Dexus Industria REIT (ASX: DXI) Appendix 4D

Results for announcement to the market

Dexus Industria REIT

ARSN 125 862 875

Financial reporting for the half year ended 31 December 2023

Dexus Industria REIT[1]			
	31 Dec 2023	**31 Dec 2022**	**%**
	$'000	**$'000**	**Change**
Revenue from ordinary activities	40,679	38,622	5.3%
Net (loss)/profit attributable to security holders after tax	-10,249	1,439	-812.2%
Funds from operations (FFO)[2]	27,254	27,107	0.5%
Distribution to security holders	26,016	26,016	0.0%
	CPS	**CPS**	
FFO per security[2]	8.59	8.54	0.5%
Distribution per security for the period ending:			
30 September	4.100	4.100	0.0%
31 December	4.100	4.100	0.0%
Total distributions	8.200	8.200	0.0%
Payout ratio (distribution per security as a % of FFO per security)	95.5%	96.0%	-0.5%
Basic earnings per security	-3.23	0.45	-812.2%
Diluted earnings per security	-3.23	0.45	-812.2%
Franked distribution amount per security	0.47	-	100%
	$'000	**$'000**	
Total assets	1,440,635	1,569,521	-8.2%
Total borrowings	292,615	349,106	-16.2%
Security holders equity	1,065,502	1,128,954	-5.6%
Market capitalisation	882,010	920,083	-4.1%
	$ per security	**$ per security**	
Net tangible assets[3]	3.32	3.52	-5.7%
Securities price	2.78	2.90	-4.1%
Securities on issue	317,269,912	317,270,012	
Record date	29 Dec 2023	30 Dec 2022	
Payment date	22 Feb 2024	23 Feb 2023	

Distribution Reinvestment Plan (DRP)

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

Details of joint ventures

Name of entity	Ownership interest 31 Dec 2023 %	31 Dec 2022 %	Carrying Value 31 Dec 2023 $'000	31 Dec 2022 $'000
Jandakot City Holdings Trust	33.3	33.3	304,650	285,300
Jandakot Airport Holdings Trust	68.0	68.0	51,059	49,002
Dexus Moorebank Trust	50.0	50.0	22,523	22,708
Dexus Mamre Road Trust	50.0	50.0	950	1,033
Total assets – investments accounted for using the equity method			**379,182**	358,043

1 For the purposes of statutory reporting, the stapled entity, known as DXI, must be accounted for as a consolidated group. Accordingly, one of the stapled entities must be the "deemed acquirer" of all other entities in the Group. Industria Trust No. 1 (Dexus Industria REIT) has been chosen as the deemed acquirer of the balance of the DXI stapled entities, comprising Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Ltd.

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

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

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

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About Dexus Industria REIT

Dexus Industria REIT (ASX code: DXI) is a listed Australian real estate investment trust which owns, manages and develops high-quality industrial warehouses and business parks, and is invested in the operations of Jandakot Airport industrial precinct. At 31 December 2023, the fund's investment property portfolio is valued at $1.4 billion and is located across the major Australian cities, providing sustainable income and capital growth prospects for security holders over the long term. The fund has a target gearing band of 30 – 40%. Dexus Industria REIT is governed by a majority Independent Board and managed by Dexus (ASX code: DXS), one of Australia's leading fully integrated real estate groups, with over 35 years of expertise in property investment, funds management, asset management and development. www.dexus.com

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

The registered office for the Responsible Entity and Industria Company No. 1 is Level 30, 50 Bridge Street, Sydney NSW 2000 and their principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne VIC 3000.

Dexus Industria REIT
Interim Report
31 December 2023

Contents

Dexus Industria REIT consists of five stapled entities, Industria Trust No. 1, Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Limited (IC1), collectively referred to as "DXI" or the "Group". Dexus Asset Management Limited (DXAM) is the Responsible Entity of the four trusts and Manager of IC1. DXAM oversees the management and strategic direction of the Group. Dexus Industria REIT stapled securities are listed on the Australian Securities Exchange under the "DXI" code.

The registered office of the Responsible Entity of the Group is Level 30, Quay Quarter Tower, 50 Bridge Street, Sydney, NSW 2000 and its principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne, VIC 3000.

HY24 Operating and Financial Review

Strategy

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

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

DXI's portfolio is valued at $1.4 billion and is predominantly weighted to industrial assets which continue to benefit from low vacancy across the major markets, and a limited supply pipeline, with these factors driving higher rental growth. Dexus remains committed to adding value to DXI's assets through actively managing existing assets and focusing on activating development projects that improve both portfolio quality and risk-adjusted returns.

DXI delivers its investment proposition to investors by:

- Delivering organic income growth from high-quality assets
- Conservatively managing the balance sheet
- Creating value through active management
- Leveraging Dexus's leading real asset capabilities

Review of operations

The results of DXI's operations are disclosed in the Consolidated Statement of Comprehensive Income. A summary of results for the six months to 31 December 2023 is as follows:

Key financial performance metrics	31 December 2023	31 December 2022	Change
Net (loss)/profit after tax ($'000)	**(10,249)**	1,439	(812.2)%
Funds From Operations (FFO) ($'000)	**27,254**	27,107	0.5%
FFO per security (cents)	**8.6**	8.5	0.5%
Distribution per security (cents)	**8.2**	8.2	-

	31 December 2023	30 June 2023	Change
Net tangible asset backing per security ($)	**3.32**	3.44	(3.5)%
Balance sheet gearing (%)	**18.9**[a]	20.4[b]	(1.5)ppt
Look-through gearing (%)	**26.2**[a]	27.3[b]	(1.1)ppt

a) Pro forma for the sale of 32-40 Garden Street, Kilsyth, VIC and 57-67 Mark Anthony Drive, South Dandenong, VIC which settled in January 2024. At 31 December 2023, balance sheet gearing was 21.2%, or 28.1% look-through.
b) Gearing metrics presented on a pro forma basis. At 30 June 2023, balance sheet gearing was 25.1%, or 31.2% look-through.

Profit & loss	31 December 2023 $'000	31 December 2022 $'000	Change
Property revenue	**40,679**	38,622	5.3%
Operating expenses	**(10,190)**	(11,611)	(12.2)%
Profit before interest, tax and other items	**30,489**	**27,011**	**12.9%**
Net fair value loss on investment properties	**(21,428)**	(34,047)	(37.1)%
Net fair value loss on right-of-use assets	**(167)**	(178)	(6.2)%
Net fair value loss on derivatives	**(5,748)**	(186)	2,990.3%
Share of equity accounted (loss)/profit	**(6,343)**	18,795	(133.7)%
Impairment of equity accounted investments	**-**	(1,208)	(100.0)%
Net finance costs	**(7,546)**	(8,770)	(14.0)%
(Loss)/profit before tax	**(10,743)**	**1,417**	**(858.2)%**
Income tax benefit	**494**	22	2,145.5%
(Loss)/profit after tax	**(10,249)**	**1,439**	**(812.2)%**

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

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

FFO reconciliation[a]	31 December 2023 $'000	31 December 2022 $'000
(Loss)/profit after tax for the period	**(10,249)**	**1,439**
Net fair value loss on investment properties	**42,025**	26,719
Net fair value gain on right-of-use assets	**(2,167)**	(5,681)
Net fair value loss/(gain) on derivatives	**7,800**	(197)
Incentive amortisation and straight-line rent	**795**	1,448
Non-FFO tax (benefit)/expense	**(679)**	1,463
Debt modification expense	**357**	339
Rental guarantees, coupon income and other	**(10,628)[b]**	1,577
FFO	**27,254**	**27,107**

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

b) Includes $11.5 million of surrender income received in relation to tenant departures at Jandakot Airport and industrial precinct, Perth and the divestment of 32-40 Garden Street, Kilsyth, Victoria.

