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 2020

Dexus Diversified Trust[1]			
	31 Dec 2020	**31 Dec 2019**	**%**
	$m	**$m**	**Change**
Revenue from ordinary activities	626.6	583.5	7.4%
Net profit attributable to security holders after tax	442.9	994.2	(55.5)%
Funds from operations (FFO)[2]	375.6	378.2	(0.7)%
Underlying FFO[3]	328.5	350.4	(6.2)%
Adjusted funds from operations (AFFO)[2]	313.8	295.3	6.3%
Distribution to security holders[4]	313.6	296.0	5.9%
	cps	**Cps**	**Change**
FFO per security[2]	34.4	34.5	(0.3)%
AFFO per security[2]	28.8	26.9	7.1%
Distribution per security for the period	28.8	27.0	6.7%
Payout ratio (distribution as a % of AFFO)	99.9%	100.2%	(0.3)%
Basic earnings per security	40.61	90.64	(55.2)%
Diluted earnings per security	40.56	89.20	(54.5)%
Franked distribution amount per security	-	-	-
	$m	**$m**	**Change**
Total assets	17,412.4	17,831.5	(2.4)%
Total borrowings	4,500.3	4,641.4	(3.0)%
Security holders' equity	12,192.3	12,426.1	(1.9)%
Market capitalisation	10,237.1	12,827.9	(20.2)%
	$ per security	**$ per security**	**Change**
Net tangible assets	10.96	11.10	(1.3)%
Securities price	9.40	11.70	(19.7)%
Securities on issue	1,089,055,137	1,096,401,459	
Record date	31 Dec 2020	31 Dec 2019	
Payment date	26 Feb 2021	28 Feb 2020	

Dexus (ASX: DXS) Appendix 4D

Results for announcement to the market

Results commentary

Refer to the attached ASX release for a commentary on the results of Dexus.

Details of joint ventures and associates

	Ownership Interest		Share of net profit after tax	
	31 Dec 2020	31 Dec 2019	6 months ended 31 Dec 2020	6 months ended 31 Dec 2019
Name of Entity	%	%	$m	$m
Bent Street Trust	**33.3**	33.3	**18.9**	28.0
Dexus Creek Street Trust	**50.0**	50.0	**3.1**	16.1
Dexus Martin Place Trust	**50.0**	50.0	**1.2**	70.1
Grosvenor Place Holding Trust	**50.0**	50.0	**(16.6)**	31.1
Site 6 Homebush Bay Trust	**50.0**	50.0	**(1.1)**	5.7
Site 7 Homebush Bay Trust	**50.0**	50.0	**15.2**	2.9
Dexus 480 Q Holding Trust	**50.0**	50.0	**10.5**	14.6
Dexus Kings Square Trust	**50.0**	50.0	**11.5**	15.2
Dexus Office Trust Australia	**50.0**	50.0	**55.0**	174.2
Dexus Industrial Trust Australia	**50.0**	50.0	**15.9**	13.5
Dexus Eagle Street Pier Trust	**50.0**	50.0	**(4.4)**	2.7
Healthcare Wholesale Property Fund	**27.1**	39.9	**18.6**	16.1
Dexus Australian Logistics Trust	**51.0**	75.0	**58.2**	29.7
Dexus Australian Logistics Trust No. 2	**51.0**	51.0	**16.3**	0.6
Dexus Australian Logistics Trust No. 3	**51.0**	-	**-**	-
Dexus Australian Logistics Trust No. 4	**90.0**	-	**-**	-
Dexus 80C Trust	**75.0**	75.0	**13.3**	7.6
Dexus Walker Street Trust	**50.0**	50.0	**(0.1)**	(2.3)
Dexus Australia Commercial Trust	**10.0**	-	**(4.2)**	-
RealTech Ventures	**62.1**	-	**(0.0)**	-
SAHMRI2 Holding Trust	**50.0**	-	**0.2**	-

Distribution Reinvestment Plan (DRP)

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

1 For the purposes of statutory reporting, the stapled entity, known as DXS, must be accounted for as a consolidated group. Accordingly, one of the stapled entities must be the "deemed acquirer" of all other entities in the group. Dexus Diversified Trust has been chosen as the deemed acquirer of the balance of the DXS stapled entities, comprising Dexus Industrial Trust, Dexus Office Trust and Dexus Operations Trust.

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

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

4 The distribution for the period 1 July 2020 to 31 December 2020 is the aggregate of the distributions from Dexus Diversified Trust, Dexus Office Trust, Dexus Operations Trust and Dexus Industrial Trust. The Attribution Management Investment Trust Annual Member Statement will provide details of the components of DXS's distributions.

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

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About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high-quality Australian property portfolio valued at $32.1 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 $16.5 billion of office and industrial properties. We manage a further $15.6 billion of office, retail, industrial and healthcare properties for third party clients. The group's $11.4 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.6 million square metres of office workspace across 51 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by more than 29,000 investors from 24 countries. With 36 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

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

Dexus
Interim Report
31 December 2020

ARSN: 089 324 541

Contents

Dexus (DXS) consists of Dexus Diversified Trust (DDF), Dexus Industrial Trust (DIT), Dexus Office Trust (DOT) and Dexus Operations Trust (DXO), collectively known as DXS or the Group. The registered office of the Group is Level 25, 264 -278 George Street, Sydney, NSW, 2000.

HY21 Operating and Financial Review

The Group's financial performance for the six months ended 31 December 2020 is summarised in the following section. In order to fully understand the results, the interim Financial Statements included in this Interim Report should be referred to.

Review of operations

Dexus has adopted 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

Dexus has been active in growing the business while maintaining a strong balance sheet. Since 2012, Dexus has successfully grown its total funds under management to $32.1 billion, through transactions, developments and favourable asset valuations, while at the same time recycling $11.6 billion through asset sales.

The COVID-19 pandemic has reinforced the importance of having a diversified business model and strategy that can deliver through the cycle, demonstrated by Dexus's strong cash flow and resilient asset values. Dexus's agile and high performing workforce will take advantage of the changed market conditions by focusing on strategic initiatives that will help unlock the relative value of the business and strengthen the platform for the future.

These strategic initiatives include increasing the resilience of portfolio income streams, expanding and diversifying the funds management business and progressing the group development pipeline. In the year ahead, Dexus will continue to implement active leasing strategies to maximise office portfolio cash flow generation, increase weightings toward sectors with strong tailwinds and expand Dexus's flexible workspace offering. Dexus will also look to make changes to simplify the corporate structure of the group[1].

Operating result

Group performance

The COVID-19 pandemic continues to cloud the outlook for the operating environment as a number of clusters emerged across Australia over the holiday period. Globally however, Australia has performed very well in suppressing the transmission of the virus through various restrictions, supporting the return to a sense of normality across the general population. The imminent roll out of the vaccine, as well as the impact of both fiscal stimulus and historically low interest rates, are supporting economic activity, with both business and consumer confidence returning to pre-COVID levels.

Despite the widespread impact of the pandemic, the first half of FY21 has been characterised by increased leasing activity, relatively strong rent collections, initiatives to grow the funds management business and the selective recycling of assets. Dexus's high quality portfolio, the strength of investment demand for quality assets, and Dexus's platform capabilities will enable it to drive performance in this next stage of the real estate cycle.

Dexus's net profit after tax was $442.9 million, a decrease of $551.3 million or 55.5% from the previous corresponding period. The reduction in net profit was primarily driven by net revaluation gains of investment properties of $160.8 million, which were $563.6 million lower than the previous corresponding period.

At 31 December 2020, 111 of Dexus's 122 office and industrial properties were independently valued by external valuers. Most of the valuation uplift was seen across the industrial portfolio which increased by 4.8%, with the office portfolio remaining in line with prior book values as a result of softer valuer assumptions offset by successful leasing at some assets.

Valuation gains across the total portfolio for the period to 31 December 2020 primarily contributed to the 10 cent or 0.9% increase in net tangible assets (NTA) per security to $10.96 at 31 December 2020.

The total property portfolio weighted average capitalisation rate tightened 4 basis points over the period to 5.01%. The weighted average capitalisation rate of the Dexus office portfolio tightened 2 basis points from 4.97% at 30 June 2020 to 4.95% at 31 December 2020, and for the Dexus industrial portfolio tightened 30 basis points from 5.66% at 30 June 2020 to 5.36% at 31 December 2020.

1 Subject to Dexus Security holder approval.

Operating result (continued)

Group performance (continued)

Operationally, Funds From Operations[2] (FFO) decreased $2.6 million or 0.7% to $375.6 million.

The drivers of the movement included:

- A positive contribution from higher trading profits recognised in the period of $47.1 million (post tax) from progress at the North Shore Health Hub, St Leonards, and from the sale of the remaining 25% interest in 201 Elizabeth Street, Sydney, the first tranche of Lakes Business Park South, Botany and the first tranche of assets in Truganina
- Net finance costs decreased by $1.6 million primarily due to lower floating interest rates and hedge rates, partly offset by lower capitalised interest

The positive contribution was offset by:

- Office Property FFO reduced due to the impact of divestments and rent relief measures, partly offset by fixed rent increases and income from recently completed developments
- Industrial Property FFO reduced due to the divestment of the second tranche of the Dexus Australian Logistics Trust (DALT) portfolio, partly offset by fixed rent increases and income from acquisitions
- Management operations reduced by $6.1 million as a result of lower leasing fees due to COVID-19 and a skew of development revenue to the second half of FY21

Underlying Funds from Operations (FFO)[3] per security of 30.1 cents, which excludes trading profits, reduced by 5.6% as a result of the impact of rent relief provided, divestments including the second tranche of the Dexus Australian Logistics Trust (DALT) portfolio, and a reduction in the contribution from management operations.

AFFO and distribution per security of 28.8 cents was up 7.1% and 6.7% respectively on the previous corresponding period primarily due to the amount and timing of the receipt of trading profits in the first half of FY21. 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 Friday, 26 February 2021.

Rent collections were at 96.0% for the Dexus portfolio in the six months to 31 December 2020.

As part of Dexus's active approach to capital management and in response to security price volatility, Dexus continued its on-market securities buy-back program to acquire up to 5% of Dexus securities on issue. In the six months to 31 December 2020, 2,147,026 Dexus securities were acquired on market as part of this buy-back. To date, in FY21, Dexus has bought back circa 5 million Dexus securities at pricing ranging from $8.65-$9.04 resulting in 1,086,065,010 securities on issue at 9 February 2021.

Dexus continued to maintain a strong and conservative balance sheet with gearing (look-through) at 24.9%[4], well below the target range of 30-40%, and $1.7 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.

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2 FFO in accordance with guidelines provided by the Property Council of Australia (PCA) comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments and reversal of impairments, derivative and foreign exchange (FX) mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, certain transaction costs, one-off significant items, amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

3 Underlying FFO excludes trading profits (post tax).

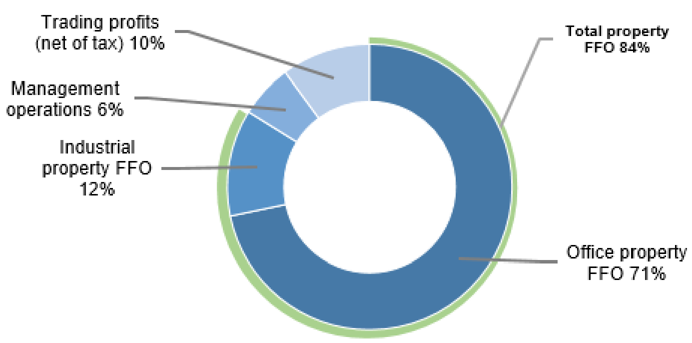
4 Adjusted for cash and debt in equity accounted investments, excluding the impact of the contracted divestments of Grosvenor Place, Sydney and 60 Miller Street, North Sydney.

Operating result (continued)

Group performance (continued)

Key financials	31 December 2020	31 December 2019	Change
Net profit after tax ($m)	442.9	994.2	(55.5%)
Funds From Operations (FFO) ($m)	375.6	378.2	(0.7%)
Underlying FFO per security[5] (cents)	30.1	31.9	(5.6%)
FFO per security (cents)	34.4	34.5	(0.3)%
AFFO per security (cents)	28.8	26.9	7.1%
Distribution per security (cents)	28.8	27.0	6.7%
	31 December 2020	**30 June 2020**	**Change**
Net tangible asset backing per security ($)	10.96	10.86	0.9%
Gearing (look-through) (%)	24.9%[6]	24.3%[7]	+0.60ppt

84% of FFO from Property portfolio[8]



Valuation movements	HY21	FY20
Office portfolio	$32.8m	$490.6m
Industrial portfolio	$112.0m	$111.4m
Total portfolio[9]	**$160.8m**	**$612.4m**
Weighted average capitalisation rate		
Office portfolio	4.95%	4.97%
Industrial portfolio	5.36%	5.66%
Total portfolio	**5.01%**	**5.05%**

5 Underlying FFO excludes trading profits net of tax.
6 Adjusted for cash and debt in equity accounted investments, excluding the impact of the contracted divestments of Grosvenor Place, Sydney and 60 Miller Street, North Sydney.
7 Proforma gearing, adjusted for cash and debt in equity accounted investments. Look-through gearing as at 30 June 2020 was 26.3%.
8 FFO contribution is calculated before finance costs, group corporate costs and other (including non-trading related tax expense).
9 Total portfolio includes healthcare and leased assets revaluation gain of $16.0 million.

Operating result (continued)

Group performance (continued)

Statutory profit reconciliation	31 December 2020 ($m)	31 December 2019 ($m)
Statutory AIFRS net profit after tax	**442.9**	**994.2**
(Gains)/losses from sales of investment property	(0.7)	(0.7)
Fair value gain on investment property	(160.8)	(724.4)
Fair value (gain)/loss on mark-to-market of derivatives	65.7	18.7
Incentives amortisation and rent straight-line[10]	76.2	60.6
Non-FFO tax expense	(3.1)	2.9
Other unrealised or one-off items[11]	(44.6)	26.9
Funds From Operations (FFO)[12]	**375.6**	**378.2**
Maintenance capital expenditure	(18.9)	(23.4)
Cash incentives and leasing costs paid	(12.6)	(26.0)
Rent free incentives[13]	(30.3)	(33.5)
Adjusted Funds From Operations (AFFO)[14]	**313.8**	**295.3**
Distribution	**313.6**	**296.0**
Distribution payout (% AFFO)	99.9%	100.2%

FFO composition	31 December 2020 ($m)	31 December 2019 ($m)	Change
Office property FFO	330.5	340.4	(2.9)%
Industrial property FFO	57.5	64.8	(11.3)%
Total property FFO	**388.0**	**405.2**	**(4.2)%**
Management operations[15]	27.3	33.4	(18.3)%
Group corporate costs	(17.1)	(17.0)	(0.6)%
Net finance costs	(64.9)	(66.5)	2.4%
Other[16]	(4.8)	(4.7)	(2.1)%
Underlying FFO	**328.5**	**350.4**	**(6.3)%**
Trading profits (net of tax)	47.1	27.8	69.4%
FFO	**375.6**	**378.2**	**(0.7)%**

10 Including cash, rent free and fit out incentives amortisation.
11 HY21 other unrealised or one-off items includes $61.2 million of unrealised fair value gains on interest bearing liabilities, $5.1 million amortisation of intangible assets, $4.7 million reversal of impairments on inventory, $14.3 million coupon income, rental guarantees received and other, and $1.9 million of transaction costs.
12 Including Dexus's share of equity accounted investments.
13 Includes rent waiver adjustment of $1.3 million for tenants not in arrears.
14 AFFO is in line with the Property Council of Australia definition.
15 Management operations FFO includes development management fees.
16 Other includes non-trading related tax expense and other miscellaneous items.

