate impact of COVID-19 on the Trust's investment property valuations. As a result, the independent valuations incorporate a range of assumptions used in determining appropriate fair values for investment properties as at 31 December 2021. The assumptions that have had the greatest impact on the valuations are listed below:

- Valuers have adjusted market rental growth, downtime and incentive assumptions within their discounted cashflow (DCF);
- Some valuers have incorporated an allowance for the uncertainty in relation to the payment of rent with regards to the Government's Code of Conduct where the tenant pool comprises small to medium enterprises (SMEs) or where operating hours have been impacted; and
- Capitalisation and discount rates have generally remained relatively stable for office assets and firmed for industrial assets.

Some of the independent valuations obtained by the Trust also include significant valuation uncertainty clauses due to the unknown impacts of COVID-19 including Government imposed restrictions and limited interstate travel may have on the investment property assets in the various markets. These clauses have been removed from most industrial valuations due to the current transaction volumes and market pricing. The Trust considers that the assumptions used in the valuations are materially appropriate for the purposes of determining fair value of investment properties at 31 December 2021.

Note 8 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.

	Ownership interest			
Name of entity	**31 Dec 2021 %**	30 Jun 2021 %	**31 Dec 2021 $'000**	30 Jun 2021 $'000
Dexus Walker Street Trust	**50.0**	50.0	**9,070**	9,235
Divvy Parking Pty Limited	**24.8**	24.8	**-**	1,021
Jandakot City Holdings Pty Ltd[1]	**66.7**	-	**540,883**	-
Jandakot Airport Holdings Trust[1]	**32.0**	-	**17,497**	-
DREP1[2]	**38.1**	-	**2,473**	-
Dexus Convenience Retail REIT[3]	**1.7**	-	**9,252**	-
Dexus Regional Property Fund[3]	**3.3**	-	**1,463**	-
Dexus Development Fund No. 2[3]	**4.8**	-	**1,205**	-
Other[4]	**29.5**	29.5	**6,362**	6,393
Total assets - investments accounted for using the equity method[5]			**588,205**	16,649

1. Dexus initially acquired 100% of Jandakot City Holdings Pty Ltd and 49% of Jandakot Airport Holdings Trust. Shortly after settlement Dexus sold 33.3% of its interest in both Jandakot City Holdings Pty Ltd and Jandakot Airport Holdings Trust to Dexus Industria REIT. 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 noted above have therefore been provisionally determined based on the Directors' best estimate of the likely fair value.
2. DREP1 was established 27 May 2021. Its principal activity is to invest in investments generating opportunistic returns.
3. Acquired as part of the APN Property Group acquisition. Refer to note 16 *Business combination* for further details.
4. Includes investments in entities where the Trust has an immaterial interest.
5. The Trust's share of investment properties in the investments accounted for using the equity method was $796.1 million (June 2021: $9.2 million). 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 tested for impairment under AASB 136 *Impairment of Assets* to 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 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 attributable to COVID-19 impacts.

Note 9 Inventories

Development properties held for repositioning, construction and sale are recorded at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed.

Development revenue includes proceeds on the sale of inventory and revenue earned through the provision of development services on assets sold as inventory. Revenue earned on the provision of development services is recognised using the percentage complete method. The stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the project result can be reliably estimated, development services revenue and associated expenses are recognised in profit or loss. Where the project result cannot be reliably estimated, profits are deferred and the difference between consideration received, and expenses incurred is carried forward as either a receivable or payable. Development services revenue and expenses are recognised immediately when the project result can be reliably estimated.

a) Development properties held for sale

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets		
Development properties held for sale	**-**	137,175
Total current assets - inventories	**-**	137,175
Non-current assets		
Development properties held for sale	**42,368**	40,989
Total non-current assets - inventories	**42,368**	40,989
Total assets - inventories	**42,368**	178,164

b) Reconciliation

	For the 6 months to 31 Dec 2021 $'000	For the 12 months to 30 Jun 2021 $'000
Opening balance at the beginning of the period	**178,164**	337,023
Transfer to investment properties	**-**	(6,940)
Acquisitions	**-**	9,645
Disposals	**(138,611)**	(177,410)
Reversal of impairment	**-**	4,713
Additions	**2,815**	11,133
Closing balance at the end of the period	**42,368**	178,164

Disposals

On 9 August 2021, settlement occurred for the disposal of 436-484 Victoria Road, Gladesville, NSW for $55.0 million excluding transaction costs.