FFO composition[a]	31 December 2023 $'000	31 December 2022 $'000	Change
Property FFO	**41,072**	42,187[b]	(2.6)%
Management fees	**(4,338)**	(4,411)	(1.7)%
Net finance costs	**(8,731)**	(9,508)	(8.2)%
Tax expense	**(627)**	(812)	(22.8)%
Other[c]	**(122)**	(349)	(65.0)%
FFO	**27,254**	**27,107**	**0.5%**

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

b) HY23 property FFO and other restated due to reclassification of Jandakot Airport fee income.

c) Includes share of Jandakot airport operating business and operational costs.

Financial result

The statutory result reflected a net loss after tax of $10.2 million, impacted by net fair value losses on investment properties and derivatives.

The statutory result includes $11.5 million of surrender income received in relation to tenant departures at Jandakot Airport and industrial precinct, Perth and the divestment of 32-40 Garden Street, Kilsyth, Victoria.

FFO increased 0.5% to $27.3 million (8.6 cents per security). Strong portfolio like-for-like growth of 7.3%[1] was offset by reduced property income from divestments resulting in property FFO decreasing 2.6%. Savings in net finance costs were achieved by a lower average debt balance from asset sale proceeds, partially offset by a higher cost of debt due to higher interest rates.

Net tangible assets and asset valuations

All assets were independently valued in the six months to 31 December 2023[2]. The external independent valuations resulted in a like-for-like devaluation of $36.1 million, representing a 2.5% decrease on prior book values. The weighted average cap rate expanded 37 basis points on a like-for-like basis to 5.77%.

On a look-through basis, additions to investment properties in the form of capital expenditure totalled $13.3 million, including $11.0 million of development expenditure, $0.9 million of tenancy works, $0.3 million of maintenance capital expenditure and cash-based tenant incentives and leasing costs of $1.1 million.

1 On a face basis, or 4.9% on an effective basis.

2 Excluding held for sale assets.

Property portfolio and asset management

DXI's property portfolio comprises interests in 91 properties valued at $1.4 billion with a weighted average capitalisation rate of 5.77%. The portfolio generates a secure income yield, underpinned by a weighted average lease expiry of 6.1 years and occupancy of 99.0%.

The portfolio generates embedded rental growth, with 46% of the portfolio generating average fixed rental growth of 3.2% per annum, and the remainder tied to CPI-linked increases. During the half, the portfolio achieved an average rent review of 4.8%.

Industrial portfolio performance

$1.3bn
Book value

5.57%
Capitalisation rate

99.6%
Occupancy (by income)

6.7 year
WALE (by income)

6.0%[3]
Like-for-like growth

23,600sqm[4]
Leased plus 2,200sqm development leasing

The industrial portfolio was valued at $1.3 billion at 31 December 2023 at a weighted average cap rate of 5.57%.

The industrial portfolio delivered average rent reviews of 4.9%. Like-for-like income growth was 6.0%[3], with strong growth expected to be maintained for FY24.

Jandakot Airport industrial precinct delivered like-for-like income growth of 5.2%[5], supported by 59% of income linked to CPI escalations.

Following a record year of leasing in FY23, total industrial leasing for the half was 23,600 square metres[4]. Re-leasing spreads were -4.5%, impacted by two deals at Jandakot relating to the recently vacated space which was over-rented. Excluding these two deals, industrial re-leasing spreads were +3.4%.

Brisbane Technology Park performance

$165m
Book value

7.17%
Capitalisation rate

95.7%
Occupancy (by income)

3.4 year
WALE (by income)

15.4%[6]
Like-for-like growth

4,400sqm
Leased

Brisbane Technology Park was valued at $165 million at 31 December 2023 at a weighted average cap rate of 7.17%.

Occupancy (by income) increased 10 percentage points to 95.7% following 4,400 square metres of leasing. Positive leasing outcomes supported like-for-like growth of 15.4%[6]. Retention rates were also strong with 84% of space retained or backfilled within 3 months. Brisbane Technology Park generates an income yield of 7.5%, with incentives circa 15 percentage points below the broader Brisbane CBD office market.

Developments

DXI has circa $167 million of spend remaining on its total development pipeline, of which $42 million is committed. The total pipeline is valued at $269 million and equates to interests in 331,400 square metres in major hubs in Sydney and Perth, providing additional income upside.

At Jandakot Airport industrial precinct, two projects were completed over 18,000 square metres and are fully-leased to Marley Spoon and Caddy.

In Sydney, development approval was received on a 17,900 square metre multi-estate, last mile development project in Moorebank. The project is expected to be delivered in FY25 at a 6.0 – 6.5% yield on cost.

Transactions

During the half, DXI settled on the sale of 3 & 4 Forbes Close, Knoxfield VIC (August 2023) and 16-28 Quarry Road, Stapylton, QLD (October 2023) for total proceeds of $89.8 million.

In addition, DXI exchanged contracts for the sale of 57-67 Mark Anthony Drive, South Dandenong VIC and 32-40 Garden Street, Kilsyth VIC for total proceeds of $45.0 million with settlement of these assets occurring in January 2024. This includes a $5.0 million surrender payment received in August 2023 associated with the divestment of 32-40 Garden Street, Kilsyth VIC.

3 On a face basis, or 4.4% on an effective basis.
4 Represents stabilised leasing at 100%,or 15,800sqm at DXI ownership. Development leasing for the period was 2,200sqm at 100%, or 700sqm at DXI ownership.
5 On a face basis, or 5.0% on an effective basis.
6 On a face basis, or 9.3% on an effective basis.

Financial position

DXI's net assets decreased $36.3 million (or 12 cents per security to an NTA of $3.32[b]) primarily due to property devaluations.

Balance sheet ($'000)	31 December 2023	30 June 2023
Cash and cash equivalents	5,080	5,514
Investment properties[a]	998,050	1,105,775
Equity accounted investments	379,182	391,733
Other assets	58,323	59,411
Total assets	**1,440,635**	**1,562,433**
Borrowings	(292,615)	(376,034)
Distributions payable	(13,008)	(13,008)
Other liabilities	(69,510)	(71,624)
Total liabilities	**(375,133)**	**(460,666)**
Net assets	**1,065,502**	**1,101,767**
Stapled securities on issue ('000)	317,270	317,270
NTA per security ($)[b]	**3.32**	**3.44**

a) Excludes directly held leased assets. Includes assets held for sale.

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

Capital management

Pro forma look-through gearing was 26.2%[7], below the target range of 30 – 40%. Hedged debt for the half averaged 77%, and the weighted average maturity of hedges is 2.2 years. The average cost of debt increased 50 basis points half-on-half, driven by higher interest rates. DXI has substantial liquidity of $146 million and a weighted average debt maturity of 2.8 years.