Operating result (continued)

Group performance (continued)

Group outlook

Australia well positioned for the recovery

The Australian economy is well positioned going into 2021 with fiscal stimulus translating to better than expected economic and employment data.

While the pandemic risks are still significant, Dexus expects the investment climate to be more positive in 2021. Leasing markets should generally improve, helped by positive business and consumer confidence, while occupier markets will strengthen but remain patchy particularly for retail and office. Investment demand for quality assets will remain strong with investors expected to shift from defensive to growth as their appetite for risk increases.

Dexus performance

The following sections review the HY21 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 84% of FFO[17] in HY21.

DEXUS OFFICE PORTFOLIO

+1.5%[18]

Effective LFL income

FY20: +4.7%

22.0%

Average incentives[20]

FY20: 17.1%

96.0%

Occupancy

FY20: 96.5%

93,691sqm

Space leased[20]

4.2 years

WALE[21]

FY20: 4.2 years

DEXUS INDUSTRIAL PORTFOLIO

+1.0%[19]

Effective LFL income

FY20: +0.1%

19.7%

Average incentives

FY20: 13.4%

95.5%

Occupancy

FY20: 95.6%

168,749sqm

Space leased

4.3 years

WALE[21]

FY20: 4.1 years

17 FFO contribution is calculated before finance costs, group corporate costs and other (including non-trading related expense tax).
18 Excludes rent relief and provision for expected credit losses. Office LFL income was -4.6% including the impact of rent relief and provision for expected credit losses.
19 Excludes rent relief and provision for expected credit losses. Industrial LFL income was -1.0% including the impact of rent relief and provision for expected credit losses.
20 Excluding development leasing of 7,179 square metres.
21 By income.

Dexus performance (continued)

Property portfolio (continued)

Office portfolio performance

Dexus manages a high-quality $22.5 billion group office portfolio, $13.8 billion of which sits in the Dexus portfolio.

During the six months to 31 December 2020, Dexus leased 93,691 square metres[22] of office space across 135 transactions, in addition to 7,179 square metres[22] of space across 16 transactions at office developments.

In an environment where global economies are still in lockdown, Dexus is seeing activity levels increasing in Australian cities with people returning to CBDs and office buildings. The commentary on working from home versus the office continues, but the impact on both near term and longer-term leasing demand is still not clear. Increased flexibility for employees was a pre-pandemic trend that has now accelerated. Dexus however had a busy six-month period of leasing and its experience across those deals completed shows the office footprint is substantially unchanged.

The portfolio has performed well in the six months with occupancy at 96.0% (up from 95.4% at 30 September 2020), following the completion of 151 deals representing 6.2% of the portfolio by area.

The uncertainty created by COVID-19 delayed some decision making, particularly in Melbourne, where inspections of commercial premises have only until recently been prohibited under the extended lockdown. As a result, Dexus expects that the Melbourne office market will be challenging over the short term.

Dexus has been working on the evolution of office for more than six years – well before the onset of COVID-19. Dexus identified the future of office involved more flexibility and has been evolving the platform offering to increase the relevance to its customers. Dexus is well positioned to expand its flexible products and services to meet the needs of its customers in a post-pandemic world.

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 +1.5% (FY20: +4.7%), excluding the impact of rent relief measures and provisions for expected credit losses (including these impacts: HY21 -4.6% FY20 +2.4%). The Dexus office portfolio delivered a one-year return of 3.6% at 31 December 2020 and outperformed its benchmark over the one, three and five-year time periods to 30 September 2020.

Industrial portfolio performance

Dexus manages a growing, high-quality $5.5 billion group industrial portfolio, $2.4 billion of which sits in the Dexus portfolio.

During the six months to 31 December 2020, Dexus leased 168,749 square metres[22] of industrial space across 46 transactions. Portfolio occupancy remains high at 95.5%.

Tenant demand for high quality logistics facilities in precincts that are well located near major transport hubs, continues to drive leasing success across the industrial portfolio. Dexus is working closely with its industrial customers to support their growth across Australia.

Industrial portfolio like-for-like income growth was +1.0% (FY20: +0.1%) excluding the impacts of rent relief measures and provisions for expected credit losses (including these impacts HY21 -1.0% and FY20 -2.1%).

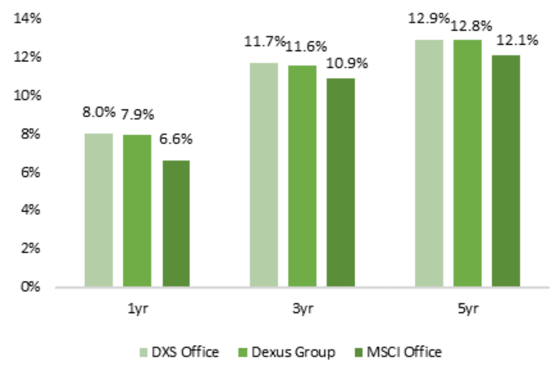
The Dexus industrial portfolio delivered a one-year return of 12.8% to 31 December 2020 and outperformed its benchmark over the three and five-year time periods to 30 September 2020.

22 Including Heads of Agreement.

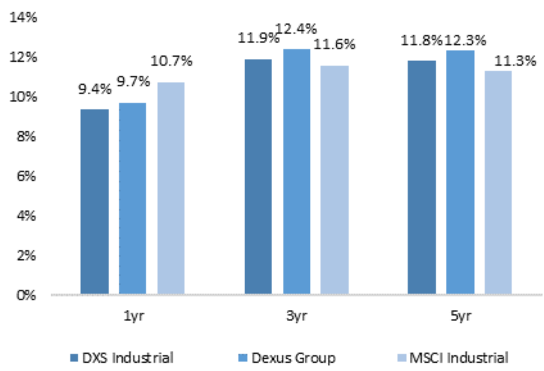
Dexus performance (continued)

Property portfolio (continued)

Dexus office portfolio vs PCA/MSCI Office Index at 30 September 2020[23]



Dexus industrial portfolio vs PCA/MSCI Industrial Index at 30 September 2020[23]



Developments

Dexus's group development pipeline now stands at a cost of $11.4 billion, of which $5.8 billion sits within the Dexus portfolio and $5.6 billion within third party funds. Dexus has circa $200 million remaining to spend on its committed development projects to FY22, including the Australian Bragg Centre.

During the period, $536 million of projects were added to the group committed development pipeline. This included the acquisition of the Australian Bragg Centre, the Ford Facility at Merrifield Business Park and increasing the scale of existing industrial development projects underway, including the Amazon facility at the Horizon 3023 Estate at Ravenhall. Dexus also made further progress across its city shaping developments, receiving DA approval for Waterfront Brisbane, and progressing to Stage 3 of the unsolicited proposal at Central Place Sydney. Dexus has the flexibility to activate these projects at the right time, subject to a level of tenant pre-commitment.

During the period, development projects at 180 Flinders Street and the 80 Collins Street (hotel component) in Melbourne were completed, in addition to 9 Custom Place at Truganina in Victoria.

Construction continues across 227,000 square metres of industrial development projects at Ravenhall, Richlands and South Granville owned by Dexus and its third party capital partners, where 90,427 square metres of leasing was secured during the period.

In the current uncertain environment, Dexus has reduced risk relating to the 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 start to FY21, announcing $2.8 billion of contracted transactions across the group, including acquisitions and divestments in the six months to 31 December 2020.

In December 2020, Dexus settled on the sale of its 100% interest in 45 Clarence Street, Sydney realising $530 million[24], progressing the optimisation of the portfolio composition through asset recycling.

Dexus also conditionally signed sale agreements (subject to FIRB approval) to sell a 100% interest in 60 Miller Street, North Sydney and a 50% interest in Grosvenor Place, Sydney in which Dexus holds a 37.5% interest (including Dexus's 25% direct interest and the Dexus Office Partnership 12.5% interest).

Dexus has identified a number of opportunities in the current market and will selectively recycle assets where it can maximise returns. The success Dexus has had in recycling assets will further strengthen its balance sheet and enable it to organically fund higher return growth initiatives in its funds management and development businesses.

23 Period to 30 September 2020 which reflects the latest available PCA/MSCI Australia Annual Property Index.
24 Excluding transaction costs and settlement adjustments.

Dexus performance (continued)

Property market outlook

Office market outlook

After an uncertain year for office markets, an improvement in many of the key leading indicators signals a period of strengthening demand ahead. Business conditions were at the highest level since 2018 in the December 2020 NAB Business Survey. Professional job advertisements were up 31% since June 2020, and employment in white collar industries has grown by 2.5% over the past 12 months.

Vacancy rates have risen, particularly in the east coast markets. A number of tenants have put surplus space on the market as a sublease, increasing the recorded vacancy rate. The total vacancy rates in Sydney and North Sydney had the largest gains in the past quarter, rising to 11.9% and 19.1% respectively.

Office building physical occupancy levels remained below pre-COVID levels at the end of 2020, with government guidelines, multinational sentiment and concerns about public transport the biggest deterrents. The risk of further clusters means it may take time for work practices to move back towards pre-COVID levels.

Face rents remain largely unchanged in the core CBD markets, however effective rents are under pressure as incentives continue to increase.

Industrial market outlook

The industrial sector has proven to be resilient over the past 12 months. While COVID-19 impacted supply chains, a rapid acceleration of ecommerce has led to a large amount of enquiry for additional space.

Transaction volumes remain robust and there is a strong appetite from both domestic and foreign institutions to purchase and develop property. Sales and leaseback activity is expanding, with strong investment demand translating to improving land values.

Face rents are generally holding flat and a recent bounce in business confidence should further strengthen enquiry levels in 2021.

Take-up levels for Outer West Sydney are above the long-term average and West Melbourne has experienced a turnaround since the beginning of the year and remains far beyond long-term averages. Although Brisbane is lagging other states in ecommerce take-up, it is gaining traction with recent ecommerce industries taking space on the Australia Trade Coast and at Richlands in South Brisbane.

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.

From a trading perspective, Dexus realised $47.1 million (post tax) of trading profits in the six-month period through:

- Exercising the option to sell its remaining 25% interest in 201 Elizabeth Street, Sydney which settled in August 2020
- Entering into agreements to sell a portfolio of six trading assets (Truganina VIC and Lakes Business Park South, Botany NSW) to the Dexus Australian Logistics Trust (DALT) across two tranches with the first tranche settling in October and December 2020 respectively
- Continuing to progress the North Shore Health Hub development with project completion expected in the third quarter of FY21

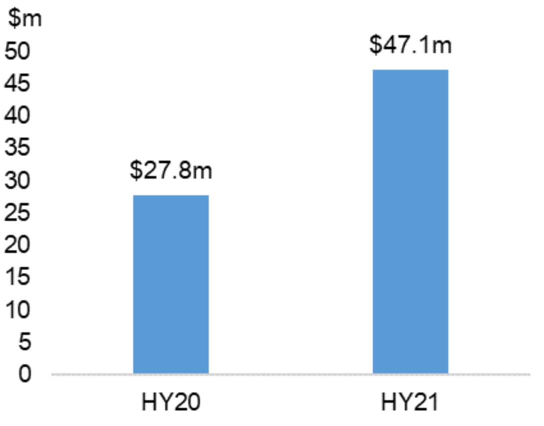
In addition, Dexus entered into put and call agreements to sell 436-484 Victoria Road, Gladesville which can be exercised in FY21 or FY22.

Dexus performance (continued)

Trading performance (continued)

These trading profit related transactions (including the North Shore Health Hub) are expected to contribute circa $95 million to trading profits (pre-tax) across FY21 and FY22.

Trading FFO (post tax)



Funds management performance

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

Dexus manages $15.6 billion of funds across its diversified funds management business, which includes eight vehicles.

All funds and partnerships have performed well despite the market conditions with DWPF continuing to outperform its benchmark over one, three, five, seven and ten years. HWPF continued to deliver strong performance, achieving an exceptional one-year return of 15.3%.

Dexus is making progress on growing its relationships with existing and new third party capital partners, progressing discussions with a number of investors for its new unlisted opportunity fund.

During the period, Dexus made an initial approach on behalf of DWPF to the Responsible Entity of the AMP Capital Diversified Property Fund (ADPF), in response to ADPF investor encouragement, to consider a merger of ADPF with DWPF. Discussions continue to progress with the advisers of the Responsible Entity of ADPF, on a proposal for consideration by both sets of investors.

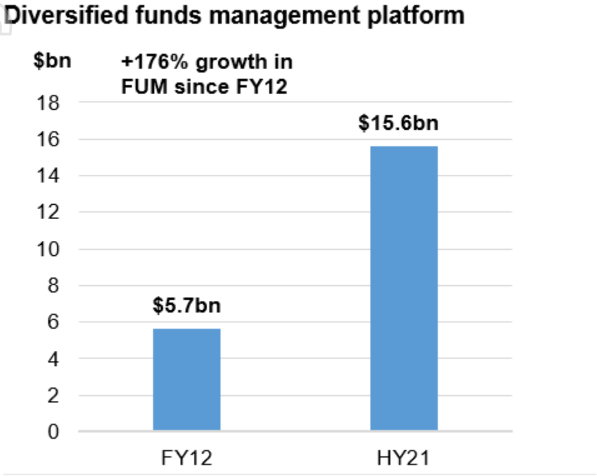
DWPF also sold 452 Flinders Street, a 22-level A-grade tower in the Melbourne CBD, for $454 million[25] representing an 11% premium to book value at 30 June 2020 and highlighting the resilience of prime grade office values.

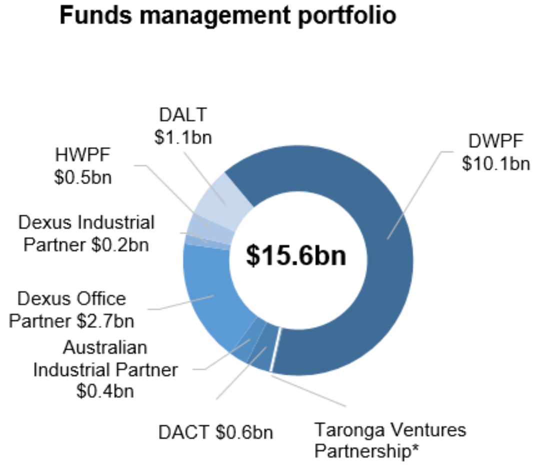
Dexus and HWPF acquired (in 50/50 co-ownership) the Australian Bragg Centre in Adelaide, which is currently under development. The Australian Bragg Centre is a state-of-the-art clinical and research facility housing Australia's first proton therapy unit specialising in next generation cancer treatment. This transaction is consistent with Dexus's priority to accelerate opportunities to expand the funds management business and provides greater exposure to a growing asset class. On completion it will increase the group's exposure to healthcare assets to over $1 billion.

25 Excluding transaction costs and settlement adjustments.

Dexus performance (continued)

Funds management performance (continued)



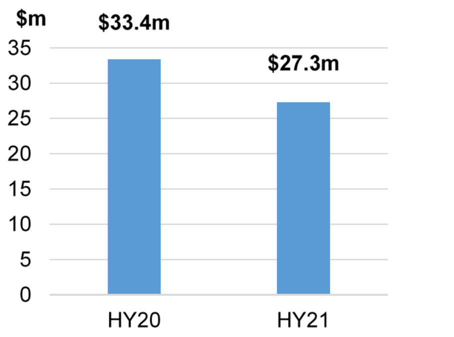


*Dexus's platform and fund investment.

* Dexus's platform and fund investment.

Management operations FFO

The decrease in the result is driven by lower leasing fees due to COVID-19, and a skew of development revenue to the second half of FY21.



Funds management outlook

The funds management business's current exposure is 56% to office properties, 20% to industrial properties, 21% to retail properties and 3% to healthcare properties.

Office and industrial property performance is expected to be influenced by the lead indicators described on page 8.