On 4 November 2021, settlement occurred for the disposal of a 49% interest in 7 Custom Place, Truganina, VIC, 9 Custom Place, Truganina, VIC, 8 Felstead Drive, Truganina, VIC, and 58 Foundation Drive, Truganina, VIC, for gross proceeds of $56.0 million excluding transaction costs.

On 17 November 2021, settlement occurred for the disposal of 22 Business Park Drive, Ravenhall, VIC for $13.5 million excluding transaction costs.

On 2 December 2021, settlement occurred for the disposal of a 50% interest in 11 Lord Street, Botany, NSW for gross proceeds of $48.0 million excluding transaction costs.

Impact of COVID-19 on Inventories

An assessment of whether the project result is impacted as a result of COVID-19 has been performed. There has been minimal impact on development services revenue and expenses as a result of project delays, changes in assessments related to future sales prices or changes in costs expected to be incurred to complete any projects. Key estimates used to determine the Net Realisable Value (NRV) of inventories have been reviewed and updated in light of COVID-19. No impairment provisions have been recognised.

Capital management and other investments

In this section

The Board of the Responsible Entity determines the appropriate capital structure of the Trust, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from stapled 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: *Lease liabilities* in note 10 and *Contingencies* in note 11;
- Equity: *Contributed equity* in note 12.

Note 10 Lease liabilities

		31 Dec 2021 $'000	30 Jun 2021 $'000
Current			
Lease liabilities - property leases	(a)	**9,291**	7,821
Total current liabilities - lease liabilities		**9,291**	7,821
Non-Current			
Lease liabilities - property leases	(a)	**36,060**	30,215
Total non-current liabilities - lease liabilities		**36,060**	30,215
Total - lease liabilities		**45,351**	38,036

(a) Lease liabilities – 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 11 Contingencies

The Trust, together with DPT, is a guarantor of A$7,124.2 million (June 2021: A$5,918.1 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 A$74.4 million, comprising A$70.1 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and A$4.3 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 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 12 Contributed equity

Number of units on issue

	For the 6 months to 31 Dec 2021	For the 12 months to 30 Jun 2021
	No. of units	No. of units
Opening balance at the beginning of the period	**1,075,565,246**	1,091,202,163
Buy-back of contributed equity	**-**	(15,636,917)
Closing balance at the end of the period	**1,075,565,246**	1,075,565,246

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.

On 13 October 2020, Dexus announced an extension of the buy-back for a period of 12 months commencing on 23 October 2020. On 22 October 2021, Dexus announced a further extension of the buy-back for a period of 12 months commencing on 25 October 2021.

During the 6 months to 31 December 2021, there were no Dexus securities acquired or cancelled.

Note 13 Fair value measurement

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 derivative financial instruments 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.

Note 14 Receivables

	31 Dec 2021	30 Jun 2021
	$'000	$'000
Rent receivable[1]	**3,107**	2,503
Less: provision for expected credit loss	**(1,096)**	(1,051)
Total rental receivables	**2,011**	1,452
Fee receivable	**60,734**	54,843
Receivables from related entities	**15,074**	4,970
Other receivables	**7,692**	1,448
Total other receivables	**83,500**	61,261
Total receivables	**85,511**	62,713

1. Rent receivable includes outgoings recoveries.

Impact of COVID-19 on Receivables

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

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 15 Intangible assets

The Trust's intangible assets comprise management rights, goodwill and capitalised software.

