Dexus (ASX: DXS) Appendix 4D

Results for announcement to the market

Dexus

ARSN 648 526 470

Financial reporting for the half year ended 31 December 2022

Dexus Property Trust[1]			
	31 Dec 2022	**31 Dec 2021**	**%**
	$m	**$m**	**Change**
Revenue from ordinary activities	463.5	514.9	-10.0%
Statutory net profit attributable to security holders after tax	23.1	803.2	-97.1%
Funds from operations (FFO)[2]	389.1	396.7	-1.9%
Underlying FFO[3]	340.4	375.1	-9.3%
Adjusted funds from operations (AFFO)[4]	310.8	302.2	2.8%
Distribution to security holders	301.2	301.2	0.0%
	Cents	**Cents**	
FFO per security[2]	36.2	36.9	-1.9%
AFFO per security[4]	28.9	28.1	2.8%
Distribution per security for the period	28.0	28.0	0.0%
Payout ratio (distribution as a % of AFFO)	96.9%	99.7%	-2.8%
Basic earnings per security	2.2	74.7	-97.1%
Diluted earnings per security	1.4	73.8	-98.1%
Franked distribution amount per security	-	-	-
	31 Dec 2022	**30 June 2022**	**%**
	$m	**$m**	
Total assets	18,600.6	19,192.1	-3.1%
Total borrowings	4,531.2	4,882.3	-7.2%
Security holders equity	13,281.4	13,567.2	-2.1%
Market capitalisation	8,335.6	9,551.0	-12.7%
	$ per security	**$ per security**	
Net tangible assets	12.01	12.28	-2.2%
Securities price	7.75	8.88	-12.7%
Securities on issue	1,075,565,246	1,075,565,246	
Record date	30 Dec 2022	31 Dec 2021	
Payment date	28 Feb 2023	28 Feb 2022	

Dexus (ASX: DXS) Appendix 4D

Results for announcement to the market

Details of joint ventures and associates

	Ownership interest			
	31 Dec 2022	30 Jun 2022	**31 Dec 2022**	30 Jun 2022
Name of entity	**%**	%	**$m**	$m
Dexus Office Trust Australia (DOTA)	**50.0**	50.0	**2,324.7**	2,408.4
Dexus 80C Trust	**75.0**	75.0	**1,246.9**	1,238.3
Dexus Martin Place Trust	**50.0**	50.0	**991.6**	993.0
Dexus Australian Logistics Trust (DALT)	**51.0**	51.0	**712.1**	703.1
Dexus Australian Logistics Trust No.2 (DALT2)	**51.0**	51.0	**568.3**	544.3
Bent Street Trust	**33.3**	33.3	**388.2**	386.3
Dexus 480 Q Holding Trust	**50.0**	50.0	**384.1**	382.1
AAIG Holding Trust	**49.4**	49.4	**335.5**	342.7
Dexus Industrial Trust Australia (DITA)	**50.0**	50.0	**303.9**	300.1
Jandakot City Holdings Trust (JCHT)	**33.4**	33.4	**286.2**	253.0
Dexus Healthcare Property Fund (DHPF)	**19.3**	23.1	**254.0**	243.4
Dexus Kings Square Trust	**50.0**	50.0	**242.9**	250.3
Dexus Industria REIT (DXI)	**17.5**	17.5	**197.9**	202.8
Dexus Australian Logistics Trust No.3 (DALT3)	**51.0**	51.0	**127.6**	109.0
Site 7 Homebush Bay Trust	**50.0**	50.0	**85.7**	90.9
Dexus Australia Commercial Trust (DACT)	**10.0**	10.0	**64.5**	65.1
Dexus Eagle Street Pier Trust	**50.0**	50.0	**50.0**	39.4
Site 6 Homebush Bay Trust	**50.0**	50.0	**49.5**	55.3
Dexus Convenience Retail REIT (DXC)	**9.0**	9.0	**48.9**	49.9
Mercatus Dexus Australia Partnership (MDAP)	**10.0**	10.0	**39.1**	38.7
Dexus RBR Ravenhall Pty Limited	**50.1**	-	**36.1**	-
Dexus Australian Logistics Trust No.4 (DALT4)	**51.0**	51.0	**31.6**	32.2
Dexus Chester Hill Trust	**50.0**	-	**24.8**	-
Dexus Real Estate Partnership 1 (DREP1)	**21.3**	36.6	**23.4**	8.2
Jandakot Airport Holdings Trust (JAHT)	**32.0**	32.0	**23.2**	21.2
Dexus Moorebank Trust	**50.0**	50.0	**22.7**	22.6
Jandakot Airport Domestic Trust (JADT)	**34.7**	34.7	**19.6**	17.3
RealTech Ventures	**62.1**	62.1	**15.1**	13.7
APN Global REIT Income Fund (GREIT)	**63.9**	55.7	**11.2**	9.2
Dexus Walker Street Trust	**50.0**	50.0	**8.2**	9.1
Dexus Regional Property Fund	**3.3**	3.3	**1.3**	1.4
Dexus Development Fund No. 2	**4.8**	4.8	**1.2**	1.2
APN Asian REIT Fund (ARI)	**2.4**	2.4	**1.1**	1.2
Grosvenor Place Holding Trust	**50.0**	50.0	**1.1**	1.4
Dexus Mamre Road Trust	**50.0**	-	**1.0**	-
Dexus Creek Street Trust	**50.0**	50.0	**0.6**	0.6
SAHMRI 2 Holding Trust	**-**	50.0	**-**	46.5
Divvy Parking Pty Limited	**24.8**	24.8	**-**	-
Total assets - investments accounted for using the equity method			**8,923.8**	8,881.9

Distribution Reinvestment Plan (DRP)

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

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

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

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

4 AFFO 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 mark-to-market impacts, fair value movements on financial assets held at fair value through profit or loss, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, non-FFO tax expenses, certain transaction costs, one-off significant items (including write-off of IFRIC SaaS customisation expenses), amortisation of intangible assets, movements in right of use assets and lease liabilities, rental guarantees and coupon income, less maintenance capital expenditure and lease incentives.