Retail turnover grew by 13.1% in the year to November 2020, driven by continued strong growth in non-discretionary spending as well as a rebound in discretionary spending following the Victorian lockdown. According to the ABS, online retail sales received a significant boost over the past year, up 71.5% in the year to November 2020 compared to a 9.8% increase the year before, with the majority of online sales occurring via multi-channel retailers. There is considerable growth potential in food sales, with online food sales (up 72.5%) representing a small portion of total food sales.

On the other hand, vacancy rates in shopping centres have risen on average in a weak leasing environment, with cafes and restaurants under pressure due to social distancing requirements.

Australia's healthcare sector was impacted by the effects of the COVID-19 pandemic to a lesser extent than other industries and has been the fastest growing sector through the pandemic period, with core fundamentals underpinning the growth outlook for the sector.

Dexus performance (continued)

Environmental, Social and Governance (ESG) update

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

From an environmental perspective, during the period Dexus continued to manage its properties for emissions reductions supporting the group's net zero by 2030 commitment and progressed its healthy buildings initiative. This initiative is focused on adopting proven technologies to enhance the air quality in our buildings and provide a touchless experience. Dexus also leveraged its partnership with Taronga Ventures to identify new technologies that can assist in reducing carbon emissions and became a founding member of the Australian Climate Leaders Coalition.

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

- Being recognised in the 2020 Principles of Responsible Investment (PRI) Leaders' Group. Dexus achieved the maximum score available, effectively demonstrating how it integrates ESG across its management platform to manage risks and create long term value for its investors
- For the second consecutive year, retaining the number 1 position globally in the real estate industry for the Dow Jones Sustainability Index
- Retaining a position on the 2020 CDP Climate A List
- Being recognised by sustainability benchmark GRESB, with the Dexus Office Trust named as the Global Sector Leader for Listed Office, DWPF named as the Regional Sector Leader for Diversified Office/Retail (Oceania) and HWPF, which participated for the first time, named as a Global Development Sector Leader for healthcare entities

Financial position

- Total look-through tangible assets decreased by $278 million primarily due to $745.7 million of divestments, partially offset by $517 million of acquisitions, development capital expenditures and $160.8 million of property valuation increases
- Total look-through borrowings decreased by $504 million due to divestments, partly offset by funding required for acquisitions as well as development capital expenditure.

	31 December 2020	30 June 2020
Office properties ($'m)	13,768	14,171
Industrial properties ($'m)	2,444	2,233
Healthcare properties ($'m)	243	140
Other[26] ($'m)	935	1,124
Total tangible assets	**17,390**	**17,668**
Borrowings ($'m)	(4,563)	(5,067)
Other liabilities ($'m)	(896)	(750)
Net tangible assets ($'m)	**11,931**	**11,851**
Total number of securities on issue	1,089,055,137	1,091,202,163
NTA ($ per security)	**10.96**	**10.86**

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

Dexus performance (continued)

Capital management

Dexus continued to maintain a strong and conservative balance sheet with gearing (look-through)[27] at 24.9%, well below the target range of 30-40%, and $1.7 billion of cash and undrawn debt facilities.

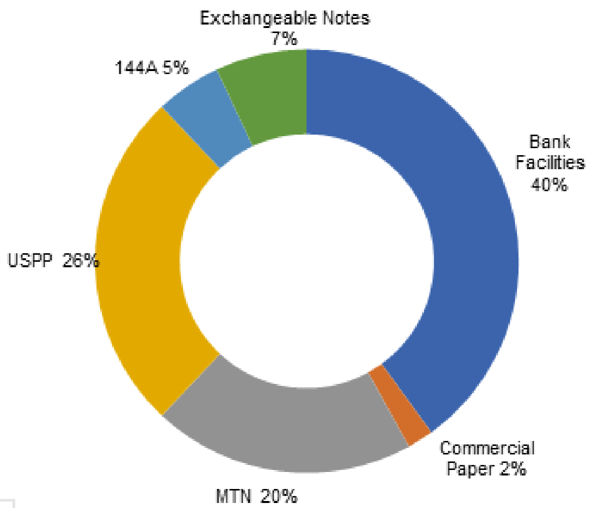
Cost of debt remained low at 3.1%[28] and total debt duration remained high at 6.4 years.

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

Capital management (continued)

Key metrics	31 December 2020	30 June 2020
Gearing (look-through)	24.9%[27]	24.3%[29]
Cost of debt[28]	3.1%	3.4%
Duration of debt	6.4 years	6.9 years
Hedged debt (incl caps)[30]	81%	78%
S&P/Moody's credit rating	A-/A3	A-/A3

Diversified sources of debt



27 Adjusted for cash and for debt in equity accounted investments, excluding the impact of the contracted divestments of 60 Miller Street, North Sydney and Grosvenor Place, Sydney.
28 Weighted average for the period, inclusive of fees and margins on a drawn basis.
29 Proforma gearing, adjusted for cash and for debt in equity accounted investments. Look-through gearing at 30 June 2020 was 26.3%.
30 Average for the period. Hedged debt (excluding caps) was 68% for the six months to 31 December 2020 and 62% for the 12 months to 30 June 2020.

Dexus performance (continued)

Summary and guidance

Dexus expects the impacts of the COVID-led recession will continue to flow through the Australian economy in 2021 and despite the imminent vaccine roll out, governments will need to learn to live with COVID-19 being part of the community. Business owners and operators require consistent rules and regulations to ensure that the domestic economy returns to sustainable levels of growth and minimising border restrictions will further assist in Australia's COVID-19 recovery.

In this lower for longer interest rate environment Dexus believes that the desire for secure income streams will fundamentally benefit direct asset classes and in particular quality real estate assets.

Fortunately, Dexus has a fully integrated real estate platform with direct exposure to high quality real estate in diverse and key performing markets that has a track record of delivering solid returns over the long term.

Dexus's funds management business provides a capital efficient way to increase its presence in high growth sectors and the activation of its city-shaping development pipeline has embedded long-term value and provides the opportunity to organically grow at the appropriate time.

Questions remain on the impacts of working from home on the office sector, however Dexus is confident that the office will remain a core part of its customers' needs and have been preparing for increased flexibility for many years.

Dexus expects an FY21 full year distribution per security amount that is consistent with FY20 but is subject to there being no reinstatement of any major lockdowns or unforeseen circumstances. The FY20 full year distribution per security amount was 50.3 cents.

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Diversified Trust (DDF or the Trust) present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2020. The interim Consolidated Financial Statements represents DDF and its consolidated entities, Dexus (DXS or the Group).

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

Directors

Directors

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

Directors	Appointed
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009[1]
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
Peter B St George, CA(SA), MBA	29 April 2009

1. John C Conde retired from the Board of DXFM, effective 2 September 2020

Review of results and operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review on pages 1 to 13 of this Interim Report.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 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 8 February 2021.

W Richard Sheppard
Chair
8 February 2021

Darren J Steinberg
Chief Executive Officer
8 February 2021

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Auditor's Independence Declaration

As lead auditor for the review of Dexus Diversified Trust for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
8 February 2021

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2020

	Note	31 Dec 2020 $m	31 Dec 2019 $m
Revenue from ordinary activities			
Property revenue	2	**257.5**	264.4
Development revenue		**288.2**	228.3
Interest revenue		**0.3**	0.3
Management fees and other revenue		**80.6**	90.5
Total revenue from ordinary activities	1	**626.6**	583.5
Net fair value gain of investment properties		**69.7**	433.8
Share of net profit of investments accounted for using the equity method		**211.5**	425.8
Net gain on sale of investment properties		**-**	0.3
Net fair value gain of foreign currency interest bearing liabilities		**61.2**	-
Net foreign exchange gain		**-**	0.2
Reversal of impairment of inventories		**4.7**	-
Total Income		**973.7**	1,443.6
Expenses			
Property expenses		**(81.5)**	(75.3)
Development costs		**(220.9)**	(188.6)
Finance costs	3	**(70.6)**	(73.7)
Impairment of goodwill		**-**	(3.0)
Net fair value loss of derivatives		**(64.8)**	(13.0)
Net fair value loss of foreign currency interest bearing liabilities		**-**	(4.8)
Transaction costs		**(2.4)**	(0.7)
Management operations, corporate and administration expenses		**(64.5)**	(66.6)
Total expenses		**(504.7)**	(425.7)
Profit/(loss) before tax		**469.0**	1,017.9
Income tax expense	4	**(26.1)**	(23.7)
Profit/(loss) for the period		**442.9**	994.2
Changes in the fair value of cash flow hedges		(14.5)	(0.8)
Changes in the foreign currency basis spread reserve		(9.7)	(1.1)
Total comprehensive income/(loss) for the period		**418.7**	992.3
Profit/(loss) for the period attributable to:			
Unitholders of the parent entity		**201.8**	247.4
Unitholders of other stapled entities (non-controlling interests)		**241.1**	746.8
Profit/(loss) for the period		**442.9**	994.2
Total comprehensive income/(loss) for the period attributable to:			
Unitholders of the parent entity		**177.6**	245.5
Unitholders of other stapled entities (non-controlling interests)		**241.1**	746.8
Total comprehensive income/(loss) for the period		**418.7**	992.3
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the Trust (parent entity)			
Basic earnings per unit		**18.50**	22.56
Diluted earnings per unit		**18.04**	21.99
Earnings per stapled security on profit/(loss) attributable to stapled security holders			
Basic earnings per security		**40.61**	90.64
Diluted earnings per security		**40.56**	89.20

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020 $m	30 Jun 2020 $m
Current assets			
Cash and cash equivalents		**47.3**	31.8
Receivables	15	**165.4**	132.2
Non-current assets classified as held for sale	9	**285.9**	530.0
Inventories	8	**126.6**	179.5
Derivative financial instruments	14	**39.2**	91.9
Current tax receivable		**28.1**	2.6
Other		**41.4**	28.3
Total current assets		**733.9**	996.3
Non-current assets			
Investment properties	6	**8,165.2**	8,215.9
Plant and equipment		**12.1**	13.4
Right-of-use assets		**11.6**	13.4
Inventories	8	**36.7**	156.3
Investments accounted for using the equity method	7	**7,749.2**	7,287.4
Derivative financial instruments	14	**339.2**	604.3
Intangible assets	16	**334.3**	332.8
Other financial assets at fair value through profit or loss	14	**0.4**	0.4
Loans to related parties		**29.8**	-
Other		**-**	1.9
Total non-current assets		**16,678.5**	16,625.8
Total assets		**17,412.4**	17,622.1
Current liabilities			
Payables		**175.4**	179.8
Interest bearing liabilities	11	**324.6**	364.3
Lease liabilities	10	**4.6**	4.8
Derivative financial instruments	14	**11.1**	13.4
Provisions		**335.5**	279.8
Other		**5.6**	3.0
Total current liabilities		**856.8**	845.1
Non-current liabilities			
Interest bearing liabilities	11	**4,175.7**	4,473.7
Lease liabilities	10	**17.7**	19.5
Derivative financial instruments	14	**50.5**	54.8
Deferred tax liabilities		**109.5**	105.0
Provisions		**2.5**	2.5
Other		**7.4**	11.2
Total non-current liabilities		**4,363.3**	4,666.7
Total liabilities		**5,220.1**	5,511.8
Net assets		**12,192.3**	12,110.3
Equity			
Equity attributable to unitholders of the Trust (parent entity)			
Contributed equity	13	**2,376.1**	2,381.4
Reserves		**(9.0)**	15.2
Retained profits		**1,253.7**	1,051.9
Parent entity unitholders' interest		**3,620.8**	3,448.5
Equity attributable to unitholders of other stapled entities			
Contributed equity	13	**4,896.0**	4,909.5
Reserves		**31.1**	35.4
Retained profits		**3,644.4**	3,716.9
Other stapled unitholders' interest		**8,571.5**	8,661.8
Total equity		**12,192.3**	12,110.3

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2020

	Note	Attributable to unitholders of the Trust (parent entity)				Attributable to unitholders of other stapled entities				
		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 2019		2,399.0	13.2	923.4	3,335.6	4,954.5	40.5	3,412.7	8,407.7	11,743.3
Net profit/(loss) for the period		-		247.4	247.4	-	-	746.8	746.8	994.2
Other comprehensive income/(loss) for the period		-	(1.9)	-	(1.9)	-	-	-	-	(1.9)
Total comprehensive income/(loss) for the period		-	(1.9)	247.4	245.5	-	-	746.8	746.8	992.3
Transactions with owners in their capacity as owners:										
Buy-back of contributed equity, net of transaction costs		(1.7)	-	-	(1.7)	(3.9)			(3.9)	(5.6)
Purchase of securities, net of transaction costs		-	-	-	-	-	(9.9)	-	(9.9)	(9.9)
Security-based payments expense		-	-	-	-	-	2.0	-	2.0	2.0
Distributions paid or provided for		-	-	(101.3)	(101.3)	-	-	(194.7)	(194.7)	(296.0)
Total transactions with owners in their capacity as owners:		(1.7)	-	(101.3)	(103.0)	(3.9)	(7.9)	(194.7)	(206.5)	(309.5)
Closing balance as per 31 December 2019		2,397.3	11.3	1,069.5	3,478.1	4,950.6	32.6	3,964.8	8,948.0	12,426.1
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**
Net profit/(loss) for the period		**-**	**-**	**201.8**	**201.8**	**-**	**-**	**241.1**	**241.1**	**442.9**
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**	**-**	**-**	**241.1**	**241.1**	**418.7**
Transactions with owners in their capacity as owners:		**-**								
Buy-back of contributed equity, net of transaction costs	13	**(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 at 31 December 2020		**2,376.1**	**(9.0)**	**1,253.7**	**3,620.8**	**4,896.0**	**31.1**	**3,644.4**	**8,571.5**	**12,192.3**

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 2020

	31 Dec 2020 $m	31 Dec 2019 $m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**392.0**	433.3
Payments in the course of operations (inclusive of GST)	**(170.3)**	(193.9)
Interest received	**0.3**	0.3
Finance costs paid	**(67.9)**	(74.2)
Distributions received from investments accounted for using the equity method	**165.4**	150.3
Income tax paid	**(47.1)**	(45.5)
Proceeds from sale of property classified as inventory and development services	**284.9**	221.7
Payments for property classified as inventory and development services	**(57.5)**	(52.3)
Net cash inflow/(outflow) from operating activities	**499.8**	439.7
Cash flows from investing activities		
Proceeds from sale of investment properties	**521.9**	-
Payments for capital expenditure on investment properties	**(55.2)**	(168.5)
Payments for investments accounted for using the equity method	**(475.2)**	(337.0)
Payments for acquisition of investment properties	**(126.6)**	(154.9)
Payments for plant and equipment	**(0.3)**	(0.7)
Payments for intangibles	**(6.6)**	(8.0)
Net cash inflow/(outflow) from investing activities	**(142.0)**	(669.1)
Cash flows from financing activities		
Proceeds from borrowings	**3,702.0**	2,645.9
Repayment of borrowings	**(3,762.0)**	(2,078.9)
Payment for termination and restructure of derivatives	**-**	(42.5)
Payment of lease liabilities	**(2.0)**	(1.7)
Payments for buy-back of contributed equity, net of transaction costs	**(18.8)**	(5.6)
Purchase of securities for security-based payments plans	**(7.2)**	(9.9)
Distributions paid to security holders	**(254.3)**	(252.2)
Net cash inflow/(outflow) from financing activities	**(342.3)**	255.1
Net increase/(decrease) in cash and cash equivalents	**15.5**	25.7
Cash and cash equivalents at the beginning of the period	**31.8**	29.8
Cash and cash equivalents at the end of the period	**47.3**	55.5

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

Notes to the Consolidated Financial Statements

In this section

This section sets out the basis upon which the 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*, accounting standards issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standard Board.