Key metrics[a]	31 December 2023	30 June 2023
Balance sheet gearing	18.9%[b]	20.4%[c]
Gearing (look-through)[d]	26.2%[b]	27.3%[c]
Cost of debt[e]	3.9%	3.5%
Average maturity of debt	2.8 years	3.1 years
Average hedged debt	77%	68%
Average maturity of hedges	2.2 years	2.6 years
Balance sheet headroom[f]	$146m	$63m
Balance sheet interest cover (covenant)	5.2x	4.5x

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

b) Pro forma for the sale of 32-40 Garden Street, Kilsyth, VIC and 57-67 Mark Anthony Drive, South Dandenong, VIC which settled in January 2024. At 31 December 2023, balance sheet gearing was 21.2%, or 28.1% look-through.

c) Gearing metrics presented on a pro forma basis. At 30 June 2023, balance sheet gearing was 25.1%, or 31.2% look-through.

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

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

f) Undrawn facilities plus cash.

7 Pro forma for the sale of 32-40 Garden Street, Kilsyth, VIC and 57-67 Mark Anthony Drive, South Dandenong, VIC which settled in January 2024. At 31 December 2023, look-through gearing was 28.1%.

Environmental, Social and Governance (ESG)

DXI is committed to delivering meaningful sustainability outcomes and aligns to the Dexus sustainability strategy, including an aspiration to unlock the potential of real assets to create lasting positive impact and a more sustainable tomorrow. This also includes delivering against the sustainability priority areas of Customer Prosperity, Climate Action and Enhancing Communities.

Recognising the importance of climate action, DXI maintained a carbon neutral position across its business operations and controlled building portfolio for FY23 under the Climate Active Standard[8]. DXI maintains a 4.9 star NABERS Energy and 4.8 star NABERS Water rating across its portfolio.

DXI's focus on customer prosperity has seen 140 kW of onsite solar installed during the half and approvals progressing on a further 2.0 MW. At Brisbane Technology Park, a waste diversion program, with a customer awareness campaign and site interventions, supported a 20%+ improvement in recycling rates[9].

Market outlook

The fundamentals of the Australian industrial sector remain positive although demand is moderating from the high levels of recent years. While leasing activity in the discretionary retail segments has softened, demand from the non-discretionary segments of food, groceries and pharmaceuticals has been much more stable. Vacancy rates in most precincts have lifted off the record lows of last year but remain well below global averages. Rents are expected to be supported by supply constraints driven by planning issues and high construction costs.

Summary and guidance

DXI will remain focused on executing its proposition to investors of generating superior risk-adjusted returns over the long term by:

– enhancing portfolio attributes that deliver organic income growth
– maintaining a strong capital position (including managing gearing towards the lower end of the target range)
– continuing an active approach to portfolio management (including a disciplined approach to delivering the development pipeline)
– leveraging Dexus's capabilities across transactions, leasing development and asset management.

Despite continued uncertainty in the macroeconomic environment, DXI's earnings for FY24 are expected to remain resilient, underpinned by embedded fixed and CPI linked rental escalations, minimal near-term lease expiries and forecast full-year average hedged debt above 80%[10].

Barring unforeseen circumstances, DXI reiterates FY24 guidance for FFO of 17.1 cents per security and for distributions of 16.4 cents per security, reflecting a distribution yield of 6.0%[11].

8 Final Climate Active certification expected to be achieved post-reporting period. Covers scope 1, 2 and some scope 3 emissions. Refer to Sustainability Data Pack available on Dexus website for scope 3 inclusions.
9 Based on 3-month prior year comparison of estimated waste densities.
10 Based on existing hedges in place as at 31 December 2023 and assuming no further transactional activity.
11 Based on closing security price as at 5 February 2024.

Key risks

Risk	Potential impacts	How DXI is responding
Health, safety and wellbeing Providing an environment that ensures the safety and wellbeing of customers, contractors and the public at DXI properties and responding to events that have the potential to disrupt business continuity	– Death or injury at DXI properties – Loss of broader community confidence – Costs or sanctions associated with regulatory response – Costs associated with remediation and/or restoration, and criminal or civil proceedings – Inability to sustainably perform or deliver objectives – Business disruption	– Dexus implements an ISO 45001 accredited WHS Management system to communicate and manage WHS risks, including: • Contractor management procedures facilitating safe systems of work • WHS risk management program to identify and assess risks associated with DXI owned assets and operations, and to monitor controls are effectively implemented – Maintain a business continuity management framework to mitigate safety threats, including the adoption of plans relating to crisis management, business continuity and emergency management
Strategic performance Ability to deliver DXI's strategic objectives, generate value and deliver superior performance	– Sustained inflation and recessionary pressures on the economy which could impact strategic outcomes – Loss of broader community confidence – Reputational damage – Inability to meet guidance – Inability to sustainably perform or deliver investment objectives	– Processes in place to monitor and manage performance and risks that may impact on performance – DXI's strategy and risk appetite are approved annually by the Board and reviewed throughout the year by management – Progress against strategy is subject to regular review and reporting to the Board
Investment and financial performance Ability to meet market guidance or key financial objectives and deliver sustainable income and capital growth prospects for Security holders over the long term	– Reduced investor sentiment (equity and debt) – Unanticipated loss of existing key or major investor – Reduced credit ratings and availability of debt financing – Sustained inflation and recessionary pressures on the economy which could impact financial performance – Inability to meet guidance – Inability to sustainably perform or deliver investment objectives – Decline in asset valuations – Reputational damage	– Processes in place to monitor and manage performance and risks that may impact on performance – Investments, divestments and developments must be approved by the Investment Committee and the Dexus Asset Management Limited (DXAM) and Industria Company No. 1 Limited (IC1) Boards, in accordance with the terms of reference and operating limits – Due diligence is undertaken for all investment and divestment proposals, developments and major capital expenditure before approval or endorsement of each investment decision
Capital management Positioning the capital structure of the Fund to withstand unexpected changes in equity and debt markets	– Constrained capacity to execute strategy – Increased cost of funding (equity and debt) – Fluctuations in interest rates which could impact the cost of debt – Fluctuations in foreign exchange rates which could impact profitability – Reduced investor sentiment – Reduced availability of debt financing – Breach of financial covenants leading to default	– Prudent management of capital, including regular sensitivity analysis and periodic independent reviews of the Treasury Policy, assists in positioning DXI's balance sheet in relation to unexpected changes in capital markets – Ongoing monitoring of capital management is undertaken to ensure metrics are within risk appetite thresholds benchmarks and/or limits outlined within the Treasury Policy – Reporting and oversight by the Capital Markets Committee and the DXAM and IC1 Boards
Development Providing the opportunity to grow DXI's portfolio and enhance future returns	– Reputational damage – Leasing outcomes impacting on completion valuations – Fluctuations in construction costs and project delays, including due to liquidation of third-party contractors, resulting in sub-optimal returns – Financial loss	– Leverages Dexus's strong development capability with a proven track record of delivering projects with a focus on quality, sustainability and returns that satisfy the evolving needs of customers – Investments, divestments and developments must be approved by the Investment Committee, and the DXAM and IC1 Boards, in accordance with the terms of reference and operating limits – Due diligence is undertaken for all developments before approval or endorsement of each investment decision