Authorised by the Board of Dexus Funds Management Limited.

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About Dexus

Dexus (ASX: DXS) is one of Australia’s leading fully integrated real asset groups, managing a high-quality Australasian real estate and infrastructure portfolio valued at $62.3 billion (pro forma post completion of the Collimate Capital acquisition). 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 directly own $17.8 billion of office and industrial assets and investments. We manage a further $44.5 billion of investments in our funds management business (pro forma post completion of the Collimate Capital acquisition) which provides third party capital with exposure to quality sector specific and diversified real asset products. The funds within this business have a strong track record of delivering outperformance and benefit from Dexus’s capabilities. The group’s $15.8 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. We consider sustainability (ESG) to be an integral part of our business with the objectives of Leading Cities, Future Enabled Customers, Strong Communities, Thriving People and an Enriched Environment supporting our overarching goal of Sustained Value. Dexus is listed on the Australian Securities Exchange and is supported by more than 31,000 investors from 23 countries. With over 35 years of expertise in property investment, funds management, asset management and development, we have a proven track record in capital and risk management and delivering superior risk-adjusted returns for investors. www.dexus.com

Dexus Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for Dexus (ASX: DXS)
Level 25, 264 George Street, Sydney NSW 2000

Dexus

Interim Report

31 December 2022

ARSN: 648 526 470

Contents

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

HY23 Operating and Financial Review

The Group's financial performance for the six months ended 31 December 2022 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

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

Strategy

With the upcoming addition of AMP's real estate and infrastructure platform, Dexus has refined its vision to be recognised as the leading real asset investment manager in Australia.

Dexus aims to achieve this through providing superior risk adjusted returns for investors through investing Dexus balance sheet capital and managing investments on behalf of its third party capital partners.

The balance sheet provides resilient cash earnings from a portfolio of high-quality investments, and the funds business adds capital efficient, higher growth exposure within the overall risk profile of the business.

The key megatrends of urbanisation, technology advances and the growth in pension capital flows have evolved and increased in importance. Dexus is well positioned to continue to leverage these trends to support investor returns and deliver on its purpose of creating spaces where people thrive.

There is one outstanding condition precedent to completing the acquisition of the AMP Capital domestic real estate and infrastructure platform. As a result of completion being delayed, Dexus has renegotiated terms with AMP and the maximum total consideration payable by Dexus has been reduced to $225 million, which equates to an attractive 1.2% of Funds Under Management (FUM). Dexus and AMP have entered into a non-binding term sheet which contemplates an alternative transaction structure, that would allow the majority of staff and the business to move across to Dexus in March 2023 if the outstanding condition precedent is not met or waived by 28 February 2023. Final completion would be dependent on satisfaction of the final condition precedent.

Operating result

Group performance

The increase in interest rates amid persistently high inflation presented uncertainty in transaction and financial markets during HY23. Despite the challenging operating environment, Dexus continued to deliver resilient portfolio occupancy, executing on asset recycling, activating city shaping developments, raising equity in its funds management business, as well as maintaining a strong balance sheet.

Statutory net profit after tax was $23.1 million, down 97.1% on the previous corresponding period. The reduction was primarily driven by net property devaluations compared with valuation uplifts in the previous corresponding period.

The external independent valuations resulted in a total $242.2 million[1] or circa 1.4% decrease on prior book values for the period to 31 December 2022, with positive rent growth partially offsetting the impact of capitalisation rates expanding by 16 basis points on average across the portfolio. The weighted average capitalisation rate of the Dexus office portfolio softened 14 basis points from 4.75% at 30 June 2022 to 4.89% at 31 December 2022, and for the Dexus industrial portfolio softened 17 basis points from 4.29% at 30 June 2022 to 4.46% at 31 December 2022.

These revaluation losses primarily drove the 27 cent or 2.2% decrease in net tangible asset (NTA) per security during the period to $12.01 at 31 December 2022.

1 Excludes co-investments in pooled funds and financial assets held at fair value though profit or loss. Includes other property revaluation gain of $0.2m and excludes leased assets and right of use assets revaluation increase of $5.5m.

Operating result (continued)

Operationally, Underlying Funds From Operations (excluding trading profits) of $340.4 million was 9.3% lower than the previous corresponding period, driven by higher net interest costs and the impact of divestments and non-recurring income from development impacted properties in the prior half, partly offset by growth in Management operations FFO.

Key drivers included:

- Property FFO decreased by $29.1 million primarily due to the impact of divestments and non-recurring income from development impacted properties in the prior half, partially offset by a full period contribution from the Jandakot industrial precinct, recently completed industrial developments and fixed rent increases. Rent collections remained strong at 98.9%
- Management operations FFO increased significantly by $14.8 million driven predominantly by the contribution from development milestones being achieved and a full period contribution from growth in the funds platform
- Net finance costs increased by $10.5 million, primarily due to higher floating rates in HY23, alongside the impact of non-recurring interest income in the prior corresponding half relating to the delayed settlement of Grosvenor Place, partially offset by a lower average debt balance following recent asset sales
- Other FFO expenses increased by $9.9 million, primarily due to FFO tax expense on management operations

AFFO[2] was $310.8 million, 2.8% higher than the previous corresponding period, driven by:

- Maintenance capex and incentives of $78.3 million being $16.2 million lower than the previous corresponding period, primarily due to the timing of project commencements
- Trading profits of $48.7 million (net of tax) being $27.1 million higher than the prior corresponding period, due to the sale of two properties, with a further circa $5 million pre-tax trading profits to be realised across FY23 and FY24
- Partly offset by the reduction in Underlying FFO

On a per security basis, AFFO of 28.9 cents increased by 2.8% on the previous corresponding period and distributions of 28.0 cents per security were in line with the previous corresponding period.