Unless otherwise stated the interim Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period.

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 the historical cost convention, except for investment properties, investment properties within the equity accounted investments, derivative financial instruments, share based payments, and other financial assets and liabilities which are stated at their fair value. Refer to specific accounting policies within the notes to the annual Financial Statements for the year ended 30 June 2020 for the basis of valuation of assets and liabilities measured at fair value.

Dexus stapled securities are quoted on the Australian Securities Exchange under the "DXS" code and comprise one unit in each of DDF, DIT, DOT and DXO. In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. DDF is the parent entity and deemed acquirer of DIT, DOT and DXO. These interim Consolidated Financial Statements therefore represent the consolidated results of DDF and include DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities. All entities within the Group are for-profit entities.

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

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

These interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2020 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 Group may present restated comparative information for consistency with the current year's presentation in the interim report.

Working capital deficiency

The Group has unutilised facilities of $1,629.7 million (June 2020: $1,573.4 million) (refer to note 11) and sufficient working capital and cash flows in order to fund all requirements arising from the net current asset deficiency as at 31 December 2020 of $122.9 million (June 2020: Nil). The deficiency is largely driven by the provision for distribution due to be paid in February 2021.

Basis of preparation (continued)

Critical accounting estimates

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

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

The COVID-19 pandemic continues to cloud the outlook for the operating environment as a number of clusters emerged across Australia over the holiday period. The imminent roll out of the vaccine, as well as the impact of both fiscal stimulus and historically low interest rates, are supporting economic activity, with both business and consumer confidence in Australia returning to pre-COVID levels. However, uncertainty remains as a result of a range of different factors, including:

- Current economic activity and outlook for the Australian economy, which impacts net absorption levels and could lead to modifications of leases and impact rental income;
- Temporary closures and insolvencies of customers across the portfolio that could impact the recoverability of debt;
- Sentiment and border restrictions impacting the underlying investment demand for property.

Despite the subdued market conditions the office portfolio has performed well in the six months with occupancy at 96.0% (down from 96.5% at 30 June 2020). In the six months to 31 December 2020, Dexus leased 93,691 square metres of office space across 135 transactions, in addition to 7,179 square metres of space across 16 transactions at office developments.

Across the Dexus industrial portfolio, tenant demand for high quality logistics facilities in precincts that are well located near major transport hubs continues to drive leasing success. Portfolio occupancy remains high at 95.5%.

Retail tenants continue to be impacted with lower foot traffic and sales due to the delay in workers returning to CBD offices and the lack of international tourists and students. Dexus has limited exposure to retail customers.

Dexus continues to work with impacted tenants to provide rent relief packages in accordance with the Australian Government National Code of Conduct.

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 measured at fair value such as certain financial instruments, investment properties, and security-based payments, and the assumptions for intangible assets and the net realisable value for inventories, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

The notes 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	10. Lease liabilities	16. Intangible assets
2. Property revenue	7. Investments accounted for using the equity method	11. Interest bearing liabilities	17. Subsequent events
3. Finance costs	8. Inventories	12. Contingencies	
4. Taxation	9. Non-current assets classified as held for sale	13. Contributed equity	
5. Distributions paid and payable		14. Fair value of financial instruments	
		15. 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, finance costs, taxation and distributions paid and payable.

Note 1 Operating segments

Description of segments

The Group's operating segments have been identified based on the sectors analysed within the management reports reviewed in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

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

Note 1 Operating segments (continued)

31 December 2020	Office $m	Industrial $m	Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
Segment performance measures								
Property revenue	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**
Total operating segment revenue	**382.5**	**68.5**	**31.9**	**34.6**	**294.4**	**3.4**	**(2.7)**	**812.6**
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)	-	-	-	(17.1)	2.7	**(22.4)**
Development costs	-	-	-	-	(220.9)	-	-	**(220.9)**
Interest revenue	-	-	-	-	-	0.5	-	**0.5**
Finance costs	-	-	-	-	-	(65.4)	-	**(65.4)**
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	-	-	-	-	1.2	-	**14.0**
Funds From Operations (FFO)	**330.5**	**57.5**	**6.0**	**21.5**	**46.9**	**(86.8)**	**-**	**375.6**
Net fair value gain/(loss) of investment properties	32.8	112.0	-	-	-	16.0	-	**160.8**
Reversal of impairment of inventories	-	-	-	-	4.7	-	-	**4.7**
Net fair value gain/(loss) of derivatives	-	-	-	-	-	(65.7)	-	**(65.7)**
Transaction costs and other significant items	-	-	-	-	-	(1.9)	-	**(1.9)**
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	-	-	-	-	-	(5.1)	-	**(5.1)**
Non FFO tax income/ (expense)	-	-	-	-	-	3.1	-	**3.1**
Rental guarantees, coupon income and other	(12.8)	-	-	-	-	(1.5)	-	**(14.3)**
Net profit/(loss) attributable to stapled security holders	**283.8**	**160.7**	**6.0**	**21.5**	**51.6**	**(80.7)**	**-**	**442.9**
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	-	-	-	251.3	-	**7,130.7**
Direct property portfolio	**13,768.4**	**2,280.6**	**-**	**-**	**163.3**	**260.2**	**-**	**16,472.5**

Note 1 Operating segments (continued)

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

Note 1 Operating segments (continued)

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 (FX) mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, certain transaction costs, one-off significant items, 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 2020 $m	31 Dec 2019 $m
Property lease revenue	**407.8**	407.1
Property services revenue	**43.9**	55.4
Property revenue	**451.7**	462.5
Property management fees	**20.2**	20.8
Development revenue	**288.2**	228.3
Management fee revenue	**52.5**	62.1
Total operating segment revenue	**812.6**	773.7
Share of revenue from joint ventures	**(186.3)**	(190.5)
Interest revenue	**0.3**	0.3
Total revenue from ordinary activities	**626.6**	583.5

Reconciliation of segment assets to the Consolidated Statement of Financial Position

	31 Dec 2020 $m	30 Jun 2020 $m
Direct property portfolio[1]	**16,472.5**	16,561.5
Cash and cash equivalents	**47.3**	31.8
Receivables	**165.4**	132.2
Intangible assets	**334.3**	332.8
Derivative financial instruments	**378.4**	696.2
Plant and equipment	**12.1**	13.4
Right-of-use assets	**11.6**	13.4
Prepayments and other assets[2]	**(9.2)**	(159.2)
Total assets	**17,412.4**	17,622.1

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

Note 2 Property revenue

	31 Dec 2020 $m	31 Dec 2019 $m
Rent and recoverable outgoings	**250.6**	243.1
Services revenue	**23.5**	25.3
Incentive amortisation	**(39.8)**	(38.3)
Other revenue	**23.2**	34.3
Total property revenue	**257.5**	264.4

Impact of COVID-19 on Property revenue

The Australian Government National Code of Conduct (Code of Conduct) continues to be implemented on a state by state basis through state specific regulations. Each State has implemented the Code of Conduct in a different manner, and due to delayed economic recovery, has extended the regulations as follows:

- NSW – extension until 31 December 2020 from the initial expiry date of 24 October 2020[1]
- VIC – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- WA – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- QLD – extension until 31 December 2020 from the initial expiry date of 30 September 2020

1. For retail tenants that had a turnover of less than $5 million in the 2018/2019 year, there is an extension to 28 March 2021.

Dexus continues to work with impacted tenants to understand whether they are eligible for relief including during the respective State extensions. Tenants are required to make a request for further relief in respect of the relevant state extensions and re-establish their eligibility for relief during those extension periods. A key component of eligibility for relief is continuing eligibility for the extended JobKeeper scheme throughout the extension period.

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 in the period to 31 December 2020. Where the final rent relief amount is not agreed at 31 December 2020, 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 15 *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. Based on management's estimate of rent waivers for tenants not in arrears at 31 December 2020, $6.9 million of rent income recognised from April to December 2020 is expected to be waived once final rent relief amounts have been agreed. Given $7.7 million was recognised for the period to 30 June 2020, a reversal of $0.8 million was recorded in the half year to 31 December 2020.

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 15 *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 net fair value movements of 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 2020 $m	31 Dec 2019 $m
Interest paid/payable	**56.3**	61.0
Amount capitalised	**(1.3)**	(4.6)
Net fair value (gain)/loss of interest rate derivatives and exchangeable note	**10.1**	11.1
Finance costs - leases and debt modification	**1.5**	1.3
Other finance costs	**4.0**	4.9
Total finance costs	**70.6**	73.7

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.25% (2019: 4.00%).

Note 4 Taxation

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

	31 Dec 2020 $m	31 Dec 2019 $m
Profit before income tax	**469.0**	1,017.9
Less: profit attributed to entities not subject to tax	**(382.3)**	(934.4)
Profit subject to income tax	**86.7**	83.5
Prima facie tax expense at the Australian tax rate of 30% (31 Dec 2019: 30%)	**(26.0)**	(25.0)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
(Non-assessable)/non-deductible items	**(0.1)**	1.3
Income tax expense	**(26.1)**	(23.7)

Note 5 Distributions paid and payable

Distributions are recognised when declared.

a) Distribution to security holders

	31 Dec 2020 $m	31 Dec 2019 $m
31 December (payable 26 February 2021)	**313.6**	296.0
Total distribution to security holders	**313.6**	296.0

b) Distribution rate

	31 Dec 2020 Cents per security	31 Dec 2019 Cents per security
31 December (payable 26 February 2021)	**28.8**	27.0
Total distributions	**28.8**	27.0

Property portfolio assets

In this section

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

31 December 2020	Note	Leased Asset $m	Office $m	Industrial $m	Healthcare $m	Total $m
Investment properties	6	8.9	6,852.7	1,303.6	-	**8,165.2**
Equity accounted investments	7	8.2	5,922.7	956.7	243.1	**7,130.7**
Inventories	8	-	-	163.3	-	**163.3**
Assets held for sale	9	-	993.0	20.3	-	**1,013.3**
Total		**17.1**	**13,768.4**	**2,443.9**	**243.1**	**16,472.5**

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

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

Note 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

	Note	**For the 6 months to 31 Dec 2020 $m**	For the 12 months to 30 Jun 2020 $m
Opening balance at the beginning of the period		**8,215.9**	8,170.0
Additions		**46.1**	240.7
Acquisitions		**126.6**	171.7
Lease incentives		**13.7**	60.4
Amortisation of lease incentives		**(41.5)**	(84.7)
Rent straightlining		**0.7**	14.8
Disposals		**-**	(223.3)
Transfer to non-current assets classified as held for sale	9	**(285.9)**	(530.0)
Transfer from inventories	8	**11.5**	-
Net fair value gain/(loss) of investment properties [1]		**78.1**	386.5
Ground leases of investment properties		**-**	9.8
Closing balance at the end of the period		**8,165.2**	8,215.9

1. Excludes the fair value loss recognised on the sale of 45 Clarence Street, Sydney, NSW. At 30 June 2020 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 properties. 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

On 3 August 2020, settlement occurred for the acquisition of 155, 159, 171 Edward Street, Brisbane QLD for $87.0 million excluding acquisition costs.

On 11 September 2020, settlement occurred for the acquisition of 141 Anton Road, Hemmant QLD for $31.8 million excluding acquisition costs.

Disposals

On 18 December, settlement occurred for the disposal of 45 Clarence Street, Sydney NSW for $530.0 million excluding transaction costs and settlement adjustments.

Impact of COVID-19 on fair value of investment properties

There is a significant 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 2020. 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) method of valuing and have generally had more regard to this valuation methodology when determining the adopted value;
- 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); and,
- Capitalisation and discount rates have generally remained relatively stable for office assets and firmed for industrial assets.

The independent valuations obtained by the Group also include significant valuation uncertainty clauses due to the unknown impacts to the property industry. Noting the uncertainty, 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 2020.

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.

Name of entity	31 Dec 2020 %	30 Jun 2020 %	31 Dec 2020 $m	30 Jun 2020 $m
Bent Street Trust	33.3	33.3	368.0	358.8
Dexus Creek Street Trust	50.0	50.0	200.6	199.5
Dexus Martin Place Trust	50.0	50.0	944.7	926.5
Grosvenor Place Holding Trust[1, 2]	50.0	50.0	456.0	483.2
Site 6 Homebush Bay Trust[1]	50.0	50.0	43.5	46.3
Site 7 Homebush Bay Trust[1]	50.0	50.0	76.8	62.1
Dexus 480 Q Holding Trust	50.0	50.0	390.0	390.1
Dexus Kings Square Trust	50.0	50.0	239.6	234.5
Dexus Office Trust Australia (DOTA)	50.0	50.0	2,680.1	2,696.4
Dexus Industrial Trust Australia (DITA)	50.0	50.0	213.8	218.4
Dexus Eagle Street Pier Trust	50.0	50.0	33.9	33.0
Healthcare Wholesale Property Fund (HWPF)[3]	27.1	27.8	141.8	126.2
Dexus Australian Logistics Trust (DALT)	51.0	51.0	513.5	465.1
Dexus Australian Logistics Trust No.2 (DALT2)	51.0	51.0	220.7	130.1
Dexus Australian Logistics Trust No.3 (DALT3)[4, 5]	51.0	51.0	24.3	-
Dexus Australian Logistics Trust No.4 (DALT4)[4]	90.0	90.0	-	-
Dexus 80C Trust	75.0	75.0	1,092.9	830.1
Dexus Walker Street Trust	50.0	50.0	9.5	9.6
Dexus Australia Commercial Trust	10.0	10.0	63.9	68.6
RealTech Ventures	62.1	62.1	8.9	8.9
SAHMRI 2 Holding Trust[6]	50.0	50.0	26.7	-
Total assets - investments accounted for using the equity method[7]			7,749.2	7,287.4

1. These entities are 50% owned by Dexus Office Trust Australia. The Group's economic interest is therefore 75% when combined with the interest held by DOTA.
2. Grosvenor Place Holding Trust owns 50% of Grosvenor Place, at 225 George Street, Sydney, NSW. The Group's economic interest in this property is therefore 37.5%. On 18 November 2020, contracts were conditionally exchanged to sell interests in Grosvenor Place.
3. The Group's interest in HWPF was diluted as a result of HWPF issuing units to other existing and new unitholders. On 30 October 2020, settlement occurred on the acquisition of a 50% interest in of SAHMRI 2, Adelaide, SA for $26.5 million excluding transaction costs.
4. Dexus Australian Logistics Trust No.3 (DALT3) and Dexus Australian Logistics Trust No.4 (DALT4) were formed on 22 July 2020.
5. On 21 December 2020 settlement occurred on the acquisition of a 50% interest in 11 Lord Street, Botany for $48.0 million excluding acquisition costs.
6. SAHMRI 2 Holding Trust was formed on 18 May 2020. On 30 October 2020, settlement occurred on the acquisition of a 50% interest in SAHMRI 2, Adelaide, SA for $26.5 million excluding transaction costs. The Group's economic interest in this property is therefore 63.6% when combined with the interest held by HWPF.
7. The Group's share of investment properties in the investments accounted for using the equity method was $7,130.7 million (June 2020: $7,433.4 million). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

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

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.

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 2020 $m	30 Jun 2020 $m
Current assets		
Development properties held for sale	**126.6**	179.5
Total current assets - inventories	**126.6**	179.5
Non-current assets		
Development properties held for sale	**36.7**	156.3
Total non-current assets - inventories	**36.7**	156.3
Total assets - inventories	**163.3**	335.8

b) Reconciliation

	Note	**For the 6 months to 31 Dec 2020 $m**	For the 12 months to 30 Jun 2020 $m
Opening balance at the beginning of the period		**335.8**	457.7
Transfer to investment properties	6	**(11.5)**	-
Disposals		**(176.2)**	(173.6)
Additions		**10.5**	51.7
Reversal of impairment[1]		**4.7**	-
Closing balance at the end of the period		**163.3**	335.8

1. A reversal of impairment was recorded as there was evidence of an increase in net realisable value.

Disposals

On 20 August 2020, settlement occurred for the disposal of a 25% interest in 201 Elizabeth Street, Sydney NSW for gross proceeds of $157.5 million excluding transaction costs.