Risk	Potential impacts	How DXI is responding
Environmental and social sustainability Ability to meet societal and investor expectations of corporate and social responsibilities	– Impacts to the community including human health and wellbeing – Increased costs associated with global and domestic energy crisis – Increased difficulties in leasing assets due to heightened risk of climate change impact – Increased costs associated with physical risks (e.g. asset damage from extreme weather) – Increased costs associated with transition risks (e.g. carbon regulation, requirements for building efficiency) – Inability to maintain access to capital due to reputational damage – Increased reputational risk for not supporting the community and social causes	– Dexus implements an ISO 45001 accredited Environment Management system to communicate and manage WHS risks, including: • Environment risk management program to identify and assess risk associated with DXI owned assets and operations, and to monitor that controls are effectively implemented – Dexus use scenario analysis to understand the broad range of climate-related issues that may impact the business and focus on enhancing the resilience of properties while implementing energy efficiency initiatives and renewable energy projects – DXI are committed to ensuring its operations provide quality jobs with the right conditions and collaborate with its suppliers to understand how it can contribute to upholding human rights across the supply chain, including addressing modern slavery
Compliance and regulatory Maintain appropriate governance and compliance practices to support oversight of, and compliance with, applicable laws and regulations	– Reputational damage – Conflicts of interest resulting in loss or reduced performance – Fines and sanctions impacting on business operations – Reduced investor sentiment (equity and debt) – Loss of broader community confidence – Increased compliance costs	– DXI's compliance monitoring program supports its comprehensive compliance policies and procedures that are regularly updated to ensure the business operates in accordance with regulatory expectations – Dexus employees and DXI service providers receive training on their compliance obligations and are encouraged to raise concerns where appropriate – Maintain grievance, complaints and whistleblower mechanisms for Dexus employees and DXI stakeholders to raise concerns safely, confidentially and anonymously – Risk-based Internal Audit program – Independent industry experts are appointed to undertake reviews where appropriate
Performance of manager Services and activities provided by the manager e.g. cyber and data security, people and culture	– Disruption to business impacting key stakeholder groups – Financial loss – Reputation damage – Breach of laws/regulations resulting in sanctions and fines – Decrease in business performance, agility and resilience	– Regular Board Reporting including key risk, incident and breach updates – Regular monitoring of key metrics – Engagement with management to ensure visibility and oversight of key business activities and processes – Regular review and oversight of applicable business policies

Directors' Report

The Directors of Dexus Asset Management Limited (DXAM) as Responsible Entity of Industria Trust No. 1 (IT1 or the Trust and deemed parent entity) and its controlled entities (together DXI or the Group) present their Directors' Report together with the Interim Consolidated Financial Statements for the half year ended 31 December 2023. The Interim Consolidated Financial Statements represent IT1 and its controlled entities, which are referred to as the Group (the Group).

Directors

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

Directors	Appointed
Jennifer Horrigan, BBus, GradDipMgt, GradDipAppFin, MAICD	30 April 2012
Danielle Carter, BA/BCom, GradDipAppFin, CA, GAICD	17 October 2022
Deborah Coakley, BBus, GAICD	19 August 2021
Emily Smith, BCom, GAICD	19 April 2022
Jonathan Sweeney, BCom, LLB, CFA, GAICD	17 October 2022
Brett Cameron, LLB/BA, GAICD, FGIA – Alternate Director for Deborah Coakley	1 March 2022

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 8 of this Interim Report and forms part of this Directors' Report.

Significant changes in the state of affairs

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

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 10 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 Interim Consolidated Financial Statements to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Interim Consolidated Financial Statements, except where otherwise stated, are expressed in Australian dollars.

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Interim Consolidated Financial Statements were authorised for issue by the Directors on 7 February 2024.

Jennifer Horrigan
Chair
7 February 2024

Auditor's Independence Declaration

As lead auditor for the review of Industria Trust No. 1 for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Samantha Johnson
Partner
PricewaterhouseCoopers

Sydney
7 February 2024

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2023

	Note	31 Dec 2023 $'000	31 Dec 2022 $'000
Revenue from ordinary activities			
Property revenue	2	**40,679**	38,622
Total revenue from ordinary activities		**40,679**	**38,622**
Other income			
Interest revenue		**72**	64
Share of net profit of investments accounted for using the equity method		**–**	18,795
Total other income		**72**	**18,859**
Total income		**40,751**	**57,481**
Expenses			
Property expenses	2	**(6,350)**	(7,491)
Management fee expense		**(3,263)**	(3,476)
Finance costs	3	**(7,618)**	(8,834)
Net fair value loss of investment properties	6	**(21,595)**	(34,225)
Share of net loss of investments accounted for using the equity method		**(6,343)**	–
Impairment of investments accounted for using the equity method		**–**	(1,208)
Net fair value loss of derivatives		**(5,748)**	(186)
Other expenses		**(577)**	(644)
Total expenses		**(51,494)**	**(56,064)**
(Loss)/profit before tax		**(10,743)**	**1,417**
Income tax benefit	4	**494**	22
(Loss)/profit for the period		**(10,249)**	**1,439**
(Loss)/profit for the period attributable to:			
Security holders of the parent entity		**5,777**	(2,934)
Security holders of other stapled entities (non-controlling interests)[1]		**(16,026)**	4,373
(Loss)/profit for the period		**(10,249)**	**1,439**
Other comprehensive income for the period		**–**	–
Total comprehensive (loss)/income for the period		**(10,249)**	**1,439**
Total comprehensive income/(loss) for the period attributable to:			
Security holders of the parent entity		**5,777**	(2,934)
Security holders of other stapled entities (non-controlling interests)[1]		**(16,026)**	4,373
Total comprehensive (loss)/income for the period		**(10,249)**	**1,439**
		Cents	**Cents**
Earnings per stapled security on profit/(loss) attributable to security holders of the Trust (parent entity)			
Basic earnings per security		**1.82**	(0.92)
Diluted earnings per security		**1.82**	(0.92)
Earnings per stapled security on profit/(loss) attributable to security holders of other stapled entities[1]			
Basic earnings per security		**(5.05)**	1.37
Diluted earnings per security		**(5.05)**	1.37