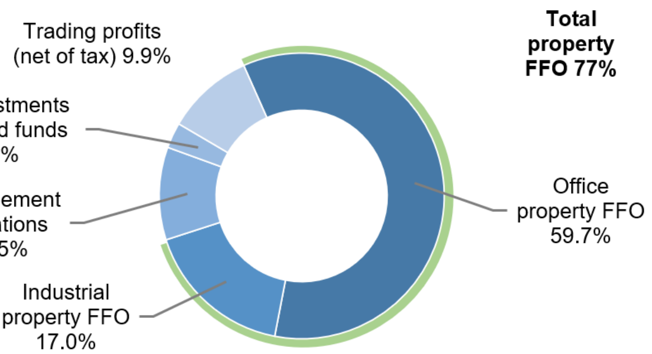
Dexus continued to maintain a strong and conservative balance sheet with gearing[3] at 25.6%, remaining below the target range of 30-40%, and $3.0 billion of cash and undrawn and available debt facilities.

Key financials	**31 December 2022**	**31 December 2021**	**Change**
Statutory net profit after tax ($m)	23.1	803.2	(97.1)%
Funds From Operations (FFO) ($m)	389.1	396.7	(1.9)%
Underlying FFO per security[4] (cents)	31.6	34.9	(9.3)%
FFO per security (cents)	36.2	36.9	(1.9)%
AFFO per security (cents)	28.9	28.1	2.8%
Distribution per security (cents)	28.0	28.0	-%
	31 December 2022	**30 June 2022**	**Change**
Net tangible asset backing per security ($)	12.01	12.28	(2.2)%
Gearing (look-through)[3] (%)	25.6	26.9	1.3ppt

2 AFFO (Adjusted Funds from Operations) is in line with the Property Council of Australia definition.
3 Adjusted for cash and debt in equity accounted investments and excluding Dexus's share of co-investments in pooled funds. Look-through gearing including Dexus's share of co-investments in pooled funds was 26.4% as at 31 December 2022.
4 Underlying FFO excludes trading profits net of tax.

Operating result (continued)

77% of FFO from Property portfolio[5]



Valuation movements	HY23	FY22
Office portfolio	$(236.1)m	$422.8m
Industrial portfolio	$(6.3)m	$482.4m
Total portfolio[6]	**$(242.2)m**	**$926.0m**
Weighted average capitalisation rate		
Office portfolio	4.89%	4.75%
Industrial portfolio	4.46%	4.29%
Total portfolio	**4.80%**	**4.64%**

5 FFO contribution is calculated before finance costs, group corporate costs and other (including non-trading related tax expense).

6 Total portfolio excludes co-investments in pooled funds and financial assets held at fair value through profit or loss. Includes other property revaluation gain of $0.2m and excludes leased assets and right of use assets revaluation increase of $5.5m.

Operating result (continued)

Statutory profit reconciliation	31 December 2022 ($m)	31 December 2021 ($m)
Statutory AIFRS net profit after tax	**23.1**	**803.2**
(Gain)/loss from sales of investment property	0.5	-
Fair value (gain)/loss on investment property	236.7	(486.2)
Fair value (gain)/loss on mark-to-market of derivatives	42.7	(1.0)
Incentives amortisation and rent straight-line[7]	75.7	77.1
Non-FFO tax expense	(12.0)	(12.1)
Share of co-investment adjustments	(0.7)	(35.4)
Other unrealised or one-off items[8]	23.1	51.1
Funds From Operations (FFO)[9]	**389.1**	**396.7**
Maintenance capital expenditure	(13.5)	(24.4)
Cash incentives and leasing costs paid	(23.3)	(25.6)
Rent free incentives	(41.5)	(44.5)
Adjusted Funds From Operations (AFFO)[10]	**310.8**	**302.2**
Distribution	**301.2**	**301.2**
Distribution payout ratio (%)	96.9%	99.7%

FFO composition	31 December 2022 ($m)	31 December 2021 ($m)	Change
Office property FFO	294.9	338.7	(12.9)%
Industrial property FFO	83.9	69.2	21.2%
Total property FFO	**378.8**	**407.9**	**(7.1)%**
Management operations[11]	52.0	37.2	39.8%
Group corporate costs	(23.0)	(22.4)	2.7%
Net finance costs	(65.2)	(54.7)	19.2%
Co-investments income	14.4	13.8	4.3%
Other[12]	(16.6)	(6.7)	147.8%
Underlying FFO	**340.4**	**375.1**	**(9.3)%**
Trading profits (net of tax)	48.7	21.6	125.5%
FFO	**389.1**	**396.7**	**(1.9)%**

7 Including cash, rent free and fit out incentives amortisation.
8 HY23 other unrealised or one-off items includes $60.8m of amortisation and impairment of intangible assets, $25.0m of transaction costs and one-off significant items (including costs associated with the AMP Capital platform acquisition and integration and other successful transaction and one-off significant items) partially offset by $67.7m of unrealised fair value gains on interest bearing liabilities. The remaining net $5.0m expense relates to exchangeable notes, debt modification and other items.
9 Including Dexus's share of equity accounted investments.
10 AFFO is in line with the Property Council of Australia definition.
11 Management operations FFO includes development management fees.
12 Other includes non-trading related tax expense, directly owned healthcare property and other miscellaneous items.

Segment performance

The following sections review the HY23 performance of the Group's key financial drivers including Funds management, the Property portfolio, Co-investment income and Trading.

Funds management performance

Dexus manages $26.3 billion of funds across 19 funds within its diversified funds management business.

Dexus's global leadership in sustainability aligns to its capital partners' ambitions, with DHPF being recognised as a global sector leader and global non-listed leader for healthcare in the development benchmark by GRESB in 2022.