On 1 October 2020, settlement occurred for the disposal of 47-53 Foundation Drive, Truganina VIC and 380 Doherty's Road, Truganina VIC for gross proceeds of $29.2 million excluding transaction costs.

On 21 December 2020, settlement occurred for the disposal of a 50% interest in 11 Lord Street, Botany NSW (Lakes Business Park South) for gross proceeds of $48.0 million excluding transaction costs.

Note 8 Inventories (continued)

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 and investments accounted for using the equity method.

At 31 December 2020, the balance relates to 60 Miller Street, North Sydney NSW and 250 Forest Road South, Lara VIC.

At 30 June 2020, the balance related to 45 Clarence Street, Sydney NSW.

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 10, *Interest bearing liabilities* in note 11 and *Contingencies* in note 12;
- Equity: *Contributed equity* in note 13.

Note 10 Lease liabilities

	Note	**31 Dec 2020 $m**	30 Jun 2020 $m
Current			
Lease liabilities - ground leases	(a)	**0.8**	0.9
Lease liabilities - other property leases	(b)	**3.8**	3.9
Total current liabilities - lease liabilities		**4.6**	4.8
Non-current			
Lease liabilities - ground leases	(a)	**8.2**	8.3
Lease liabilities - other property leases	(b)	**9.5**	11.2
Total non-current liabilities - lease liabilities		**17.7**	19.5
Total liabilities - lease liabilities		**22.3**	24.3

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 11 Interest bearing liabilities

	Note	31 Dec 2020 $m	30 Jun 2020 $m
Current			
Unsecured			
US senior notes[1]	(a)	**324.6**	364.3
Total unsecured		**324.6**	364.3
Total current liabilities - interest bearing liabilities		**324.6**	364.3
Non-current			
Unsecured			
US senior notes[1]	(b)	**1,975.7**	2,217.1
Bank loans	(c)	**511.0**	571.0
Commercial paper	(d)	**100.0**	100.0
Medium term notes	(e)	**1,205.8**	1,206.2
Exchangeable notes	(f)	**401.1**	399.1
Total unsecured		**4,193.6**	4,493.4
Deferred borrowing costs		**(17.9)**	(19.7)
Total non-current liabilities - interest bearing liabilities		**4,175.7**	4,473.7
Total interest bearing liabilities[1]		**4,500.3**	4,838.0

1. Includes cumulative fair value adjustments amounting to $177.1 million (June 2020: $238.3 million) in relation to effective fair value hedges.

Financing arrangements

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

Type of facility	Notes	Currency	Security	Maturity Date	Utilised[1] $m	Facility Limit $m
US senior notes (144A)	(a)	US$	Unsecured	Mar-21	324.6	324.6
US senior notes (USPP)[1]	(b)	US$	Unsecured	Jul-23 to Nov-32	1,473.6	1,473.6
US senior notes (USPP)	(b)	A$	Unsecured	Jun-28 to Oct-38	325.0	325.0
Multi-option revolving credit facilities	(c)	Multi Currency	Unsecured	Nov-21 to Apr-27	511.0	2,200.0
Commercial paper	(d)	A$	Unsecured	Sep-22	100.0	100.0
Medium term notes	(e)	A$	Unsecured	Nov-22 to Aug-38	1,205.8	1,205.8
Exchangeable note	(f)	A$	Unsecured	Jun-26	401.1	401.1
Total					**4,341.1**	**6,030.1**
Bank guarantee in place					59.3	
Unused at balance date					1,629.7	

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 11 Interest bearing liabilities (continued)

a) US senior notes (144A)

This includes a total of US$250.0 million (A$324.6 million) of US senior notes with a maturity of March 2021. The USD exposure is economically hedged using cross currency interest rate swaps with a notional value of US$250.0 million.

b) US senior notes (USPP)

This includes a total of US$1,135.0 million and A$325.0 million (A$1,798.6 million) of US senior notes with a weighted average maturity of February 2029. US$1,135.0 million is designated as an accounting hedge using cross currency interest rate swaps with the same notional value.

c) Multi-option revolving credit facilities

This includes 20 facilities maturing between November 2021 and April 2027 with a weighted average maturity of July 2024. A$59.3 million is utilised as bank guarantees for AFSL requirements and other business requirements including developments.

d) Commercial paper

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

e) Medium term notes

This includes a total of A$1,205.0 million of Medium Term Notes with a weighted average maturity of February 2029. The remaining A$0.8 million is the net premium on the issue of these instruments.

f) Exchangeable notes

This includes Exchangeable Notes with a face value totalling $425 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 2020, no notes have been exchanged.

Note 12 Contingencies

DDF, together with DIT, DOT and DXO, is a guarantor of A$6,030.1 million (June 2020: A$6,248.4 million) of interest bearing liabilities (refer to note 11 *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$59.3 million, comprising A$55.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and A$4.1 million largely in respect of developments.

The above guarantees are issued in respect of the Group and constitute a potential additional liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

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

Note 13 Contributed equity

Number of securities on issue

	For the 6 months to 31 Dec 2020	For the 12 months to 30 Jun 2020
	No. of securities	No. of securities
Opening balance at the beginning of the period	**1,091,202,163**	1,096,857,665
Buy-back of contributed equity	**(2,147,026)**	(5,655,502)
Closing balance at the end of the period	**1,089,055,137**	1,091,202,163

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.

During the 6 months to 31 December 2020, Dexus acquired and cancelled 2,147,026 securities representing 0.20% of Dexus securities on issue.

Note 14 Fair value of financial instruments

As at 31 December 2020, the carrying amounts of financial assets and liabilities are held at fair value excluding interest bearing liabilities which have a carrying amount of $4,518.2 million (June 2020: $4,857.7 million) and a fair value of $4,780.8 million (June 2020: $4,989.0 million). The Group uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

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

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

Note 15 Receivables

	31 Dec 2020 $m	30 June 2020 $m
Rent receivable[1]	**26.0**	18.4
Less: provision for expected credit loss	**(11.8)**	(7.5)
Total rent receivables	**14.2**	10.9
Distributions receivable	**68.5**	38.7
Fee receivable	**29.8**	33.1
Receivables from related entities	**50.0**	40.5
Other receivables	**2.9**	9.0
Total other receivables	**151.2**	121.3
Total receivables	**165.4**	132.2

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, but which are not considered critical in understanding the financial performance or position of the Group.

Note 16 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, a wholly owned subsidiary of DXO, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of $0.3 million (June 2020: $0.5 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 8.5 years. Management rights that are deemed to have an indefinite life are held at a value of $286.0 million (June 2020: $286.0 million).

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

	31 Dec 2020 $m	30 Jun 2020 $m
Management rights		
Opening balance at the beginning of the period	**286.5**	289.4
Impairment of management rights	**-**	(2.6)
Amortisation charge	**(0.2)**	(0.3)
Closing balance at the end of the period	**286.3**	286.5
Cost	**294.4**	294.4
Accumulated amortisation	**(5.5)**	(5.3)
Accumulated impairment	**(2.6)**	(2.6)
Total management rights	**286.3**	286.5
Goodwill		
Opening balance at the beginning of the period	**0.9**	1.0
Additions	**-**	2.9
Impairment	**-**	(3.0)
Closing balance at the end of the period	**0.9**	0.9
Cost	**5.9**	5.9
Accumulated impairment	**(5.0)**	(5.0)
Total goodwill	**0.9**	0.9
Software		
Opening balance at the beginning of the period	**45.4**	31.7
Additions	**6.6**	19.2
Amortisation charge	**(4.9)**	(5.5)
Closing balance at the end of the period	**47.1**	45.4
Cost	**74.4**	67.9
Accumulated amortisation	**(27.3)**	(22.5)
Cost - Fully amortised assets written off	**(7.9)**	(7.5)
Accumulated amortisation - Fully amortised assets written off	**7.9**	7.5
Total software	**47.1**	45.4
Total non-current intangible assets	**334.3**	332.8

Cash flow forecasts related to management rights have been updated to reflect the impact of COVID-19 and have not lead to a reduction in carrying amounts.

Note 17 Subsequent events

Post 31 December 2020, Dexus acquired 2,990,127 securities representing 0.28% of Dexus securities on issue.

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 lockdowns or border closures since 31 December 2020, 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.

In the year ahead, Dexus intends to make changes to simplify the corporate structure of the Group subject to security holder approval.

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 41 are in accordance with the *Corporations Act 2001,* including:

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

   (ii) giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 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

8 February 2021

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report (the financial report) of Dexus Diversified 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 2020, 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 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 2020 and of its performance for the half-year ended on that date; and

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

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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors of the Responsible Entity for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the 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

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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 2020 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 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 Trust for the half-year ended 31 December 2020 included on Dexus' web site. The Trust's 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
8 February 2021

Dexus Industrial Trust
Interim Report
31 December 2020

ARSN 090 879 137

Contents

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

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

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Industrial Trust (DIT or the Trust) present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2020. The interim Consolidated Financial Statements represents DIT and its consolidated entities.

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

Directors

Directors

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

Directors	Appointed
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009[1]
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
Peter B St George, CA(SA), MBA	29 April 2009

1. John C Conde retired from the Board of DXFM, effective 2 September 2020.

Operating and financial review

The results for the half year ended 31 December 2020 were:

- profit attributable to unitholders was $36.2 million (December 2019: $33.8 million);
- total assets were $973.0 million (June 2020: $966.3 million); and
- net assets were $968.8 million (June 2020: $934.0 million).

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The interim Consolidated Financial Statements were authorised for issue by the Directors on 8 February 2021.

W Richard Sheppard	**Darren J Steinberg**
Chair	Chief Executive Officer
8 February 2021	8 February 2021

pwc

Auditor's Independence Declaration

As lead auditor for the review of Dexus Industrial Trust for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
8 February 2021

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue from ordinary activities			
Property revenue	2	**11,364**	13,803
Interest revenue		**10,544**	11,842
Total revenue from ordinary activities		**21,908**	25,645
Net fair value gain of investment properties		**17,140**	11,078
Net gain on sale of investment properties		**38**	201
Total income		**39,086**	36,924
Expenses			
Property expenses	2	**(2,183)**	(2,397)
Management fee expense		**(470)**	(541)
Finance costs		**-**	(2)
Management operations, corporate and administration expenses		**(208)**	(155)
Total expenses		**(2,861)**	(3,095)
Profit/(loss) before tax		**36,225**	33,829
Profit/(loss) for the period		**36,225**	33,829
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Other comprehensive income/(loss)		**-**	-
Total comprehensive income/(loss) for the period		**36,225**	33,829

	Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity		
Basic earnings per unit	**3.32**	3.08
Diluted earnings per unit	**3.24**	3.01

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 2020

	Note	31 Dec 2020 $'000	30 Jun 2020 $'000
Current assets			
Cash and cash equivalents		**1,207**	901
Receivables	8	**1,968**	2,416
Non-current assets classified as held for sale	4	**13,153**	-
Other		**1,479**	462
Total current assets		**17,807**	3,779
Non-current assets			
Investment properties	3	**304,650**	301,670
Loans with related parties		**650,574**	660,899
Total non-current assets		**955,224**	962,569
Total assets		**973,031**	966,348
Current liabilities			
Payables		**4,205**	3,866
Provisions		**-**	28,458
Total current liabilities		**4,205**	32,324
Total liabilities		**4,205**	32,324
Net assets		**968,826**	934,024
Equity			
Contributed equity	6	**1,214,367**	1,215,790
Retained profits/(losses)		**(245,541)**	(281,766)
Total equity		**968,826**	934,024

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 2020

	Contributed equity $'000	Retained profits/ (losses) $'000	Total equity $'000
Opening balance as at 1 July 2019	1,220,456	(266,862)	953,594
Profit/(loss) for the period	-	33,829	33,829
Other comprehensive income/(loss) for the period	-	-	-
Total comprehensive income/(loss) for the period	-	33,829	33,829
Transactions with owners in their capacity as unitholders:			
Buy-back of contributed equity, net of transaction costs	(526)	-	(526)
Distributions paid or provided for	-	(42,895)	(42,895)
Total transactions with unitholders in their capacity as unitholders	(526)	(42,895)	(43,421)
Closing balance as at 31 December 2019	**1,219,930**	**(275,928)**	**944,002**
Opening balance as at 1 July 2020	**1,215,790**	**(281,766)**	**934,024**
Profit/(loss) for the period	**-**	**36,225**	**36,225**
Other comprehensive income/(loss) for the period	**-**	**-**	**-**
Total comprehensive income/(loss) for the period	**-**	**36,225**	**36,225**
Transactions with owners in their capacity as unitholders:			
Buy-back of contributed equity, net of transaction costs	**(1,423)**	**-**	**(1,423)**
Distributions paid or provided for	**-**	**-**	**-**
Total transactions with unitholders in their capacity as unitholders	**(1,423)**	**-**	**(1,423)**
Closing balance as at 31 December 2020	**1,214,367**	**(245,541)**	**968,826**

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 2020

	31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**14,646**	15,819
Payments in the course of operations (inclusive of GST)	**(4,905)**	(6,117)
Interest received	**10,544**	11,842
Interest on derivatives	**-**	(3,337)
Net cash inflow/(outflow) from operating activities	**20,285**	18,207
Cash flows from investing activities		
Payments for capital expenditure on investment properties	**(423)**	(2,093)
Net cash inflow/(outflow) from investing activities	**(423)**	(2,093)
Cash flows from financing activities		
Borrowings provided to related parties	**(26,241)**	(25,337)
Proceeds from loan with related party	**36,566**	72,678
Payments for buy-back of contributed equity	**(1,423)**	(526)
Distributions paid to unitholders	**(28,458)**	(61,098)
Net cash inflow/(outflow) from financing activities	**(19,556)**	(14,283)
Net increase/(decrease) in cash and cash equivalents	**306**	1,831
Cash and cash equivalents at the beginning of the period	**901**	1,191
Cash and cash equivalents at the end of the period	**1,207**	3,022

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of Preparation

These general purpose interim Consolidated Financial Statements have been prepared;

- for a for-profit entity,
- in accordance with the requirements of the Constitution of the entities within the Group, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board,
- in Australian dollars with all values rounded in the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated,
- on a going concern basis using historical cost conventions except for investment properties, derivative financial instruments and other financial liabilities which are stated at their fair value. Refer to the specific accounting policies within the notes to the annual Consolidated Financial Statements for the year ended 30 June 2020 for the basis of valuation of assets and liabilities measured at fair value, and
- using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Dexus stapled securities are quoted on the Australian Securities Exchange under the "DXS" code and comprise one unit in each of DDF, DIT, DOT and DXO.

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

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

These interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2020 and any public pronouncements made by DXS 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 in the interim report.

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 and subsequent changes to workplace trends have the potential to impact various financial statement line items including: Investment properties, Property revenue and expenses, and Receivables.

Basis of Preparation (continued)

Critical accounting estimates (continued)

The COVID-19 pandemic continues to cloud the outlook for the operating environment as a number of clusters emerged across Australia over the holiday period. The imminent roll out of the vaccine, as well as the impact of both fiscal stimulus and historically low interest rates, are supporting economic activity, with both business and consumer confidence in Australia returning to pre-COVID levels. However uncertainty remains as a result of a range of different factors, including:

- Current economic activity and outlook for the Australian economy, which impacts net absorption levels and could lead to modifications of leases and impact rental income;
- Temporary closures and insolvencies of customers across the portfolio that could impact the recoverability of debts;
- Sentiment and border restrictions impacting the underlying investment demand for property.