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

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

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets			
Cash and cash equivalents		**5,080**	5,514
Receivables		**5,243**	4,645
Non-current assets classified as held for sale	8	**40,000**	89,775
Derivative financial instruments	11	**5,736**	7,840
Current tax assets		**3**	–
Other current assets		**5,371**	2,998
Total current assets		**61,433**	**110,772**
Non-current assets			
Investment properties	6	**998,080**	1,054,377
Investments accounted for using the equity method	7	**379,182**	391,733
Derivative financial instruments	11	**1,511**	4,908
Other non-current assets		**429**	643
Total non-current assets		**1,379,202**	**1,451,661**
Total assets		**1,440,635**	**1,562,433**
Current liabilities			
Payables		**14,928**	19,734
Provisions		**15,691**	13,838
Derivative financial instruments	11	**17**	–
Lease liabilities	10	**409**	384
Current tax liabilities		**–**	244
Interest bearing liabilities	9	**41,341**	–
Total current liabilities		**72,386**	**34,200**
Non-current liabilities			
Payables		**1,065**	1,459
Derivative financial instruments	11	**603**	251
Lease liabilities	10	**39,621**	37,993
Interest bearing liabilities	9	**251,274**	376,034
Deferred tax liabilities		**10,184**	10,729
Total non-current liabilities		**302,747**	**426,466**
Total liabilities		**375,133**	**460,666**
Net assets		**1,065,502**	**1,101,767**
Equity			
Equity attributable to security holders of the Trust (parent entity)			
Contributed equity	13	**594,296**	594,296
Retained profits		**231,134**	249,882
Parent entity security holders' interest		**825,430**	**844,178**
Equity attributable to security holders of other stapled entities (non-controlling interests)[1]			
Contributed equity	13	**198,402**	198,402
Retained profits		**41,670**	59,187
Other stapled security holders' interest		**240,072**	**257,589**
Total equity		**1,065,502**	**1,101,767**

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

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2023

	Note	Attributable to security holders of the Trust (parent entity)			Attributable to security holders of other stapled entities[1]			
		Contributed equity $'000	Retained profits $'000	Total $'000	Contributed equity $'000	Retained profits $'000	Total $'000	Total equity $'000
Opening balance as at 1 July 2022		**594,296**	**303,300**	**897,596**	**198,402**	**57,533**	**255,935**	**1,153,531**
Net (loss)/profit for the period		–	(2,934)	(2,934)	–	4,373	4,373	1,439
Other comprehensive income/(loss) for the period		–	–	–	–	–	–	–
Total comprehensive (loss)/income for the period		**–**	**(2,934)**	**(2,934)**	**–**	**4,373**	**4,373**	**1,439**
Transactions with owners in their capacity as owners								
Distributions paid or payable	5	–	(23,660)	(23,660)	–	(2,356)	(2,356)	(26,016)
Total transactions with owners in their capacity as owners		**–**	**(23,660)**	**(23,660)**	**–**	**(2,356)**	**(2,356)**	**(26,016)**
Closing balance as at 31 December 2022		**594,296**	**276,706**	**871,002**	**198,402**	**59,550**	**257,952**	**1,128,954**
Opening balance as at 1 July 2023		**594,296**	**249,882**	**844,178**	**198,402**	**59,187**	**257,589**	**1,101,767**
Net profit/(loss) for the period		**–**	**5,777**	**5,777**	**–**	**(16,026)**	**(16,026)**	**(10,249)**
Other comprehensive income/(loss) for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period		**–**	**5,777**	**5,777**	**–**	**(16,026)**	**(16,026)**	**(10,249)**
Transactions with owners in their capacity as owners								
Distributions paid or payable	5	**–**	**(24,525)**	**(24,525)**	**–**	**(1,491)**	**(1,491)**	**(26,016)**
Total transactions with owners in their capacity as owners		**–**	**(24,525)**	**(24,525)**	**–**	**(1,491)**	**(1,491)**	**(26,016)**
Closing balance as at 31 December 2023		**594,296**	**231,134**	**825,430**	**198,402**	**41,670**	**240,072**	**1,065,502**

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

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2023

	Note	31 Dec 2023 $'000	31 Dec 2022 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**42,701**	42,124
Payments in the course of operations (inclusive of GST)		**(16,388)**	(15,410)
Interest received		**72**	64
Finance costs paid		**(6,551)**	(8,107)
Income tax paid		**(298)**	–
Distributions received from investments accounted for using the equity method		**12,729**	8,376
Net cash inflow from operating activities		**32,265**	**27,047**
Cash flows from investing activities			
Proceeds from sale of investment properties		**89,403**	158,700
Payments for capital expenditure on investment properties		**(4,682)**	(2,070)
Payments for investments accounted for using the equity method		**(7,218)**	(29,018)
Net cash inflow from investing activities		**77,503**	**127,612**
Cash flows from financing activities			
Proceeds from borrowings		**738,250**	1,105,250
Repayment of borrowings		**(822,250)**	(1,232,500)
Borrowing costs paid		**(19)**	(401)
Payment of lease liabilities		**(167)**	(165)
Distributions paid to security holders		**(26,016)**	(26,730)
Net cash outflow from financing activities		**(110,202)**	**(154,546)**
Net (decrease)/increase in cash and cash equivalents		**(434)**	113
Cash and cash equivalents at the beginning of the period		**5,514**	5,583
Cash and cash equivalents at the end of the period		**5,080**	**5,696**

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

Notes to the Interim 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 2023 and any public announcements made by the Group during the half year, and up to the date of issuance of this Interim Report, 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 period's presentation. In the current period, Right-of-use assets have been reclassified for presentation purposes to Investment properties, with comparative information reclassified accordingly:

- Half year ended 31 December 2022 Expenses, Net fair value loss of right-of-use assets to Net fair value loss of investment properties: $178,000;
- 1 July 2022 Non-current assets, Right-of-use assets to Investment properties: $39,069,000;
- 30 June 2023 Non-current assets, Right-of-use assets to Investment properties: $38,377,000.

This change has no net impact on profit or loss, equity or cash flows and has been reclassified for enhanced clarity and consistency within the Financial Statements.

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

The Interim Consolidated Financial Statements have been prepared on a going concern basis using the historical cost convention, except for the following which are stated at their fair value:

- Investment properties;
- Investment properties within equity accounted investments;
- Derivative financial instruments; and
- Non-current assets classified as held for sale.

Refer to the specific accounting policies within the Notes to the annual Consolidated Financial Statements for the year ended 30 June 2023 for the basis of valuation of assets and liabilities measured at fair value.

Net current asset deficiency

As at 31 December 2023, the Group had a net current asset deficiency of $10,953,000 (30 June 2023: surplus of $76,572,000). This is primarily due to the distributions payable to stapled security holders of $13,008,000 (30 June 2023: $13,008,000) and interest bearing liabilities of $41,341,000 due within 12 months (30 June 2023: nil).

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

The Group has in place both external and internal funding arrangements to support the cash flow requirements of the Group, including undrawn facilities of $141,000,000 (30 June 2023: $57,000,000). From 31 January 2024, facilities totalling $71,250,000 were cancelled. Refer to note 15 *Subsequent events* for details.

In determining the basis of preparation of the Interim Consolidated Financial Statements, the Directors of the Responsible Entity have taken into consideration the unutilised facilities available to the Group. As such, the Group is a going concern and the Interim Consolidated Financial Statements have been prepared on that basis.

Critical accounting estimates

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

In the process of applying the Group's accounting policies, management has considered the current economic environment including the impacts of persistent inflation and elevated interest rates and the estimates and assumptions used for the measurement of items such as:

- Investment properties;
- Investment properties within equity accounted investments; and
- Derivative financial instruments.

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

Climate change

On 26 June 2023, the International Sustainability Standards Board (ISSB) released new sustainability standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures.* Subsequently, the Australian Accounting Standards Board (AASB) issued Exposure Draft "*Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*" and the Australian Treasury released related Exposure Draft legislation with their respective consultation periods ending on 1 March 2024 and 9 February 2024. The Group is continuing to develop its assessment of the impact of climate change in line with emerging industry and regulatory guidance on its Consolidated Financial Statements.