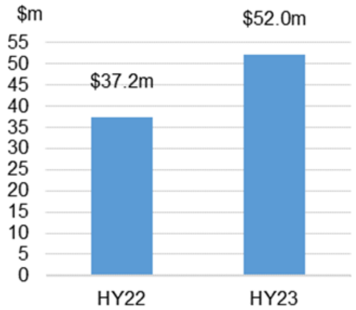
Dexus's funds platform raised $553 million in new equity during the period. DHPF raised $220 million of equity from both existing and new investors. The fund acquired the remaining 50% of the Australian Bragg Centre in Adelaide from Dexus in December 2022. DHPF's funds under management now stands at circa $1.1 billion across 10 assets with an on-completion value of $1.8 billion[13].

Opportunistic fund DREP1 completed its final close and has raised $475 million[14] of equity since inception, approximately 60% above its initial target and taking its investment capacity to circa $1 billion (including gearing). The fund secured two further opportunities, adding to its first five investments. Dexus expects to launch the second fund in this series in due course.

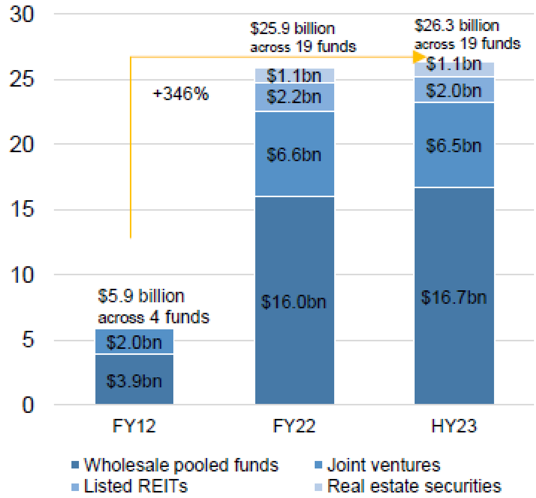
DWPF continued to outperform its benchmark over one, three, five, seven and ten-year time periods. The fund has also fulfilled $2.0 billion of the AMP Capital Diversified Property Fund (ADPF) legacy redemption requests, in line with its commitment to investors.

Management operations FFO

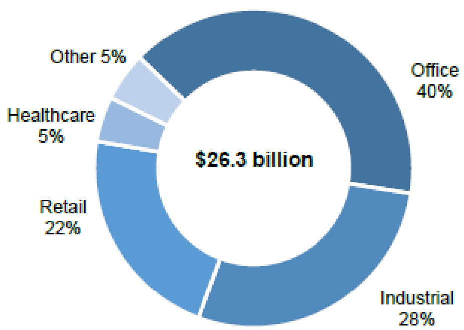
Management operations earnings grew significantly in HY23, driven predominantly by development milestones being achieved and a full period contribution from growth in the funds platform.



Diversified funds management platform



Funds management portfolio



13 Includes on completion value of assets under development including Dexus ownership interest.
14 Includes $100 million co-investment by Dexus.

Segment performance (continued)

Funds management outlook

Dexus has an active and diverse funds management platform focused on performance, governance and product choices, in line with its strategic objective of being identified as the investment manager of choice. Upon the completion of the AMP transaction, Dexus is set to emerge as one of the leading real asset managers in Australia.

Dexus's third party funds under management is currently 40% in office properties, 28% in industrial properties, 22% in retail properties, 5% in healthcare properties, 5% in real estate securities and opportunistic strategies.

Rising interest rates have fuelled conjecture about real estate pricing going forward given a narrowing of yield spreads. Market volatility has led to investors becoming more cautious and transaction volumes slowing. Such periods of uncertainty are not uncommon in real estate, and they can create opportunities for capable, well capitalised managers.

Property portfolio performance

Dexus remains focused on maximising the performance of the property portfolio through leasing and active asset management strategies, with the property portfolio contributing to 77% of FFO[15] in HY23.

DEXUS OFFICE PORTFOLIO

+3.2%[16]

Effective LFL income

FY22: +2.7%

31.8%

Average incentives[18]

FY22: 29.4%

95.3%

Occupancy

FY22: 95.6%

106,751sqm

Space leased[20]

4.6 years

WALE[22]

FY22: 4.7 years

DEXUS INDUSTRIAL PORTFOLIO

+2.4%[17]

Effective LFL income

FY22: +2.1%

10.9%

Average incentives[19]

FY22: 13.5%

97.4%

Occupancy

FY22: 98.1%

153,989sqm

Space leased[21]

4.7 years

WALE[22]

FY22: 4.7 years

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15 FFO contribution is calculated before finance costs, group corporate costs and other (including non-trading related tax expense).
16 Excludes the impact of rent relief and provisions for expected credit losses. Including these impacts: Effective +9.9%.
17 Excludes the impact of rent relief and provisions for expected credit losses. Including these impacts: Effective +5.6%.
18 Excludes development leasing of 7,789sqm across six transactions.
19 Excludes development leasing of 60,179sqm across five transactions.
20 Includes Heads of Agreement and excludes development leasing of 7,789sqm across six transactions.
21 Includes Heads of Agreement and excludes development leasing of 60,179sqm across five transactions.
22 By income.

Segment performance (continued)

Office portfolio performance

During the six months to 31 December 2022, Dexus leased 106,751 square metres[23] of office space across 154 transactions as well as 7,789 square metres[24] of office development leasing across six transactions, securing future income streams.

Key leasing activity included:

- In Sydney, secured a significant number of leasing deals including 11,217 square metres at 25 Martin Place, 8,301 square metres at 100 Mount Street, North Sydney, 7,215 square metres at 1 Farrer Place, 6,217 square metres at 100 Harris Street, Pyrmont and 3,433 square metres at Australia Square
- In Melbourne, secured 7,562 square metres at 180-222 Lonsdale Street, 6,188 square metres at 385 Bourke Street, 5,405 square metres at Rialto Towers, 525 Collins Street, and 3,289 square metres at 80 Collins Street
- In Brisbane, secured 21,594 square metres at 480 Queen Street including the renewal of BHP, 5,444 square metres at Waterfront Place, as well as securing development leasing of 7,789 square metres at Waterfront Brisbane
- In Perth, leased 4,594 square metres at 58 Mounts Bay Road and 1,361 square metres at Kings Square, 556 Wellington Street

Dexus's office portfolio continues to outperform the market with portfolio occupancy remaining consistently above 95%, demonstrating the continued attractiveness of high-quality workspaces and the resilience of the high-quality office portfolio despite some market uncertainty.