Despite the subdued conditions, tenant demand for high quality logistics facilities in precincts that are well located near major transport hubs continues to drive leasing success across the industrial portfolio. Portfolio occupancy remains high at 95.5%.

Dexus continues to work with impacted tenants to provide rent relief packages in accordance with the Australian Government National Code of Conduct.

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 measured at fair value such as certain financial instruments, investment properties, and security-based payments, and the assumptions for intangible assets and the net realisable value for inventories, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have significant risk of causing material adjustments to the interim consolidated Financial Statements.

The notes are organised into the following sections:

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

Trust performance

In this section

This section explains the results and performance of the Trust.

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

Note 1 Operating segments

Description of segments

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

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

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

Note 2 Property revenue and expenses

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

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

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

	31 Dec 2020 $'000	31 Dec 2019 $'000
Property lease revenue	**12,080**	13,619
Property services revenue	**453**	529
Incentive amortisation	**(605)**	(1,132)
Other revenue	**(564)**	787
Total property revenue	**11,364**	13,803

Property expenses of $2.2 million (2019: $2.4 million) includes rates, taxes and other property outgoings incurred in relation to investment properties.

Impact of COVID-19 on Property revenue

The Australian Government National Code of Conduct (Code of Conduct) continues to be implemented on a state by state basis through state specific regulations. Each State has implemented the Code of Conduct in a different manner, and due to delayed economic recovery, has extended the regulations as follows:

- NSW – extension until 31 December 2020 from the initial expiry date of 24 October 2020[1]
- VIC – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- WA – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- QLD – extension until 31 December 2020 from the initial expiry date of 30 September 2020

1. For retail tenants that had a turnover of less than $5 million in 2018/2019 year, there is an extension to 28 March 2021

Note 2 Property revenue and expenses (continued)

Impact of COVID-19 on Property revenue (continued)

Dexus continues to work with impacted tenants to understand whether they are eligible for relief including during the respective State extensions. Tenants are required to make a request for further relief in respect of the relevant state extensions and re-establish their eligibility for relief during those extension periods. A key component of eligibility for relief is continuing eligibility for the extended JobKeeper scheme throughout the extension period.

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 in the period to 31 December 2020. Where the final rent relief amount is not agreed at 31 December 2020, 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 8 *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. Based on management's best estimate of rent waivers for tenants not in arrears at 31 December 2020, $0.1 million of rent income recognised from April to December 2020 is expected to be waived once final rent relief amounts have been agreed. Given $0.9 million was recognised for the period to 30 June 2020, a reversal of $0.8 million was recorded in the half year to 31 December 2020.

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 8 *Receivables*.

Property portfolio assets

In this section

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

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

Note 3 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.

	31 Dec 2020 $'000	30 Jun 2020 $'000
Opening balance at the beginning of the period	**301,670**	357,982
Additions	**319**	658
Lease incentives	**157**	1,419
Amortisation of lease incentives	**(734)**	(2,219)
Rent straightlining	**(749)**	(990)
Disposals	**-**	(69,083)
Transfer to non-current assets classified as held for sale	**(13,153)**	-
Net fair value gain/(loss) of investment properties	**17,140**	13,903
Closing balance at the end of the period	**304,650**	301,670

Impact of COVID-19 on fair value of investment properties

There is a significant 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 2020. 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) method of valuing and have generally had more regard to this valuation methodology when determining the adopted value;
- 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); and,
- Capitalisation and discount rates have generally firmed for industrial assets.

The independent valuations obtained by the Trust also include significant valuation uncertainty clauses due to the unknown impacts to the property industry. Noting the uncertainty, 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 2020.

Note 4 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.

As at 31 December 2020, the balance relates to 250 Forest Road South, Lara VIC.

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 Trust's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Contingencies* in Note 5;
- Equity: *Contributed equity* in Note 6.

Note 5 Contingencies

The Trust, together with DXO, DOT and DDF, is a guarantor of A$6,030.1. million (June 2020: A$6,248.4 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$59.3 million, comprising A$55.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and A$4.1 million largely in respect of developments.

The above guarantees are issued in respect of the Trust and constitute a potential additional contingent liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

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

Note 6 Contributed equity

Number of units on issue

	For the 6 months to 31 Dec 2020	For the 12 months to 30 Jun 2020
	No. of units	No. of units
Opening balance at the beginning of the period	**1,091,202,163**	1,096,857,665
Issue of additional equity	**-**	-
Buy-back of contributed equity	**(2,147,026)**	(5,655,502)
Closing balance at the end of the period	**1,089,055,137**	1,091,202,163

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 23 October 2020.

During the 6 months to 31 December 2020, Dexus acquired and cancelled 2,147,026 securities representing 0.20% of Dexus securities on issue.

Note 7 Fair value of financial instruments

As at 31 December 2020, the carrying amount of financial assets and liabilities are held at fair value. The Trust uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

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

All financial instruments, excluding cash, were measured at Level 2 for the periods presented in this report. During the six months to 31 December 2020, there were no transfers between Level 1, 2 and 3 fair value measurements.

Note 8 Receivables

	31 Dec 2020 $'000	30 Jun 2020 $'000
Rent receivable[1]	**229**	309
Accrued property income	**4**	85
Less: provision for doubtful debts	**(180)**	(175)
Total rental receivables	**53**	219
Interest receivable	**1,875**	2,097
Other receivables	**40**	100
Total other receivables	**1,915**	2,197
Total receivables	**1,968**	2,416

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, but which are not considered critical in understanding the financial performance or position of the Trust.

Note 9 Subsequent events

Post 31 December 2020, Dexus acquired 2,990,127 securities representing 0.28% of Dexus securities on issue.

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 lockdowns or border closures since 31 December 2020, and the Trust concluded that the amounts recognised in the 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.

In the year ahead, Dexus intends to make changes to simplify the corporate structure of the Group subject to security holder approval.

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

Directors' Declaration

In the Directors' opinion:

a) The interim Consolidated Financial Statements and notes set out on pages 4 to 15 are in accordance with the *Corporations Act 2001,* including:

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

   (ii) giving a true and fair view of the Trust's consolidated financial position as at 31 December 2020 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

8 February 2021

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report (the financial report) of Dexus Industrial 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 2020, 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 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 2020 and of its performance for the half-year ended on that date; and

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

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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors of the Responsible Entity for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the 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

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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 2020 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 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 Trust for the half-year ended 31 December 2020 included on Dexus' web site. The Trust's 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
8 February 2021

Dexus Office Trust
Interim Report
31 December 2020

ARSN 090 768 531

Contents

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

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

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Office Trust (DOT or the Trust) present their Directors' Report together with the interim Consolidated Financial Statements for the half year ended 31 December 2020. The interim Consolidated Financial Statements represents Dexus Office Trust and its consolidated entities.

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

Directors

Directors

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

Directors	Appointed
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009[1]
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
Peter B St George, CA(SA), MBA	29 April 2009

1. John C Conde retired from the Board of DXFM, effective 2 September 2020.

Operating and financial review

The results for the half year ended 31 December 2020 were:

- profit attributable to unitholders was $141.3 million (December 2019: $652.5 million);
- total assets were $11,738.8 million (June 2020: $11,935.7 million); and
- net assets were $7,205.4 million (June 2020: $7,389.3 million).

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The interim Consolidated Financial Statements were authorised for issue by the Directors on 8 February 2021.

W Richard Sheppard
Chair
8 February 2021

Darren J Steinberg
Chief Executive Officer
8 February 2021

pwc

Auditor's Independence Declaration

As lead auditor for the review of Dexus Office Trust for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
8 February 2021

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2020

	Note	31 Dec 2020 $m	31 Dec 2019 $m
Revenue from ordinary activities			
Property revenue	2	**151.7**	148.1
Interest revenue		**-**	0.1
Total revenue from ordinary activities		**151.7**	148.2
Net fair value gain of investment properties		**18.7**	276.2
Share of net profit of investments accounted for using the equity method		**107.0**	369.9
Total income		**277.4**	794.3
Expenses			
Property expenses	2	**(46.1)**	(40.0)
Management fee expense		**(5.8)**	(6.0)
Finance costs	3	**(83.7)**	(81.5)
Net fair value loss of derivatives		**-**	(14.1)
Management operations, corporate and administration expenses		**(0.5)**	(0.2)
Total expenses		**(136.1)**	(141.8)
Profit before tax		**141.3**	652.5
Profit for the period		**141.3**	652.5
Other comprehensive income/(loss):			
Other comprehensive income/(loss)		**-**	-
Total comprehensive income for the period		**141.3**	652.5

	Cents	Cents
Earnings per unit on profit attributable to unitholders of the Trust (parent entity)		
Basic earnings per unit	**12.96**	59.49
Diluted earnings per unit	**13.61**	58.83

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 2020

	Note	31 Dec 2020 $m	30 Jun 2020 $m
Current assets			
Cash and cash equivalents		**21.6**	17.2
Receivables	11	**59.7**	37.9
Non-current assets classified as held for sale	6	**272.8**	530.0
Other		**14.7**	6.9
Total current assets		**368.8**	592.0
Non-current assets			
Investment properties	4	**4,842.3**	5,080.3
Investments accounted for using the equity method	5	**6,526.5**	6,260.5
Derivative financial instruments	10	**1.1**	1.3
Other		**0.1**	1.6
Total non-current assets		**11,370.0**	11,343.7
Total assets		**11,738.8**	11,935.7
Current liabilities			
Payables		**93.3**	86.2
Lease liabilities	7	**0.4**	0.5
Derivative financial instruments	10	**12.4**	13.4
Provisions		**313.6**	111.3
Total current liabilities		**419.7**	211.4
Non-current liabilities			
Loans with related parties		**4,059.4**	4,281.9
Lease liabilities	7	**3.9**	4.0
Derivative financial instruments	10	**50.4**	49.1
Total non-current liabilities		**4,113.7**	4,335.0
Total liabilities		**4,533.4**	4,546.4
Net assets		**7,205.4**	7,389.3
Equity			
Contributed equity	9	**3,570.7**	3,582.3
Retained profits		**3,634.7**	3,807.0
Total equity		**7,205.4**	7,389.3

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2020

	Contributed equity $m	Retained profits/ (losses) $m	Total equity $m
Opening balance as at 1 July 2019	3,620.8	3,533.5	7,154.3
Profit/(loss) for the period	-	652.5	652.5
Other comprehensive income/(loss) for the period	-	-	-
Total comprehensive income/(loss) for the period	-	652.5	652.5
Transactions with owners in their capacity as unitholders:			
Buy-back of contributed equity, net of transaction costs	(3.2)	-	(3.2)
Distributions paid or provided for	-	(161.5)	(161.5)
Total transactions with owners in their capacity as unitholders	(3.2)	(161.5)	(164.7)
Closing balance as at 31 December 2019	3,617.6	4,024.5	7,642.1
Opening balance as at 1 July 2020	**3,582.3**	**3,807.0**	**7,389.3**
Profit/(loss) for the period	**-**	**141.3**	**141.3**
Other comprehensive income/(loss) for the period	**-**	**-**	**-**
Total comprehensive income/(loss) for the period	**-**	**141.3**	**141.3**
Transactions with owners in their capacity as unitholders:			
Buy-back of contributed equity, net of transaction costs	**(11.6)**	**-**	**(11.6)**
Distributions paid or provided for	**-**	**(313.6)**	**(313.6)**
Total transactions with owners in their capacity as unitholders	**(11.6)**	**(313.6)**	**(325.2)**
Closing balance as at 31 December 2020	**3,570.7**	**3,634.7**	**7,205.4**

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 2020

	31 Dec 2020 $m	31 Dec 2019 $m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**173.8**	178.1
Payments in the course of operations (inclusive of GST)	**(59.0)**	(62.1)
Interest received	**-**	0.1
Finance costs paid	**(11.1)**	(12.3)
Distributions received from investments accounted for using the equity method	**137.9**	128.4
Net cash inflow/(outflow) from operating activities	**241.6**	232.2
Cash flows from investing activities		
Proceeds from sale of investment properties	**521.9**	-
Payments for capital expenditure on investment properties	**(25.7)**	(109.5)
Payments for investments accounted for using the equity method	**(319.7)**	(208.0)
Payments for acquisition of investment properties	**-**	(78.0)
Net cash inflow/(outflow) from investing activities	**176.5**	(395.5)
Cash flows from financing activities		
Borrowing provided to related parties	**(794.6)**	(470.6)
Borrowing received from related parties	**504.0**	744.1
Payments for termination and restructure of derivatives	**-**	(30.8)
Payment of lease liabilities	**(0.2)**	(0.2)
Payments for buy-back of contributed equity, net of transaction costs	**(11.6)**	(3.2)
Distributions paid to unitholders	**(111.3)**	(72.0)
Net cash inflow/(outflow) from financing activities	**(413.7)**	167.3
Net increase/(decrease) in cash and cash equivalents	**4.4**	4.0
Cash and cash equivalents at the beginning of the period	**17.2**	13.4
Cash and cash equivalents at the end of the period	**21.6**	17.4

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of preparation

These general purpose interim Consolidated Financial Statements have been prepared;

- for a for-profit entity,
- in accordance with the requirements of the Constitution of the entities within the Group, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board,
- in Australian dollars with all values rounded in the nearest tenth of a million dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.
- on a going concern basis using historical cost conventions except for investment properties, investment properties within equity accounted investments, derivative financial instruments and other financial assets and liabilities which are stated at their fair value. Refer to the specific accounting policies within the notes to the annual Consolidated Financial Statements for the year ended 30 June 2020 for the basis of valuation of assets and liabilities measured at fair value, and
- using consistent accounting policies in line with those of the previous financial period and corresponding interim reporting period, unless otherwise stated.

Dexus stapled securities are quoted on the Australian Securities Exchange under the "DXS" code and comprise one unit in each of DDF, DIT, DOT and DXO.

Each entity forming part of DXS continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

These interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2020 and any public pronouncements made by DXS 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 in the interim report.

Working capital deficiency

As at 31 December 2020, the Trust had a net current asset deficiency of $50.9 million (June 2020: Nil). This is primarily due to the provision for distribution of $313.6 million (June 2020: $111.3 million).

Capital risk management is not managed at the Trust level, but rather holistically as part of the Group. This is done through a centralised treasury function which ensures that entities within the Group (including DOT) will be able to continue as a going concern. The Group has in place both external and internal funding arrangements to support the cash flow requirements of the Trust, including undrawn facilities of $1,629.7 million (June 2020: $1,573.4 million) (refer to Note 11 *Interest bearing liabilities* in the Dexus Interim Report).

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

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

Basis of preparation (continued)

Critical accounting estimates

The preparation of 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 and subsequent changes to workplace trends have the potential to impact various financial statement line items including: Investment properties, Property revenue and expenses and Receivables.

The COVID-19 pandemic continues to cloud the outlook for the operating environment as a number of clusters emerged across Australia over the holiday period. The imminent roll out of the vaccine, as well as the impact of both fiscal stimulus and historically low interest rates, are supporting economic activity, with both business and consumer confidence in Australia returning to pre-COVID levels. However uncertainty remains as a result of a range of different factors, including:

- Current economic activity and outlook for the Australian economy, which impacts net absorption levels and could lead to modifications of leases and impact rental income;
- Temporary closures and insolvencies of customers across the portfolio that could impact the recoverability of debts;
- Sentiment and border restrictions impacting the underlying investment demand for property.

Despite the subdued market conditions the office portfolio has performed well in the six months with occupancy at 96.0% (down from 96.5% at 30 June 2020). In the six months to 31 December 2020, Dexus leased 93,691 square metres of office space across 135 transactions, in addition to 7,179 square metres of space across 16 transactions at office developments.