Notes to the Interim Consolidated Financial Statements

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

The Notes are organised into the following sections:

Group performance	**Property portfolio assets**	**Capital and financial risk management**	**Other disclosures**
1. Operating segments	6. Investment properties	9. Interest bearing liabilities	14. Related parties
2. Property revenue and expenses	7. Investments accounted for using the equity	10. Lease liabilities	15. Subsequent events
3. Finance costs	8. Non-current assets classified as held for sale	11. Fair value measurement	
4. Taxation		12. Commitments and contingencies	
5. Distributions paid and payable		13. Contributed equity	

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 and expenses, finance costs, taxation, and distributions paid and payable.

Note 1 Operating segments

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

	Direct investments		Joint ventures[1]		Total portfolio	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	$'000	$'000	$'000	$'000	$'000	$'000
Segment performance measures						
Property revenue	36,049	40,122	15,097	13,116	51,146	53,238
Property expenses	(6,500)	(8,016)	(3,574)	(3,035)	(10,074)	(11,051)
Property FFO	**29,549**	**32,106**	**11,523**	**10,081**	**41,072**	**42,187**
Management fees	(3,263)	(3,476)	(1,075)	(935)	(4,338)	(4,411)
Net finance costs	(6,490)	(7,768)	(2,241)	(1,740)	(8,731)	(9,508)
Tax expense	(50)	(316)	(577)	(496)	(627)	(812)
Other net (expense)/income	(577)	(644)	455	295	(122)	(349)
FFO	**19,169**	**19,902**	**8,085**	**7,205**	**27,254**	**27,107**
Net fair value gain/(loss) of investment properties	(21,595)	(34,225)	(18,263)	13,187	(39,858)	(21,038)
Net fair value gain/(loss) of derivatives	(5,748)	(186)	(2,052)	383	(7,800)	197
Impairment of investments accounted for using the equity method	–	(1,208)	–	–	–	(1,208)
Incentive amortisation	(2,890)	(2,778)	(163)	(80)	(3,053)	(2,858)
Rent straight-line	2,027	1,192	231	218	2,258	1,410
Debt modification expense	(357)	(339)	–	–	(357)	(339)
Rental guarantees, coupon income and other[2]	4,944	(52)	5,684	(317)	10,628	(369)
Non-FFO tax benefit/(expense)	544	338	135	(1,801)	679	(1,463)
(Loss)/profit for the period	**(3,906)**	**(17,356)**	**(6,343)**	**18,795**	**(10,249)**	**1,439**
Investment properties[3]	958,050	1,132,425	–	–	958,050	1,132,425
Investments accounted for using the equity method	–	–	442,947	431,757	442,947	431,757
Non-current assets classified as held for sale	40,000	–	–	–	40,000	–
Property portfolio[4]	**998,050**	**1,132,425**	**442,947**	**431,757**	**1,440,997**	**1,564,182**
Finance lease receivable[5]	–	–	62,431	56,305	62,431	56,305
Investment portfolio	**998,050**	**1,132,425**	**505,378**	**488,062**	**1,503,428**	**1,620,487**

1 Includes investment in Jandakot City Holdings Trust (JCHT), Jandakot Airport Holdings Trust (JAHT), Dexus Moorebank Trust and Dexus Mamre Road Trust. Refer note 7 *Investments accounted for using the equity method* for further detail.
2 Includes $11,508,000 of surrender income received in relation to tenant departures at Jandakot Airport and industrial precinct, Perth and the divestment of 32-40 Garden Street, Kilsyth, Victoria.
3 Excludes directly held Leased assets. Refer note 6 *Investment properties* for further detail.
4 Represents look-through portfolio, including directly held investment properties, non-current assets held for sale and the Group's interests in investment properties held through equity accounted investments.
5 Represents the Group's ownership interest in assets within JAHT that derive ground rent property revenue.

Note 2 Property revenue and expenses

Property rental revenue is derived from holding properties as investment properties and earning rental yields over time. Associated property expenses are incurred to maintain the properties.

	31 Dec 2023 $'000	31 Dec 2022 $'000
Rental income	**32,560**	34,139
Outgoings and direct recoveries	**2,955**	3,529
Services revenue	**2,265**	3,340
Embedded network income[1]	**116**	126
Incentive amortisation	**(2,274)**	(2,512)
Other revenue[2]	**5,057**	–
Total property revenue	**40,679**	**38,622**

1 Embedded network income represents the net of $533,000 (December 2022: $344,000) of direct recoveries income and $417,000 (December 2022: $218,000) of electricity expenses.
2 Includes one off surrender income of $5,000,000 in connection with the sale of 32-40 Garden Street, Kilsyth.

	31 Dec 2023 $'000	31 Dec 2022 $'000
Recoverable outgoings and direct recoveries	**5,428**	7,322
Other non-recoverable property expenses	**922**	169
Total property expenses	**6,350**	**7,491**

Note 3 Finance costs

Finance costs are expensed as incurred unless they relate to qualifying assets which are capitalised to the cost of the asset.

	31 Dec 2023 $'000	31 Dec 2022 $'000
Interest paid/payable[1]	**9,833**	8,644
Amortisation of borrowing costs	**244**	489
Debt modifications	**357**	339
Interest expense on lease liability	**699**	663
Realised gain on interest rate derivatives	**(3,515)**	(1,301)
Total finance costs	**7,618**	**8,834**

1 Includes $1,351,000 (December 2022: $1,810,000) of line fees expensed during the period.

Note 4 Taxation

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

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

	31 Dec 2023 $'000	31 Dec 2022 $'000
(Loss)/profit before income tax	**(10,743)**	**1,417**
Less: Loss/(profit) attributed to entities not subject to tax	**9,583**	(1,450)
Loss subject to income tax	**(1,160)**	**(33)**
Prima facie tax benefit at the Australian tax rate of 30%	**348**	10
Add/(subtract) the tax effect of:		
Over/(under) provision from previous period	**66**	–
Other	**80**	12
Income tax benefit	**494**	**22**

Franking credits available for subsequent reporting periods based on a tax rate of 30% (December 2022: 30%) are $2,418,000 (December 2022: $365,533).

Note 5 Distributions paid and payable

Distributions are recognised when declared.

a. Distribution to security holders

	31 Dec 2023 $'000	31 Dec 2022 $'000
30 September (paid 9 November 2023)	**13,008**	13,008
31 December (payable 22 February 2024)[1]	**13,008**	13,008
Total distribution to security holders	**26,016**	**26,016**

b. Distribution rate

	31 Dec 2023 Cents per security	31 Dec 2022 Cents per security
30 September (paid 9 November 2023)	**4.100**	4.100
31 December (payable 22 February 2024)[1]	**4.100**	4.100
Total distribution rate	**8.200**	**8.200**

1 Inclusive of Industria Company No.1 Ltd declared dividends of $1,491,000 or 0.47 cents per security in December 2023 (December 2022: nil).