Stabilised leasing volumes increased materially compared to the second half of FY22, and market data shows that physical occupancy improved during 2022 in all four CBD markets. Large tenant enquiry has picked up, however conversion times have increased given economic uncertainty.

Incentives have increased to 31.8% largely as a result of leasing in Brisbane. Incentives are expected to remain elevated through FY23, as the existing supply pipeline completes.

Office portfolio like-for-like income growth was +3.2% (FY22: +2.7%) excluding the impact of rent relief measures and provisions for expected credit losses (including these impacts: HY23 +9.9% and FY22 +4.4%). The Dexus office portfolio delivered a one-year return of 4.3% at 31 December 2022.

Industrial portfolio performance

During the six months to 31 December 2022, Dexus leased 153,989 square metres[23] of industrial space across 34 transactions with an additional five development leasing deals completed across 60,179 square metres[24].

Portfolio occupancy reduced slightly to 97.4%, driven predominantly by expiries at Axxess Corporate Park and Dexus Distribution Centre in Gilman. Occupancy excluding business parks was 99.9%.

Key leasing activity included:

- In New South Wales, secured 16,314 square metres at Kings Park Industrial Estate, Marayong, 7,992 square metres at Quarry East, 3 Basalt Road, Greystanes, 6,765 square metres at Quarry West, 9 Dolerite Way, Greystanes, 3,950 square metres at 48 Egerton Street in Silverwater and a further 3,499 square metres at The Mill, 41-43 Bourke Road, Alexandria
- In Victoria, renewed 45,493 square metres at Dexus Industrial Estate at 11-17 Distribution Drive, Truganina and an additional 8,004 square metres at 7-9 Distribution Drive Truganina
- In Queensland, secured a new customer at 278 Orchard Road, Richlands across 25,804 square metres and renewed 12,104 square metres at 50 & 70 Radius Avenue, Larapinta
- In Adelaide, renewed 4,699 square metres at 15-23 Whicker Road, Gilman
- In Perth, leased 8,961 square metres at Jandakot, including a new customer over 6,829 square metres at 2 Marriott Road and a renewal across 2,132 square metres at 8b Orion Road

Stabilised leasing volumes increased materially from the previous corresponding period. Industrial demand remains supported by a broad base of sectors including medical, supermarkets, transport and e-commerce. As a result of strong market rent growth, the industrial portfolio is 9.3% under-rented and is expected to benefit from continued market rent growth. There is the opportunity to grow income by resetting the rents on vacancy and upcoming lease expiries across approximately 20% of the portfolio by FY24.

23 Including Heads of Agreement and excluding development leasing.
24 Including Heads of Agreement.

Segment performance (continued)

Industrial portfolio effective like-for-like income growth was +2.4% (FY22: +2.1%) excluding the impact of rent relief measures and provisions for expected credit losses (including these impacts: HY23 +5.6% and FY22: +2.4%), driven by contracted rental growth offset by downtime and reversions at two of the larger facilities. The Dexus industrial portfolio delivered a one-year return of 10.2% at 31 December 2022.

Property market outlook

Office vacancy rates and incentives are likely to remain elevated as the existing supply pipeline completes. Corporates are still working through what a modern hybrid office looks like design-wise, however there was an increase in larger tenant moves during the second half of 2022 as tenants become increasingly confident of their longer-term needs.

The industrial sector is well positioned for another strong year of rent growth. While the macroeconomic environment is uncertain, vacancy is tight, supply is constrained and customer demand remains solid across the markets. Rent growth is expected to continue to mitigate the effect of rising cap rates on valuations in the year ahead. Development costs will continue to put upward pressure on asking rents while land values appear to have topped out across key industrial markets and may see downward pressure.

Co-investment income

Dexus receives distribution income from investments in pooled property and real estate securities funds. Investments in pooled funds are predominantly represented by attractive yielding investments in quality property portfolios.

In HY23, Dexus earned $14.4 million in co-investment income, increasing from $13.8 million in HY22.

Developments

Dexus has a proven track record and significant capabilities in developing office, industrial, retail and healthcare properties. The group development pipeline now stands at a cost of $15.8 billion, of which $8.8 billion sits within the Dexus portfolio and $7.0 billion within third party funds. The development pipeline benefits the group by improving portfolio quality, provides inventory for third party capital partners and can enhance returns for both Dexus and third party capital partners.

While the development pipeline was rationalised during HY23 by removing circa $1.0 billion of concept projects that will no longer be pursued in the current market, the remaining pipeline is profitable and the decision to activate uncommitted projects will be assessed on project commerce and capital availability.

Dexus commenced construction at its city-shaping office projects, Atlassian Central in August 2022 and the first tower of Waterfront Brisbane in January 2023 and started pre-development works on 60 Collins Street, Melbourne.

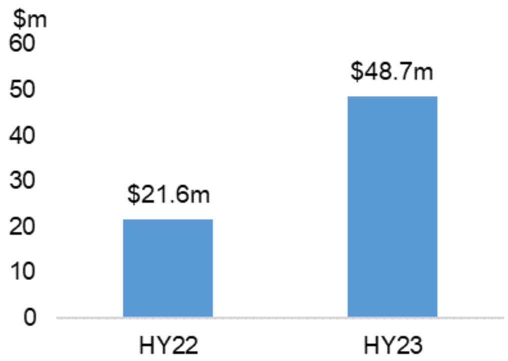
Dexus also completed a total of 102,900 square metres across three projects at Ravenhall VIC, Jandakot WA and 12 Frederick Street, St Leonards as well as progressing five other industrial projects.

Dexus has circa $2.5 billion remaining to spend on its committed development projects over the next five years, including Atlassian Central in Sydney and Waterfront Brisbane Stage 1.