Retail tenants continue to be impacted with lower foot traffic and sales due to the delay in workers returning to CBD offices and the lack of international tourists and students. The Trust has limited exposure to retail tenants.

Dexus continues to work with impacted tenants to provide rent relief packages in accordance with the Australian Government National Code of Conduct.

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 measured at fair value such as certain financial instruments, and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

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

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

Trust performance

In this section

This section explains the results and performance of the Trust.

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

Note 1 Operating segments

Description of segments

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

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

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

Note 2 Property revenue and expenses

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

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

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

	31 Dec 2020 $m	31 Dec 2019 $m
Property lease revenue	**144.2**	137.4
Property services revenue	**19.3**	18.1
Incentive amortisation	**(26.9)**	(25.3)
Other revenue	**15.1**	17.9
Total property revenue	**151.7**	148.1

Property expenses of $46.1 million (2019: $40.0 million) includes rates, taxes and other property outgoings incurred in relation to investment properties during the period.

Impact of COVID-19 on Property revenue

The Australian Government National Code of Conduct (Code of Conduct) continues to be implemented on a state by state basis through state specific regulations. Each State has implemented the Code of Conduct in a different manner, and due to delayed economic recovery, has extended the regulations as follows:

- NSW – extension until 31 December 2020 from the initial expiry date of 24 October 2020[1]
- VIC – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- WA – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- QLD – extension until 31 December 2020 from the initial expiry date of 30 September 2020

1 For retail tenants that had a turnover of less than $5 million in the 2018/2019 year, there is an extension to 28 March 2021.

Note 2 Property revenue and expenses (continued)

Impact of COVID-19 on Property revenue (continued)

Dexus continues to work with impacted tenants to understand whether they are eligible for relief including during the respective State extensions. Tenants are required to make a request for further relief in respect of the relevant state extensions and re-establish their eligibility for relief during those extension periods. A key component of eligibility for relief is continuing eligibility for the extended JobKeeper scheme throughout the extension period.

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 in the period to 31 December 2020. Where the final rent relief amount is not agreed at 31 December 2020, 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 11 *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. Based on management's estimate of rent waivers for tenants not in arrears at 31 December 2020, $3.9 million of rent income recognised from April to December 2020 is expected to be waived once final rent relief amounts have been agreed. Given $3.9 million was recognised for the period to 30 June 2020, no amount was recorded in the half year to 31 December 2020.

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 11 *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 net fair value movements of 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 to its intended use or sale is expected to exceed 12 months in duration. Finance costs incurred for the acquisition and construction of a qualifying asset are capitalised to the cost of the asset for the period of time that is required to complete the asset. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using an appropriate capitalisation rate.

	31 Dec 2020 $m	31 Dec 2019 $m
Interest paid/payable	**70.9**	71.5
Amount capitalised	**-**	(1.1)
Net fair value (gain)/loss of interest rate derivatives and exchangeable note	**10.1**	8.8
Finance costs - leases	**0.2**	-
Other finance costs	**2.5**	2.3
Total finance costs	**83.7**	81.5

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.25% (2019: 4.00%).

Property portfolio assets

In this section

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

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

Note 4 Investment properties

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 2020 $m	For the 12 months to 30 Jun 2020 $m
Opening balance at the beginning of the period	**5,080.3**	5,221.7
Additions	**20.4**	119.8
Acquisitions	**-**	100.7
Ground leases of investment properties	**-**	4.9
Lease incentives	**12.3**	41.4
Amortisation of lease incentives	**(27.6)**	(58.5)
Rent straightlining	**2.6**	8.9
Disposals	**-**	(71.5)
Transfer to non-current assets classified as held for sale	**(272.8)**	(530.0)
Net fair value gain/(loss) of investment properties[1]	**27.1**	242.9
Closing balance at the end of the period	**4,842.3**	5,080.3

1 Excludes the fair value loss recognised on the sale of 45 Clarence Street, Sydney, NSW. At 30 June 2020 this asset was recognised as a part of Non-current assets classified as held for sale.

Leased Assets

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

Disposals

On 18 December 2020, settlement occurred for the disposal of 45 Clarence Street, Sydney NSW for $530.0 million excluding transaction costs and settlement adjustments.

Note 4 Investment properties (continued)

Impact of COVID-19 on fair value of investment properties

There is a significant 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 2020. 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) method of valuing and have generally had more regard to this valuation methodology when determining the adopted value;
- 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); and,
- Capitalisation and discount rates have generally remained relatively stable for office assets.

The independent valuations obtained by the Trust also include significant valuation uncertainty clauses due to the unknown impacts to the property industry. Noting the uncertainty, 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 2020.

Note 5 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			
	31 Dec 2020	30 Jun 2020	**31 Dec 2020**	30 Jun 2020
Name of entity	**%**	%	**$**	$
Dexus Office Trust Australia (DOTA)	**50.0**	50.0	**2,680.2**	2,696.4
Dexus Martin Place Trust	**50.0**	50.0	**944.9**	926.5
Dexus 80C Trust	**75.0**	75.0	**1,093.2**	830.2
Grosvenor Place Holding Trust[1,2]	**50.0**	50.0	**456.0**	483.2
Dexus 480 Q Holding Trust	**50.0**	50.0	**390.1**	390.1
Bent Street Trust	**33.3**	33.3	**367.9**	358.8
Dexus Kings Square Trust	**50.0**	50.0	**239.5**	234.5
Dexus Creek Street Trust	**50.0**	50.0	**200.6**	199.5
Site 7 Homebush Bay Trust[1]	**50.0**	50.0	**76.8**	62.2
Site 6 Homebush Bay Trust[1]	**50.0**	50.0	**43.4**	46.1
Dexus Eagle Street Pier Trust	**50.0**	50.0	**33.9**	33.0
Total assets - investments accounted for using the equity method[3]			**6,526.5**	6,260.5

1 These entities are 50% owned by DOTA. The Trust's economic interest is therefore 75% when combined with the interest held by DOTA.
2 Grosvenor Place Holding Trust owns 50% of Grosvenor Place, 225 George Street, Sydney, NSW. The Trust's economic interest in this property is therefore 37.5%. On 18 November 2020, contracts were conditionally exchanged to sell interests in Grosvenor Place.
3 The Trust's share of investment properties in the investments accounted for using the equity method was $5,852.4 million (June 2020: $6,435.3 million).

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

Note 5 Investments accounted for using the equity method (continued)

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 4 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 recorded in relation to investments accounted for using equity method.

Note 6 Non-current assets classified as held for sale

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

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

As at 31 December 2020, the balance relates to 60 Miller Street, North Sydney, NSW.

As at 30 June 2020, the balance related to 45 Clarence Street, Sydney, NSW.

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 Trust's activities both now and in the future. This capital structure is detailed in the following notes:

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

Note 7 Lease liabilities

		31 Dec 2020	30 Jun 2020
		$m	$m
Current			
Lease liabilities - ground leases	(a)	**0.4**	0.5
Total current liabilities - lease liabilities		**0.4**	0.5
Non-Current			
Lease liabilities - ground leases	(a)	**3.9**	4.0
Total non-current liabilities - lease liabilities		**3.9**	4.0
Total liabilities - lease liabilities		**4.3**	**4.5**

(a) Lease liabilities – ground leases

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

Note 8 Contingencies

The Trust, together with DDF, DIT and DXO, is a guarantor of A$6,030.1 million (June 2020: A$6,248.4 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$59.3 million, comprising A$55.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and A$4.1 million largely in respect of developments.

The above guarantees are issued in respect of the Trust and constitute a potential additional contingent liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

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

Note 9 Contributed equity

Number of units on issue

	For the 6 months to 31 Dec 2020 No. of units	For the 12 months to 30 Jun 2020 No. of units
Opening balance at the beginning of the period	**1,091,202,163**	1,096,857,665
Buy-back of contributed equity	**(2,147,026)**	(5,655,502)
Closing balance at the end of the period	**1,089,055,137**	1,091,202,163

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 23 October 2020.

During the 6 months to 31 December 2020, Dexus acquired and cancelled 2,147,026 securities representing 0.20% of Dexus securities on issue.

Note 10 Fair value of financial instruments

As at 31 December 2020, the fair value of financial assets and liabilities held at fair value were determined using the following methods:

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

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

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

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

Note 11 Receivables

	31 Dec 2020 $m	30 Jun 2020 $m
Rent receivable[1]	**10.4**	8.3
Less: provision for doubtful debts	**(7.2)**	(4.3)
Accrued property income	**0.2**	0.2
Total rental receivables	**3.4**	4.2
Distributions receivable	**55.9**	33.0
Other receivables	**0.4**	0.7
Total other receivables	**56.3**	33.7
Total receivables	**59.7**	37.9

1. Rent receivable includes outgoings recoveries.

Note 11 Receivables (continued)

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 disclosure

In this section

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

Note 12 Subsequent events

Post 31 December 2020, Dexus acquired 2,990,127 securities representing 0.28% of Dexus securities on issue.

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 lockdowns or border closures since 31 December 2020, and the Trust concluded that the amounts recognised in the 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.

In the year ahead, Dexus intends to make changes to simplify the corporate structure of the Group subject to security holder approval.

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

Directors' Declaration

In the Directors' opinion:

a) The interim Consolidated Financial Statements and notes set out on pages 4 to 18 are in accordance with the *Corporations Act 2001,* including:

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

   ii) giving a true and fair view of the Trust's consolidated financial position as at 31 December 2020 and of its performance for the half year ended on that date.

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

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

W Richard Sheppard

Chair

8 February 2021

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report (the financial report) of Dexus Office 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 2020, 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 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 2020 and of its performance for the half-year ended on that date; and

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

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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors of the Responsible Entity for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the 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

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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 2020 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 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 Trust for the half-year ended 31 December 2020 included on Dexus' web site. The Trust's 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
8 February 2021

Dexus Operations Trust
Interim Report
31 December 2020

ARSN: 110 521 223

Contents

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

The registered office of the Group is Level 25, Australia Square, 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 2020. The interim Consolidated Financial Statements represents DXO and its consolidated entities.

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

Directors

Directors

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

Directors	Appointed
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009[1]
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
Peter B St George, CA(SA), MBA	29 April 2009

1. John C Conde retired from the Board of DXFM, effective 2 September 2020

Operating and financial review

The results for the half year ended 31 December 2020 were:

- profit attributable to unitholders was $60.6 million (December 2019: $59.8 million);
- total assets were $1,018.4 million (June 2020: $1,113.1 million); and
- net assets were $401.3 million (June 2020: $339.1 million).

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

Rounding of amounts and currency

As the Trust is 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. The Trust is an entity to which the Instrument applies. All figures in this Directors' Report and the interim Consolidated Financial Statements, except where otherwise stated, are expressed in Australian dollars.

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The interim Consolidated Financial Statements were authorised for issue by the Directors on 8 February 2021.

W Richard Sheppard
Chair
8 February 2021

Darren J Steinberg
Chief Executive Officer
8 February 2021

pwc

Auditor's Independence Declaration

As lead auditor for the review of Dexus Operations Trust for the half-year ended 31 December 2020, 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
8 February 2021

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue from ordinary activities			
Property revenue	2	**17,281**	21,905
Development revenue		**288,223**	228,339
Distribution revenue		**468**	424
Interest revenue		**18**	104
Management fees and other revenue	3	**107,602**	117,330
Total revenue from ordinary activities		**413,592**	368,102
Net fair value gain of investment properties		**-**	18,659
Other income		**22**	15
Reversal of impairment		**4,713**	-
Total income		**418,327**	386,776
Expenses			
Property expenses	2	**(5,752)**	(8,252)
Development costs		**(222,085)**	(189,587)
Finance costs	4	**(7,359)**	(10,245)
Impairment of goodwill		**(49)**	(2,972)
Net fair value loss of investment properties		**(9,403)**	-
Share of net loss of investments accounted for using the equity method		**(111)**	(2,393)
Transaction costs		**(364)**	(713)
Management operations, corporate and administration expenses	5	**(86,518)**	(89,071)
Total expenses		**(331,641)**	(303,233)
Profit before tax		**86,686**	83,543
Income tax expense	6	**(26,092)**	(23,747)
Profit for the period		**60,594**	59,796
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in financial assets at fair value through other comprehensive income		**2,159**	(1,657)
Total comprehensive income for the period		**62,753**	58,139
		Cents	Cents
Earnings per unit on profit attributable to unitholders of the Trust (parent entity)			
Basic earnings per unit		**5.56**	5.45
Diluted earnings per unit		**5.42**	5.31

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 2020

	Note	31 Dec 2020 $'000	30 Jun 2020 $'000
Current assets			
Cash and cash equivalents		**11,772**	8,833
Receivables	14	**99,015**	90,067
Inventories	9	**126,581**	180,690
Current tax receivable		**28,148**	2,558
Other		**14,768**	12,619
Total current assets		**280,284**	294,767
Non-current assets			
Investment properties	7	**295,660**	252,396
Plant and equipment		**12,056**	13,446
Right-of-use assets		**30,997**	35,383
Inventories	9	**36,709**	156,333
Investments accounted for using the equity method	8	**13,312**	13,424
Intangible assets	15	**334,280**	332,764
Investment in financial assets at fair value through other comprehensive income	13	**14,709**	13,962
Investment in financial assets at fair value through profit and loss	13	**408**	408
Other		**9**	184
Total non-current assets		**738,140**	818,300
Total assets		**1,018,424**	1,113,067
Current liabilities			
Payables		**43,618**	55,670
Lease liablilities	10	**8,947**	9,009
Provisions		**27,736**	82,585
Other		**5,762**	3,175
Total current liabilities		**86,063**	150,439
Non-current liabilities			
Loans with related parties		**380,135**	466,745
Lease liabilities	10	**25,706**	29,494
Deferred tax liabilities		**109,527**	105,014
Provisions		**7,656**	10,438
Other		**8,084**	11,823
Total non-current liabilities		**531,108**	623,514
Total liabilities		**617,171**	773,953
Net assets		**401,253**	339,114
Equity			
Contributed equity	12	**111,024**	111,571
Reserves		**42,036**	39,944
Retained profits		**248,193**	187,599
Other stapled unitholders' interest		**401,253**	339,114
Total equity		**401,253**	339,114

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 2020

	Contributed equity $'000	Retained profits/ (losses) $'000	Reserves $'000	Total equity $'000
Opening balance as at 1 July 2019	**113,394**	**146,319**	**46,408**	**306,121**
Profit/(loss) for the period	-	59,796	-	59,796
Other comprehensive income/(loss) for the period	-	-	(1,657)	(1,657)
Total comprehensive income/(loss) for the period	-	59,796	(1,657)	58,139
Transactions with owners in their capacity as unitholders:				
Buy-back of contributed equity, net of transaction costs	(152)	-	-	(152)
Purchase of securities, net of transaction costs		-	(67)	(67)
Security-based payments expense	-	-	53	53
Total transactions with owners in their capacity as unitholders	(152)	-	(14)	(166)
Closing balance as at 31 December 2019	113,242	206,115	44,737	364,094
Opening balance as at 1 July 2020	**111,571**	**187,599**	**39,944**	**339,114**
Profit/(loss) for the period	-	**60,594**	-	**60,594**
Other comprehensive income/(loss) for the period	-	-	**2,159**	**2,159**
Total comprehensive income/(loss) for the period	-	**60,594**	**2,159**	**62,753**
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**	**248,193**	**42,036**	**401,253**

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 2020

	31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**139,144**	158,128
Payments in the course of operations (inclusive of GST)	**(100,099)**	(111,819)
Interest received	**18**	104
Finance costs paid	**(7,451)**	(9,278)
Distributions received from investments accounted for using the equity method	**175**	-
Income tax paid	**(47,170)**	(45,468)
Proceeds from sale of property classified as inventory and development services	**284,873**	221,692
Payments for property classified as inventory and development services	**(57,526)**	(52,348)
Net cash inflow/(outflow) from operating activities	**211,964**	161,011
Cash flows from investing activities		
Payments for capital expenditure on investment properties	**(19,265)**	(8,954)
Payments for investments accounted for using the equity method	**-**	(12,201)
Payments for acquisition of investment properties	**(33,973)**	-
Payments for plant and equipment	**(326)**	(721)
Payments for intangibles	**(6,634)**	(8,028)
Net cash inflow/(outflow) from investing activities	**(60,198)**	(29,904)
Cash flows from financing activities		
Borrowings provided to related parties	**(514,664)**	(211,189)
Borrowings received from related parties	**428,054**	153,570
Payments for buy-back of contributed equity, net of transaction costs	**(547)**	(152)
Purchase of securities for security-based payments plans	**(7,287)**	(9,954)
Payment of lease liabilities	**(4,383)**	(3,031)
Distributions paid to unitholders	**(50,000)**	(50,000)
Net cash inflow/(outflow) from financing activities	**(148,827)**	(120,756)
Net increase/(decrease) in cash and cash equivalents	**2,939**	10,351
Cash and cash equivalents at the beginning of the period	**8,833**	9,885
Cash and cash equivalents at the end of the period	**11,772**	20,236

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

Notes to the Consolidated Financial Statements

In this section

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

Basis of preparation

These general purpose interim Consolidated Financial Statements have been prepared:

- for a for-profit entity;
- in accordance with the requirements of the Constitutions of the entities within the Trust, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board;
- in Australian dollars with all values rounded in the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated;
- on a going concern basis using historical cost conventions except for investment properties, investment properties included within equity accounted investments, security based payments and other financial assets which are stated at their fair value. Refer to the specific accounting policies within the notes to the annual Consolidated Financial Statements for the year ended 30 June 2020 for the basis of valuation of assets and liabilities measured at fair value, and
- using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Dexus stapled securities are quoted on the Australian Securities Exchange under the "DXS" code and comprise one unit in each of DDF, DIT, DOT and DXO.