Management rights represent the asset management rights owned by Dexus Holdings Pty Limited (and its controlled entities), a wholly owned subsidiary of DXO, which entitles 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 $3.1 million (June 2021: $0.4 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of two to 7.5 years. Management rights that are deemed to have an indefinite life are held at a value of $433.4 million (June 2021: $300.5 million).

Costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Trust are recognised as intangible assets. Costs associated with configuration and customisation in a cloud computing arrangement are recognised as an expense when incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Trust, in which case the costs are recorded as a prepayment for services and amortised over the expected term of the arrangement. Refer to note 17 *Change in accounting policy* for further details in relation to the accounting policy adopted. Software is measured at cost and amortised using the straight-line method over its estimated useful life, expected to be three to five years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Trust's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill and management rights with an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Management have performed an interim review of the recoverable amount of its management rights, including an assessment of the impacts of COVID-19. The Directors and management have considered the key assumptions adopted and have not identified impairments of those carrying amounts.

Note 15 Intangible assets (continued)

	31 Dec 2021 $'000	30 Jun 2021 $'000
Management rights		
Opening balance at the beginning of the period	**300,955**	286,498
Additions[1, 2]	**135,893**	14,513
Amortisation charge	**(378)**	(56)
Closing balance at the end of the period	**436,470**	300,955
Cost	**444,788**	308,895
Accumulated amortisation	**(5,718)**	(5,340)
Accumulated impairment	**(2,600)**	(2,600)
Total management rights	**436,470**	300,955
Goodwill		
Opening balance at the beginning of the period	**915**	915
Additions[3]	**61,684**	-
Closing balance at the end of the period	**62,599**	915
Cost	**67,605**	5,921
Accumulated impairment	**(5,006)**	(5,006)
Total goodwill	**62,599**	915
Software		
Opening balance at the beginning of the period	**3,595**	4,403
Additions	**387**	1,150
Amortisation charge	**(626)**	(1,958)
Closing balance at the end of the period	**3,356**	3,595
Cost	**18,016**	17,629
Accumulated amortisation	**(14,660)**	(14,034)
Cost - Fully amortised assets written off	**(10,580)**	(9,954)
Accumulated amortisation - Fully amortised assets written off	**10,580**	9,954
Total software	**3,356**	3,595
Total non-current intangible assets	**502,425**	305,465

1. On 13 August 2021 Dexus acquired 100% of APN Property Group, a specialist Australian real estate investment manager. As part of the acquisition $132.9 million of management rights were recognised. Refer to note 16 *Business combination* for further details.
2. During the period Dexus incurred costs in connection with Dexus Wholesale Property Limited, a Dexus entity, being appointed as Responsible Entity of Dexus ADPF.
3. The excess between the cash consideration transferred and the fair value of the net identifiable assets acquired as part of the APN acquisition has been recorded as goodwill. Refer to note 16 *Business combination* for further details.

Note 16 Business combination

Acquisition of APN Property Group Limited

On 27 July 2021, APN security holders approved the Scheme of Arrangement for Dexus to acquire all of the stapled securities in APN for an all cash-consideration of 90 cents per security.

On 13 August 2021, the Scheme was implemented and the Trust acquired 100% of the issued share capital of APN. APN is a specialist Australian real estate investment manager and qualifies as a business as defined in AASB 3 *Business Combinations*. The acquisition further expands and diversifies Dexus's funds management business and contributed $2.9 billion of incremental funds under management to the platform.

The amounts recognised in respect of the consideration paid, identifiable assets acquired, and liabilities assumed are set out in the table below.