Trading performance

Dexus secured $48.7 million (post tax) of trading profits in HY23 through the sale of 12 Frederick Street, St Leonards and Dexus's 50% interest in Australian Bragg Centre, North Terrace. A further circa $5 million pre-tax trading profits are expected to be realised across FY23 and FY24 through the sale of 20 Distribution Drive, Truganina.

Trading FFO (post tax)



Segment performance (continued)

Transactions

Dexus had another active period of transactions, undertaking $2.2 billion of property transactions, comprising $1.9 billion of divestments and $351 million of acquisitions across the group.

During the half, Dexus announced circa $773 million of balance sheet divestments and no new acquisitions, recycling capital into higher returning opportunities.

Dexus's FY23 trading profit target was de-risked through the divestment of trading properties as mentioned above for $264 million in aggregate.

Other announced divestments included:

- 8 Nicholson Street, East Melbourne for $213.7 million[25]
- 586 Wickham Street and 10 Light Street, Fortitude Valley for $98.0 million
- 19 Stoddart Road, Prospect for $76.2 million[25]
- 145-151 Arthur Street, Flemington for $73.3 million[25]

In addition, in July 2022 Dexus settled on the sale of 383-395 Kent Street, Sydney and its 50% interest in 140 & 150 George Street, Parramatta for a combined sale price of $462.3 million. These divestments were announced to the ASX during FY22.

Dexus remains focused on asset recycling to provide capacity to fund growth initiatives across developments and the funds platform, as well as continuing to enhance the quality of its portfolio.

Environmental, Social and Governance (ESG) update

Dexus's commitment to delivering strong ESG outcomes underpins long-term performance.

Dexus was again recognised as a global leader in sustainability, achieving a Top 5% S&P Global ESG Score in the S&P Global Sustainability Yearbook. Dexus retained its leadership on the Dow Jones Sustainability Index and achieved an A Score rating in CDP's 2022 Climate Change Assessment up from A- in 2021. In addition, Dexus Office Trust was named a Global Sector Leader in the 2022 Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment.

In line with its commitment to support customer wellbeing, Dexus has achieved its first WELL Health and Safety Portfolio Certification across the 45 nominated office properties and achieved a 4.6 Star NABERS Indoor and Environment rating across the Dexus group portfolio.

Dexus's sustainability performance plays a key role in delivering on its purpose of creating spaces where people thrive – ensuring it delivers sustained value for its investors, customers and employees.

25 Reflects net sale price and excludes transaction costs.

Segment performance (continued)

Financial position

Look-through net tangible assets decreased by $288 million primarily due to property devaluations of $242 million. Disposals of $747 million were partially offset by $172 million of development capital expenditure, $166 million increase in financial assets at fair value through profit or loss and $94 million of acquisitions that settled in the period (announced in the prior period).

$m	31 December 2022	30 June 2022
Office investment properties	12,892	13,295
Industrial investment properties	3,917	3,956
Healthcare and other investment properties	22	137
Co-investment properties	867	874
Borrowings	(4,746)	(5,050)
Other[26]	(33)	(5)
Net tangible assets	**12,919**	**13,207**
Total number of securities on issue	1,075,565,246	1,075,565,246
NTA ($ per security)[27]	**12.01**	**12.28**

Capital management

Dexus continued to maintain a strong and conservative balance sheet with gearing[28] at 25.6%, below the target range of 30-40%, and $3.0 billion of cash and undrawn available debt facilities.

Cost of debt was 3.6%[29] and average maturity of debt remained high at 5.2 years.

Dexus completed $1.9 billion of new and refinanced facilities over the period. This includes the issue of $500 million of exchangeable notes with a five-year term in November 2022. Concurrently Dexus repurchased $100 million of existing outstanding exchangeable notes due June 2026[30]. In addition, Dexus completed a further $300 million of new and refinanced facilities post 31 December 2022, with an average tenor of 6.4 years.

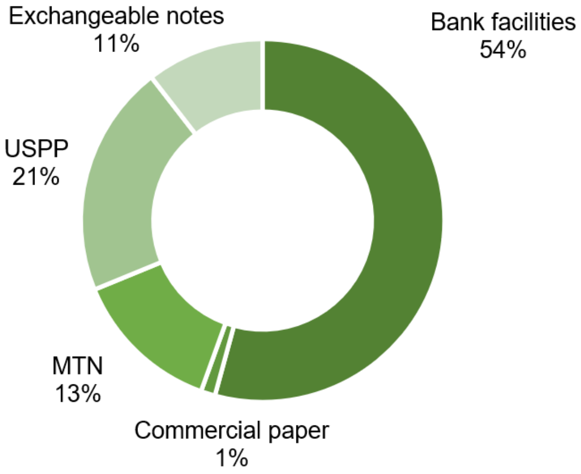
Dexus has a weighted average debt maturity of 5.2 years, no material debt expiries over the next 12 months and remains within all of its debt covenant limits, retaining its credit ratings of A-/A3 from S&P and Moody's respectively. On average 85% of Dexus's debt was hedged in HY23, with a weighted average hedge maturity of 4.8 years, providing material protection against interest rate movements over the medium term.

Key metrics	31 December 2022	30 June 2022
Gearing (look-through)[26]	25.6%	26.9%
Cost of debt[29]	3.6%	2.7%
Average maturity of debt	5.2 years	5.5 years
Hedged debt (incl caps)[31]	85%	65%
Average maturity of hedged debt	4.8 years	5.9 years
S&P/Moody's credit rating	A-/A3	A-/A3

26 Excludes $110.9m (FY22: $117.4m) deferred tax liability on management rights.
27 Post the completion of the AMP Capital's platform acquisition, NTA is expected to reduce given the consideration in connection with the acquisition of management rights which are classified as an intangible asset.
28 Adjusted for cash and debt in equity accounted investments and excluding Dexus's share of co-investments in pooled funds. Look-through gearing including Dexus's share of co-investments in pooled funds was 26.4% as at 31 December 2022.
29 Weighted average for the period, inclusive of fees and margins on a drawn basis.
30 Plus any accrued but unpaid interest from and including 19 September 2022 to but excluding the settlement date of the concurrent repurchase.
31 Average for the period.