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

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

These interim Consolidated Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended 30 June 2020 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 in the interim report.

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 and subsequent changes to workplace trends have the potential to impact various financial statement line items including: Investment properties, Property revenue and expenses, and Receivables.

The COVD-19 pandemic continues to cloud the outlook for the operating environment as a number of clusters emerged across Australia over the holiday period. The imminent roll out of the vaccine, as well as the impact of both fiscal stimulus and historically low interest rates, are supporting economic activity, with both business and consumer confidence in Australia returning to pre-COVID levels. However uncertainty remains as a result of a range of different factors, including:

- Current economic activity and outlook for the Australian economy, which impacts net absorption levels and could lead to modifications of leases and impact rental income;
- Temporary closures and insolvencies of customers across the portfolio that could impact the recoverability of debts;
- Sentiment and border restrictions impacting the underlying investment demand for property.

Basis of preparation (continued)

Critical accounting estimates (continued)

Despite the subdued market conditions the office portfolio has performed well in the six months with occupancy at 96.0% (down from 96.5% at 30 June 2020). In the six months to 31 December 2020, Dexus leased 93,691 square metres of office space across 135 transactions, in addition to 7,179 square metres of space across 16 transactions at office developments.

Across the Dexus industrial portfolio, tenant demand for high quality logistics facilities in precincts that are well located near major transport hubs continues to drive leasing success. Portfolio occupancy remains high at 95.5%.

Dexus continues to work with impacted tenants to provide rent relief packages in accordance with the Australian Government National Code of Conduct.

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 measured at fair value such as certain financial instruments, investment properties, and security-based payments, and the assumptions for intangible assets and the net realisable value for inventories, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the interim Consolidated Financial Statements.

The notes 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. Subsequent events
3. Management fee revenue	9. Inventories	12. Contributed equity	
4. Finance costs		13. Fair value of financial instruments	
5. Management operations, corporate and administration expenses		14. Receivables	
6. Income tax			

Trust performance

In this section

This section explains the results and performance of the Trust.

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

Note 1 Operating segments

Description of segments

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

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

Note 2 Property revenue and expenses

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

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

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

	31 Dec 2020	31 Dec 2019
	$'000	$'000
Rent and recoverable outgoings	**13,794**	16,394
Services revenue	**2,263**	2,704
Incentive amortisation	**(1,656)**	(1,913)
Other revenue	**2,880**	4,720
Total property revenue	**17,281**	21,905

Property expenses of $5.8 million (December 2019: $8.3 million) includes rates, taxes and other property outgoings incurred in relation to investment properties.

Impact of COVID-19 on Property revenue

The Australian Government National Code of Conduct (Code of Conduct) continues to be implemented on a state by state basis through state specific regulations. Each State has implemented the Code of Conduct in a different manner, and due to delayed economic recovery, has extended the regulations as follows:

- NSW – extension until 31 December 2020 from the initial expiry date of 24 October 2020[1]
- VIC – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- WA – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- QLD – extension until 31 December 2020 from the initial expiry date of 30 September 2020

[1] For retail tenants that had a turnover of less that $5 million in the 2018/2019 year there is an extension to 28 March 2021.

Note 2 Property Revenue and expenses (continued)

Impact of COVID-19 on Property revenue (continued)

Dexus continues to work with impacted tenants to understand whether they are eligible for relief including during the respective State extensions. Tenants are required to make a request for further relief in respect of the relevant state extensions and re-establish their eligibility for relief during those extension periods. A key component of eligibility for relief is continuing eligibility for the extended JobKeeper scheme throughout the extension period.

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 in the period to 31 December 2020. Where the final rent relief amount is not agreed at 31 December 2020, 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. Based on management’s estimate of rent waivers for tenants not in arrears at 31 December 2020, $0.3m of rent income recognised from April to December 2020 is expected to be waived once final rent relief amounts have been agreed. Given $0.6 million was recognised for the period to 30 June 2020, a reversal of $0.3 million was recorded in the half year to 31 December 2020.

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 2020	31 Dec 2019
	$'000	$'000
Investment management and responsible entity fees	**59,276**	59,309
Rent and lease renewal fees	**8,298**	11,159
Property management fees	**19,751**	20,162
Capital works, development and project delivery fees	**11,785**	14,317
Wages recovery and other fees	**8,492**	12,383
Total management fee revenue	**107,602**	117,330

Note 4 Finance costs

Finance costs include interest, amortisation or other costs incurred in connection with arrangement of borrowings and finance costs on lease liabilities. 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 to its intended use or sale is expected to exceed 12 months in duration. Finance costs incurred for the acquisition and construction of a qualifying asset are capitalised to the cost of the asset for the period of time that is required to complete the asset. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using an appropriate capitalisation rate.

	31 Dec 2020 $'000	31 Dec 2019 $'000
Interest paid/payable to related parties	**7,046**	10,361
Amount capitalised	**(263)**	(673)
Finance costs - leases	**533**	497
Other finance costs	**43**	60
Total finance costs	**7,359**	10,245

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.25% (December 2019: 4.00%).

Note 5 Management operations, corporate and administration expenses

	31 Dec 2020 $'000	31 Dec 2019 $'000
Audit, taxation, legal and other professional fees	**2,339**	4,303
Depreciation and amortisation	**11,168**	8,815
Employee benefits expense and other staff expenses	**63,984**	67,044
Administration and other expenses	**9,027**	8,909
Total management operations, corporate and administration expenses	**86,518**	89,071

Note 6 Income tax

	31 Dec 2020 $'000	31 Dec 2019 $'000
Profit before income tax	**86,686**	83,543
Profit subject to income tax	**86,686**	83,543
Prima facie tax expense at the Australian tax rate of 30% (December 2019: 30%)	**(26,006)**	(25,063)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
(Non-assessable)/non-deductible items	**(86)**	1,316
Income tax expense	**(26,092)**	(23,747)

Property portfolio assets

In this section

This section summarises the property portfolio assets.

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

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

Note 7 Investment properties

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 2020 $'000	For the 12 months to 30 Jun 2020 $'000
Opening balance at the beginning of the period	**252,396**	193,419
Additions	**6,957**	32,600
Acquisitions	**33,973**	-
Lease incentives	**1,223**	3,349
Amortisation of lease incentives	**(1,321)**	(2,040)
Rent straightlining	**383**	391
Transfer from inventories	**11,452**	-
Net fair value gain/(loss) of investment properties	**(9,403)**	24,677
Closing balance at the end of the period	**295,660**	252,396

Acquisitions

On 11 September 2020, settlement occurred for the acquisition of 141 Anton Road, Hemmant QLD for $31.8 million excluding acquisition costs.

Impact of COVID-19 on fair value of investment properties

There is a significant 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 2020. 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) method of valuing and have generally had more regard to this valuation methodology when determining the adopted value;
- 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); and,
- Capitalisation and discount rates have generally remained relatively stable for office assets and firmed for industrial assets.

The independent valuations obtained by the Trust also include significant valuation uncertainty clauses due to the unknown impacts to the property industry. Noting the uncertainty, 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 2020.

Note 8 Investments accounted for using the equity method

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

Name of entity	Ownership interest 31 Dec 2020 %	30 Jun 2020 %	31 Dec 2020 $'000	30 Jun 2020 $'000
Dexus Walker Street Trust[1]	**50.0**	50.0	**9,454**	9,566
Other[2]	**19.9**	19.9	**3,858**	3,858
Total assets - investments accounted for using the equity method[3]			**13,312**	13,424

1 Dexus Walker Street Trust was formed in Australia on 14 June 2019 and its principal activity is property investment in Australia.
2 This includes investments in entities where the Trust has an immaterial interest.
3 The Trust's share of investment properties in the investments accounted for using the equity method was $9.5 million (June 2020: $9.6 million).

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 *Investment properties* gives further explanation of the approach taken to measure the fair value of investment properties in light of COVID-19. Any fair value movements are recorded within share of net profit of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income. There were no impairment losses recorded in relation to investments accounted for under the equity method.

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 2020 $'000	30 Jun 2020 $'000
Current assets		
Development properties held for sale	**126,581**	180,690
Total current assets - inventories	**126,581**	180,690
Non-current assets		
Development properties held for sale	**36,709**	156,333
Total non-current assets - inventories	**36,709**	156,333
Total assets - inventories	**163,290**	337,023

b) Reconciliation

	Note	**For the 6 months to 31 Dec 2020 $'000**	For the 12 months to 30 Jun 2020 $'000
Opening balance at the beginning of the period		**337,023**	460,064
Transfer to investment properties		**(11,452)**	-
Disposals		**(177,410)**	(174,783)
Acquisitions and additions		**10,416**	51,742
Reversal of impairment[1]		**4,713**	-
Closing balance at the end of the period		**163,290**	337,023

1. A reversal of impairment was recorded as there was evidence of an increase in net realisable value.

Disposals

On 20 August 2020, settlement occurred for the disposal of a 25% interest in 201 Elizabeth Street, Sydney NSW for gross proceeds of $157.5 million excluding transaction costs.

On 1 October 2020, settlement occurred for the disposal of 47-53 Foundation Drive, Truganina VIC and 380 Doherty's Road, Truganina VIC for gross proceeds of $29.2 million excluding transaction costs.

On 21 December 2020, settlement occurred for the disposal of a 50% interest in 11 Lord Street, Botany NSW (Lakes Business Park South) for gross proceeds of $48.0 million excluding transaction costs.

Impact of COVID-19 on Inventories

An assessment of whether the development projects are 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 2020 $'000	30 Jun 2020 $'000
Current			
Lease liabilities - property leases	(a)	**8,947**	9,009
Total current liabilities - lease liabilities		**8,947**	9,009
Non-Current			
Lease liabilities - property leases	(a)	**25,706**	29,494
Total non-current liabilities - lease liabilities		**25,706**	29,494
Total - lease liabilities		**34,653**	38,503

(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 DIT, DOT and DDF, is a guarantor of A$6,030.1 million (June 2020: A$6,248.4 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$59.3 million, comprising A$55.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and A$4.1 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 2020 No. of units	For the 12 months to 30 Jun 2020 No. of units
Opening balance at the beginning of the period	**1,091,202,163**	1,096,857,665
Buy-back of contributed equity	**(2,147,026)**	(5,655,502)
Closing balance at the end of the period	**1,089,055,137**	1,091,202,163

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.

During the 6 months to 31 December 2020, Dexus acquired and cancelled 2,147,026 securities representing 0.20% of Dexus securities on issue.

Note 13 Fair value of financial instruments

As at 31 December 2020, the carrying amounts of financial assets and liabilities are held at fair value. The Trust uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

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

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

Note 14 Receivables

	31 Dec 2020 $'000	30 Jun 2020 $'000
Rent receivable[1]	**1,802**	2,226
Less: provision for expected credit loss	**(748)**	(498)
Total rental receivables	**1,054**	1,728
Fee receivable	**35,621**	35,816
Receivables from related entities	**56,752**	47,109
Other receivables	**5,588**	5,414
Total other receivables	**97,961**	88,339
Total receivables	**99,015**	90,067

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, but which are not considered critical in understanding the financial performance or position of the Trust.

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, a wholly owned subsidiary of DXO, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of $0.3 million (June 2020: $0.5 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 8.5 years. Management rights that are deemed to have an indefinite life are held at a value of $286.0 million (June 2020: $286.0 million).

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

	31 Dec 2020 $'000	30 Jun 2020 $'000
Management rights		
Opening balance at the beginning of the period	**286,498**	289,428
Impairment of management rights	**-**	(2,600)
Amortisation charge	**(163)**	(330)
Closing balance at the end of the period	**286,335**	286,498
Cost	**294,382**	294,382
Accumulated amortisation	**(5,447)**	(5,284)
Accumulated impairment	**(2,600)**	(2,600)
Total management rights	**286,335**	286,498
Goodwill		
Opening balance at the beginning of the period	**915**	1,013
Additions	**-**	2,923
Impairment	**(49)**	(3,021)
Closing balance at the end of the period	**866**	915
Cost	**5,921**	5,921
Accumulated impairment	**(5,055)**	(5,006)
Total goodwill	**866**	915
Software		
Opening balance at the beginning of the period	**45,351**	31,667
Additions	**6,634**	19,214
Amortisation charge	**(4,906)**	(5,530)
Closing balance at the end of the period	**47,079**	45,351
Cost	**74,470**	67,836
Accumulated amortisation	**(27,391)**	(22,485)
Cost - Fully amortised assets written off	**(7,862)**	(7,449)
Accumulated amortisation - Fully amortised assets written off	**7,862**	7,449
Total software	**47,079**	45,351
Total non-current intangible assets	**334,280**	332,764

Cash flow forecasts related to management rights have been updated to reflect the impact of COVID-19 and have not lead to a reduction in carrying amounts.

Note 16 Subsequent events

Post 31 December 2020, Dexus acquired 2,990,127 securities representing 0.28% of Dexus securities on issue.

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 lockdowns or border closures since 31 December 2020, 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.

In the year ahead, Dexus intends to make changes to simplify the corporate structure of the Group subject to security holder approval.

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

Directors' Declaration

In the Directors' opinion:

a) The interim Consolidated Financial Statements and notes set out on pages 4 to 19 are in accordance with the *Corporations Act 2001,* including:

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

 (ii) giving a true and fair view of the Trust's financial position as at 31 December 2020 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
8 February 2021

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 (the 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 2020, 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 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 2020 and of its performance for the half-year ended on that date; and

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

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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors of the Responsible Entity for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the 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

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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 2020 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 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 Trust for the half-year ended 31 December 2020 included on Dexus' web site. The Trust's 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

Matthew Lunn
Partner

Sydney
8 February 2021