Purchase consideration

	$'000
Cash consideration	**263,545**

Identifiable assets and liabilities recognised

	$'000
Cash and cash equivalents	**23,615**
Trade and other receivables	**5,683**
Investments accounted for using the equity method	**11,899**
Investments: management units	**23,852**
Investment properties	**1,889**
Property, plant and equipment	**460**
Intangible assets: management rights[1]	**132,923**
Right of use asset	**1,538**
Intragroup loan	**64,589**
Accrued interest on intragroup loan	**131**
Trade and other payables	**(13,851)**
Current tax liabilities	**(1,320)**
Provisions	**(2,052)**
Lease liability	**(1,687)**
Deferred tax liabilities	**(45,808)**
Net identifiable assets acquired	**201,861**
Goodwill[2]	**61,684**
Net assets acquired	**263,545**

1. Recognised in connection with APN managed funds, which include both open ended and closed ended funds.
2. Goodwill is attributable to the people, established business practices and relationships obtained via the acquisition and is not deductible for tax purposes.

Payment for acquisition of subsidiary

	$'000
Cash consideration	**263,545**
Less: Cash and cash equivalents acquired	**(23,615)**
Net outflow of cash from investing activities	**239,930**

Acquisition related costs

Acquisition related costs of $8.4 million have been included within transaction costs in the Consolidated Statement of Comprehensive Income and in cash flows from operating activities in the Consolidated Statement of Cash Flows.

Revenue and profit contribution

APN Property Group contributed revenues of $8.7 million and net profit of $3.8 million to the group for the period from 13 August to 31 December 2021. If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and profit for the half year ended 31 December 2021 would have been $11.1 million and $2.7 million respectively.

Note 16 Business combination (continued)

Acquired receivables

The fair value of trade receivables acquired was $5.7 million and reflects of the gross contractual amount for trade receivables at the acquisition date. Based on management's best estimate on the acquisition date, the full amount was deemed recoverable and therefore no provision for expected credit losses was recognised.

Note 17 Change in accounting policy

*Configuration or Customisation Costs in a Cloud Computing Arrangement (*AASB 138 *Intangible Assets)*

On 27 April 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued an addendum regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". The addendum clarified how a customer should account for the cost of configuring or customising a supplier's software when it is a "Software as a Service" (SaaS) product.

The IFRIC concluded that configuration or customisation costs incurred by a customer in relation to application software which the customer has access to but does not own, should be expensed through profit or loss as these costs do not create a resource controlled by the customer which is separate from the software unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

As a consequence, the Trust has retrospectively changed its accounting policy in respect of SaaS arrangements previously recorded as intangible assets, on the basis that these do not meet the recognition criteria in AASB 138 *Intangible Assets*.

Note 17 Change in accounting policy (continued)

The following table summarises the impact of this change in accounting policy on the interim Consolidated Financial Statements.

Increase/(decrease) of previously recorded balances	31 Dec 2021 Cumulative $'000	31 Dec 2020 Cumulative $'000	1 Jul 2020 $'000
Consolidated Statement of Financial Position			
Intangible assets	**(52,737)**	(43,871)	(41,586)
Deferred tax liabilities	**(15,821)**	(13,161)	(12,476)
Net profit/Retained earnings	**(36,916)**	(30,710)	(29,110)

Increase/(decrease) of previously recorded balances	31 Dec 2021 $'000	31 Dec 2020 $'000
Consolidated Statement of Comprehensive Income		
Management operations, corporate and administration expenses	**-**	2,285
Profit before tax	**-**	(2,285)
Tax expense	**-**	(686)
Net profit	**-**	(1,600)
Earnings per share - basic	**-**	(0.15)
Earnings per share - diluted	**-**	(0.14)

Increase/(decrease) of previously recorded balances	31 Dec 2021 $'000	31 Dec 2020 $'000
Consolidated Statement of Cash Flows		
Cash flows from operating activities		
Payments in the course of operations (inclusive of GST)	**-**	6,221
Cash flows from investing activities		
Payments for intangibles	**-**	(6,221)

Note 18 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 Trust 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 any Government imposed restrictions or border closures since 31 December 2021, and the Trust 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 Trust.

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.

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 5 to 24 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the Trust’s financial position as at 31 December 2021 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

14 February 2022

Independent auditor's review report to the stapled security holders of Dexus Operations Trust

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Dexus Operations Trust (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 Funds 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 Trust 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 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' 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

Matthew Lunn
Partner

Sydney
14 February 2022