Property portfolio assets

In this section

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

31 December 2023	Note	Leased assets $'000	Direct investments $'000	Joint ventures $'000	Total $'000
Investment properties	6	40,030	958,050	–	**998,080**
Investments accounted for using the equity method	7	62,431	–	442,947	**505,378**
Non-current assets classified as held for sale	8	–	40,000	–	**40,000**
Total		**102,461**	**998,050**	**442,947**	**1,543,458**

Property portfolio assets are used to generate the Group's performance. The assets are detailed in the following notes:

- **Investment properties:** relates to investment properties (including ground leases where relevant), both stabilised and under development.
- **Investments accounted for using the equity method:** provides summarised financial information on the joint ventures and investments where the Group has significant influence. The Group's interests in its joint venture property portfolio assets are held through investments in trusts.
- **Non-current assets classified as held for sale:** relates to investment properties which are expected to be sold within 12 months of the reporting date and contracts have already exchanged.

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.

a. Reconciliation

	Note	Leased assets $'000	Direct investments $'000	For the 6 months to 31 Dec 2023 $'000	For the 12 months to 30 Jun 2023 $'000
Opening balance		**38,377**	**1,016,000**	**1,054,377**	1,358,519
Additions[1,2]		**–**	**1,606**	**1,606**	4,826
Remeasurement of leased assets during the period		**1,820**	**–**	**1,820**	525
Lease incentives		**–**	**2,795**	**2,795**	7,814
Amortisation of lease incentives		**–**	**(2,889)**	**(2,889)**	(5,201)
Rent straightlining		**–**	**2,027**	**2,027**	2,528
Disposals		**–**	**(61)**	**(61)**	(159,272)
Transfer to non-current assets classified as held for sale		**–**	**(40,000)**	**(40,000)**	(89,775)
Net fair value loss of investment properties [2]		**(167)**	**(21,428)**	**(21,595)**	(65,587)
Closing balance		**40,030**	**958,050**	**998,080**	**1,054,377**

1 Includes $1,033,000 (June 2023: $2,603,000) of maintenance capital expenditure incurred during the period.
2 Includes $832,000 of transaction costs associated with assets sold and assets transferred to held for sale during the period (June 2023: $2,459,000).

Leased assets

The Group holds leasehold interests in a number of properties. Leasehold land that meets the definition of investment property under AASB 140 *Investment Property* is measured at fair value and presented within Investment property. The leased asset is measured initially at an amount equal to the corresponding lease liability. Subsequent to initial recognition, the leased asset is recognised at fair value in the Consolidated Statement of Financial Position. Refer to note 10 *Lease liabilities* for details of the Lease liabilities.

In the current period, right of use assets associated with ground leases have been reclassified to investment properties. Please refer to the Basis of preparation section of the Notes to the Interim Consolidated Financial Statements for further details regarding the impact of this change in presentation on the comparative periods.

Note 6 Investment properties (continued)

b. Fair value measurement, valuation techniques and inputs

The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement for each class of investment property, including investment property held within investments accounted for using the equity method. Refer to note 7 *Investments accounted for using the equity method* for details.

			Range of unobservable inputs	
Class of property	**Fair value hierarchy**	**Inputs used to measure fair value**	**31 Dec 2023**	**30 Jun 2023**
Industrial and business parks	Level 3	Adopted capitalisation rate	**5.00% - 8.00%**	4.50% - 7.75%
		Adopted discount rate	**6.50% - 8.00%**	6.00% - 8.00%
		Adopted terminal yield	**5.25% - 8.00%**	4.75% - 8.00%
		Net market rental (per sqm p.a)	**$84 - $802**	$84 - $765
Land held for development	Level 3	Sales price per sqm	**$250 - $1,272**	$260 - $1,272
Leased assets	Level 3	Adopted discount rate	**3.36% - 8.50%**	3.36% - 8.50%

Key estimates: inputs used to measure fair value of investment properties

Judgement is required in determining the following significant unobservable inputs:

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

c. Sensitivity information

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

	31 Dec 2023 $'000	**30 Jun 2023 $'000**
A decrease of 25 basis points in the adopted capitalisation rate	**58,779**	65,554
An increase of 25 basis points in the adopted capitalisation rate	**(53,896)**	(59,731)
A decrease of 25 basis points in the adopted discount rate	**48,480**	53,498
An increase of 25 basis points in the adopted discount rate	**(45,109)**	(49,555)
A decrease of 5% in the net market rental (per sqm)	**(64,876)**	(67,241)
An increase of 5% in the net market rental (per sqm)	**64,876**	67,241

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

Under the capitalisation approach, the net market rental has a strong interrelationship with the adopted capitalisation rate as the fair value of the investment property is derived by capitalising, in perpetuity, the total net market rent receivable. An increase (softening) in the adopted capitalisation rate may offset the impact to fair value of an increase in the net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the net market rent. A directionally opposite change in the net market rent and the adopted capitalisation rate may increase the impact to fair value.

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

Note 6 Investment properties (continued)

c. Sensitivity information (continued)

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

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

Note 7 Investments accounted for using the equity method

a. Interest in joint ventures and associates

The following investments are accounted for using the equity method of accounting in the Interim Consolidated Financial Statements.

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

	Ownership interest		Balance	
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
Name of entity	%	%	$'000	$'000
Jandakot City Holdings Trust (JCHT)	**33.3**	33.3	**304,650**	316,769
Jandakot Airport Holdings Trust (JAHT)[1]	**68.0**	68.0	**51,059**	51,248
Dexus Moorebank Trust	**50.0**	50.0	**22,523**	22,683
Dexus Mamre Road Trust	**50.0**	50.0	**950**	1,033
Total assets - investments accounted for using the equity method[2]			**379,182**	**391,733**

1 Like other airports around Australia, firefighting foams containing per- and poly-fluorinated alkyl substances (PFAS) have historically been used at Jandakot Airport. Jandakot Airport continues to investigate, manage and monitor PFAS.
2 The Group's share of investment properties in the investments accounted for using the equity method was $442,947,000 (June 2023: $452,044,000). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

Note 8 Non-current assets classified as held for sale

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

At 31 December 2023, the balance relates to 57 - 67 Mark Anthony Drive, Dandenong and 32-40 Garden Street, Kilsyth VIC.

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

Capital and financial risk management

In this section

The Board of the Responsible Entity determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from 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:** *Interest bearing liabilities* in note 9, *Lease liabilities* in note 10, *Fair value measurement* in note 11, and *Commitments and contingencies* in note 12; and
- **Equity:** *Contributed equity* in note 13.