Segment performance (continued)

Diversified sources of debt



Group outlook

Dexus has demonstrated resilience in a challenging environment, with the property portfolio maintaining strong occupancy and continuing to benefit from the flight to quality. Recycling assets and proactively managing capital has also enabled Dexus to maintain a strong balance sheet.

The macroeconomic environment remains challenging with rising interest rates, ongoing supply chain disruptions, a global energy crisis and geopolitical risks contributing to continued economic uncertainty. Higher interest rates will continue to impact Dexus's earnings in the second half of FY23.

Barring unforeseen circumstances, Dexus has updated its guidance to deliver distributions of 51.0 - 51.5 cents per security for the 12 months ended 30 June 2023, reflecting the higher end of its previously stated guidance range.[32]

[32] Assumes floating interest rates of circa 3.25% (90-day BBSW), completion (or first stage completion under an alternate transaction structure) of the transition of circa $18 billion of FUM from the acquisition of the AMP Capital real estate and domestic infrastructure equity platform in March 2023, and circa $50 - $55 million of trading profits (post-tax).

Key risks

Key Risk	Potential impacts	How Dexus is responding
Health, safety and wellbeing Providing an environment that ensures the safety and wellbeing of employees, customers, contractors and the public at Dexus properties and responding to events that have the potential to disrupt business continuity.	– Death or injury at Dexus properties – Loss of broader community confidence – Inability to sustainably perform or deliver objectives – Increased employee turnover or absenteeism – Costs or sanctions associated with regulatory response – Costs associated with criminal or civil proceedings – Costs associated with remediation and/or restoration – Business disruption	As a priority Dexus focuses on the health, safety and wellbeing of its employees and the people in its buildings. Dexus adopts a series of measures to ensure building and workplace health and safety is maintained in and around our properties. This includes ongoing monitoring and testing at existing assets and regular training provided to both employees and service providers. Dexus applies comprehensive work health and safety programs and enforce compliance requirements by site contractors and employees, in accordance with Dexus's ISO 45001 certified Occupational Health and Safety Management System. Dexus engages external consultants to identify and remediate health and safety issues relating to the fabric of properties across the portfolio, including facades. Dexus maintains a business continuity management framework to mitigate safety threats, including the adoption of plans relating to crisis management, business continuity and emergency management. Responsiveness at each property is regularly tested through scenario exercises. Key performance indicators for reporting and resolution of security issues are embedded into contractor agreements at Dexus-managed assets. Dexus's Safe & Well program supports the psychosocial mental, physical, financial and work wellbeing of its people. Safe & Well provides a breadth of resources, designed to help our people to develop and maintain a healthy level of wellbeing.
Strategic and financial performance Ability to meet market guidance, achieve the group's strategic objectives, generate value and deliver superior risk-adjusted performance.	– Reduced investor sentiment (equity and debt) – Loss of broader community confidence – Reduced credit ratings and availability of debt financing – Sustained inflation and recessionary pressures on the economy	Dexus has processes in place to monitor and manage performance and risks that may impact on performance. Its strategy and risk appetite are approved annually by the Board and reviewed throughout the year by management and the Board Risk Committee. The Investment Committee is responsible for the consideration, approval or endorsement, subject to delegated authority, of material investment decisions. Due diligence is undertaken for all investment and divestment proposals and major capital expenditure before approval or endorsement of each investment decision. With the upcoming addition of AMP's real estate and infrastructure platform, Dexus has refined its vision to be recognised as the leading real asset investment manager in Australia. Dexus aims to achieve this through providing superior risk adjusted returns for investors through investing Dexus balance sheet capital and managing investments on behalf of its third party capital partners. Major capital projects are monitored by control groups to assess delivery and performance outcomes.
Capital management Positioning the capital structure of the business to withstand unexpected changes in equity and debt markets.	– Constrained capacity to execute strategy – Increased cost of funding (equity and debt) – Fluctuations in interest rates which could impact the cost of debt – Fluctuations in foreign exchange rates which could impact profitability – Reduced investor sentiment (equity and debt) – Reduced credit ratings and availability of debt financing	Dexus's prudent management of capital, including regular sensitivity analysis and periodic independent reviews of the Treasury Policy, assists in positioning Dexus's balance sheet in relation to unexpected changes in capital markets. Dexus maintains a strong balance sheet with diversified sources of capital. Ongoing monitoring of capital management is undertaken to ensure metrics are within risk appetite thresholds benchmarks and/or limits outlined within the Treasury Policy. Further information relating to financial risk management is detailed in the capital and financial risk management note of the 30 June 2022 Financial Statements.
Development Achieving strategic development objectives that provides the opportunity to grow Dexus's and its third party capital partners' portfolios and enhance future returns.	– Fund mandates negatively impacted – Leasing outcomes impacting on completion valuations – Fluctuations in construction costs – Negative impacts on supply chain channels (cost and availability of resources) – Reputational damage – Fluctuation in completion value	Dexus has a strong development capability with a proven track record of delivering projects with a focus on quality, sustainability and returns that satisfy the evolving needs of its growing customer base. It has platform-wide expertise that drives its development performance and objectives, including design and costing, leasing, risk and compliance and insurance coverage. The Investment Committee is responsible for the consideration, approval or endorsement, subject to delegated authority, of material investment decisions. Detailed due diligence is undertaken for all developments before approval or endorsement of each investment decision.