Note 9 Interest bearing liabilities

The following table summarises the Group's financing arrangements:

	31 Dec 2023 $'000	30 Jun 2023 $'000
Current		
Secured		
Bank loans (net of debt modification)	**41,490**	–
Capitalised borrowing cost	**(149)**	–
Total secured	**41,341**	–
Total current liabilities - interest bearing liabilities	**41,341**	–
Non-current		
Secured		
Bank loans (net of debt modification)	**252,226**	377,360
Capitalised borrowing cost	**(952)**	(1,326)
Total secured	**251,274**	376,034
Total non-current liabilities - interest bearing liabilities	**251,274**	376,034
Total interest bearing liabilities	**292,615**	376,034

Financing arrangements

The Group has the following revolving cash advance facilities with four banks:

	31 Dec 2023 $'000	30 Jun 2023 $'000
Loan facility limit	**436,250**	436,250
Amount drawn at balance date	**(295,250)**	(379,250)
Amount undrawn at balance date	**141,000**	**57,000**

As at 31 December 2023, the following table summarises the maturity profile of the Group's financing arrangements:

Type of facility	Maturity date	Utilised $'000	Facility limit $'000
Tranche 1 Series	Sep-24	–	36,250
Tranche 2 Series	Sep-24	–	10,000
Tranche 3 Series	Jul-25	24,000	30,000
Tranche 4 Series	Nov-26	12,500	12,500
Tranche 5 Series	Dec-26	17,000	20,000
Tranche 6 Series	Jul-24	41,500	45,000
Tranche 7 Series	Nov-26	55,750	56,250
Tranche 8 Series	Nov-26	15,000	15,000
Tranche 9 Series	Nov-25	23,000	26,250
Tranche 10 Series	Nov-26	20,000	20,000
Tranche 11 Series	Nov-25	29,500	30,000
Tranche 12 Series	Nov-26	37,000	37,500
Tranche 13 Series	Dec-26	20,000	22,500
Tranche 14 Series	Nov-27	–	75,000
Total		**295,250**	**436,250**
Unused at balance date		**141,000**	

Note 9 Interest bearing liabilities (continued)

Financing arrangements (continued)

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

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

		31 Dec 2023	30 Jun 2023
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 55%	**28.8%**	33.6%
Gearing Ratio	At all times, gearing ratio does not exceed 55%	**21.2%**	25.1%
Net Rental Income to Interest Costs Ratio	At all times, the net rental income to interest costs ratio under the facility does not fall below 2.0 times	**5.2 times**	4.5 times
Weighted Average Lease Length to Expiry ("WALE")	WALE for the portfolio will be greater than 2.5 years	**6.1 years**	6.1 years

Note 10 Lease liabilities

The following table details information relating to leases where the Group is a lessee.

	For the 6 months to 31 Dec 2023 $'000	For the 12 months to 30 Jun 2023 $'000
Opening balance	**38,377**	38,175
Remeasurement of lease liabilities during the period	**1,820**	525
Lease payments	**(866)**	(1,666)
Interest expense on lease liabilities	**699**	1,343
Closing balance	**40,030**	**38,377**

	31 Dec 2023	30 Jun 2023
Attributable to:		
Current lease liabilities	**409**	384
Non-current lease liabilities	**39,621**	37,993
Total lease liabilities at balance date	**40,030**	**38,377**

Note 11 Fair value measurement

The Group uses the following methods in the determination and disclosure of the fair value of assets and liabilities:

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 derivatives and investment properties, including those held within investments accounted for using the equity method were appropriately measured at Level 2 or 3, respectively, for the periods presented in this report.

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

Since cash, receivables and payables are short-term in nature, their fair values are not materially different from their carrying amounts. For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Note 12 Commitments and contingencies

a. Commitments

Capital commitments

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

	31 Dec 2023 $'000	30 Jun 2023 $'000
Investment properties	**1,667**	1,098
Investments accounted for using the equity method	**26,789**	11,913
Total capital commitments	**28,456**	**13,011**

b. Contingencies

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

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 Notes to the Interim Consolidated Financial Statements, which should be brought to the attention of security holders as at the date of these Interim Consolidated Financial Statements.

Note 13 Contributed equity

	For the 6 months to 31 Dec 2023 No. of securities	For the 12 months to 30 Jun 2023 No. of securities
Opening balance	**317,269,912**	317,270,012
Buy-back of contributed equity	**–**	(100)
Closing balance	**317,269,912**	**317,269,912**

On 11 February 2022, DXI announced plans to initiate an on-market securities buy-back of up to 5% of DXI stapled securities on issue over the next 12 months. On 2 February 2023, DXI announced an extension of the buy-back for a period of 12 months commencing on 21 February 2023. DXI did not acquire any stapled securities during the period (June 2023: 100 stapled securities were acquired and cancelled representing 0.00% of DXI stapled securities on issue).

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 14 Related parties

Transactions with the Responsible Entity and related body corporate

The Responsible Entity and/or Manager of the stapled entities that form DXI is DXAM. Dexus PG Limited (DXPG) (ACN 109 846 068), the immediate parent entity of DXAM, and its controlled entities are wholly owned subsidiaries of Dexus. Accordingly, transactions with entities related to DXPG are disclosed below:

	31 Dec 2023		31 Dec 2022	
	Paid $'000	Payable $'000	Paid $'000	Payable $'000
Management fees[1]	**1,654**	**1,609**	2,265	1,211
Property management and leasing fees[2]	**631**	**231**	–	1,638
Total[3]	**2,285**	**1,840**	**2,265**	**2,849**

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

Security holdings and associated transactions with related parties

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

	31 Dec 2023		31 Dec 2022	
	Number of securities	Distributions $	Number of securities	Distributions $
Dexus Diversified Fund	**11,382,460**	**933,362**	11,382,460	933,362
APD Trust	**44,261,005**	**3,629,402**	44,261,005	3,629,402
Dexus AREIT Fund	**3,867,216**	**320,802**	3,567,216	299,892
Dexus Property for Income Fund	**327,869**	**26,885**	292,869	24,015
Dexus Property for Income Fund No.2	**92,684**	**7,600**	92,684	7,600
CFS Dexus AREIT Fund	**94,507**	**26,904**	521,693	85,743
Jennifer Horrigan	**43,260**	**3,285**	36,859	1,511
Danielle Carter[1]	**15,964**	**1,309**	–	–
Emily Smith	**10,450**	**857**	–	–
Jonathan Sweeney[1]	**23,800**	**1,952**	–	–
Total	**60,119,215**	**4,952,358**	**60,154,786**	**4,981,525**

1 Appointed, effective 17 October 2022.

As at 31 December 2023, 18.95% (31 December 2022: 18.96%) of DXI's stapled securities were held by related parties.

Note 15 Subsequent events

On 15 January 2024, settlement occurred for the disposal of 57-67 Mark Anthony Drive, South Dandenong, VIC.

On 22 January 2024, settlement occurred for the disposal of 32-40 Garden Street, Kilsyth VIC.

On 31 January 2024, two facilities totalling $55,000,000 were cancelled (Tranche 2 and 6) and one facility was partially cancelled for $16,250,000 (Tranche 1, leaving a $20,000,000 facility limit). Refer to note 9 *Interest bearing liabilities* for details of facilities.

Since the end of the period, the Directors are not aware of any other matter or circumstance not otherwise dealt within 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 11 to 27 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 financial position as at 31 December 2023 and of its performance for the half year ended on that date; and

b. there are reasonable grounds to believe that Industria Trust No. 1 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.

Jennifer Horrigan
Chair
7 February 2024

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Industria Trust No. 1 (the Trust) and the entities it controlled during the half-year (together the Group, or Dexus Industria REIT), which comprises the Consolidated Statement of Financial Position as at 31 December 2023, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, selected explanatory notes and the Directors' Declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2023 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 Dexus Asset Management Limited as the Responsible Entity of the Trust (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 2023 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Samantha Johnson

Samantha Johnson
Partner

Sydney
7 February 2024