Key risks (continued)

Third party capital partners Real asset investment partner of choice for third party capital.	– Change in strategy and/or capacity of existing third party capital partners – Inability to attract new third party capital partners – Loss of confidence in governance structure and service delivery – Loss of funds management income	Dexus's funds management model includes strong governance principles and processes designed to build and strengthen relationships with existing and prospective third party capital partners. Its active approach to engagement across the business enables employees to understand the interests of third party capital partners and design strategies to maintain partner satisfaction. The Funds Management team also undertakes a periodic client survey to understand perceptions and identify areas for improvement.
Cyber and data security Ability to access, protect and maintain systems and respond to major incidents including data loss, cyber security threats or breaches to information systems.	– Lack of resilience in Dexus's response to cyber security threats – Impact to Dexus's customers and/or third party capital partners – Loss of broader community confidence – Business disruption – Data integrity compromised – Loss or damage to systems or assets	Dexus aims to have efficient systems and processes, including financial accounting and operational systems. Regular reviews of policies and procedures on information security are undertaken and align to the National Institute of Standards and Technology (NIST) Cyber Security Framework. It has comprehensive Business Continuity and Disaster Recovery plans in place which are tested annually. Regular training, testing and disaster recovery activities are conducted, along with the employment of data security software, to assist in reducing the risk of threats or breaches to data. Mitigation strategies are in place to address potential cyber security threats to, or via, our assets. Dexus also educates and trains its people on how to best protect data.
Environmental and social sustainability Commitment to climate resilience and responding to the impacts of climate change, as well as focusing on having a positive social impact in the communities in which Dexus operates.	– Increased costs associated with global and domestic energy crisis – Increased costs associated with physical risks (e.g. asset damage from extreme weather) – Increased costs associated with transition risks (e.g. carbon regulation, requirements for building efficiency) – Inability to maintain access to capital due to reputational damage – Increased reputational risk for not supporting the community and social causes – Increased difficulties in leasing assets due to heightened risk of climate change impact	Dexus uses scenario analysis to understand the broad range of climate-related issues that may impact our business and focus on enhancing the resilience of its properties while implementing energy efficiency initiatives and renewable energy projects. Dexus's approach to climate change risk management is disclosed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures across our Annual Reporting Suite (see page 43 in the 2022 Sustainability Report). Dexus established a Social Impact Strategic Framework in FY22 that is designed to streamline community activities and maximise the value created for Dexus and the communities in which it operates. Dexus is committed to ensuring its operations provide quality jobs with the right conditions and collaborate with its suppliers to understand how it can contribute to upholding human rights across our supply chain, including addressing modern slavery.
Compliance and regulatory Maintaining market leading governance and compliance practices.	– Sanctions impacting on business operations – Reduced investor sentiment (equity and debt) – Loss of broader community confidence – Increased compliance costs	Dexus's compliance monitoring program supports its comprehensive compliance policies and procedures that are regularly updated to ensure the business operates in accordance with regulatory expectations. Dexus's employees and service providers receive training on their compliance obligations and are encouraged to raise concerns where appropriate. Dexus maintains grievance, complaints and whistleblower mechanisms for employees and stakeholders to safely, confidently and anonymously raise concerns. Independent industry experts are appointed to undertake reviews where appropriate.
Organisational culture Ability to maintain a respectful, open and inclusive culture which reflects our values and embraces diversity of thought.	– Decreased business performance – Inappropriate conduct leading to reputational damage or financial loss – Reduced investor sentiment (equity and debt)	Dexus fosters a culture and employee experience that aligns and continually reinforces the group's purpose statement, including its aspirations, values and behaviours. Its employee listening strategy enables employees to provide real-time feedback on their experience, as well as anecdotal and anonymous feedback via regular pulse surveys throughout the year. Insights gained are used to understand organisational culture and identify potential challenges that may require additional focus. Psychological safety and inclusion are central to the design of employee experiences, policies and protocols. Dexus's employee reference groups are empowered to implement organisational initiatives to build a culturally inclusive workplace, such as our LGBTI+ TRIBE employee network and the RAP working group. Dexus also invests in its employees' development and reward their achievement of sustainable business outcomes that add value to our stakeholders.
Talent and capability Ability to attract and retain the best talent to deliver business results.	– Decreased business performance – Negative impact to customer relationships – Decline in workforce productivity – Increased workforce costs – Loss of corporate knowledge and experience – Poor employer branding leading to inability to attract talent – Unplanned employee turnover and associated increased costs and time to resource	Dexus aims to attract, develop and retain an engaged and capable workforce that can deliver our business results both today and in the future. Professional development is undertaken at all organisational levels to drive continuous learning and engagement of our employees. Talent reviews are conducted at regular intervals to monitor and respond to emerging talent risks and opportunities and to inform succession plans for key and critical roles. External talent mapping is undertaken for critical roles. As a part of the broader Dexus value proposition, and integral to how Dexus attracts and retain talent, our people are offered the opportunity to have an ownership interest in Dexus, which promotes a tangible link between the interests of employees, Dexus and its investors. All eligible employees are allocated a number of DXS securities with an aggregate equivalent cash value of $1,000.

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Property Trust (DPT or the Trust) present their Directors' Report together with the Interim Consolidated Financial Statements for the half year ended 31 December 2022. The Interim Consolidated Financial Statements represents DPT and its consolidated entities, which are referred to as Dexus (DXS or the Group).

The Trust, together with Dexus Operations Trust (DXO), form the Dexus stapled security.

Directors

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
Warwick Negus, BBus (UTS), MCom (UNSW), SF (Fin)[1]	1 February 2021
Patrick N J Allaway, BA/LLB[2]	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
Paula Dwyer, BCom, FCA, SF Fin, FAICD[3]	1 February 2023
Tonianne Dwyer, BJuris (Hons), LLB (Hons)[4]	24 August 2011
Mark H. Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
Rhoda Phillippo, MSc (Telecommunications Business), GAICD[5]	1 February 2023
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Elana Rubin AM, BA (Hons), MA, FFin, FAICD[6]	28 September 2022
W Richard Sheppard, BEc (Hons), FAICD[7]	1 January 2012
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012

1. Warwick Negus was appointed as Chair of the Board of DXFM, effective 27 October 2022.
2. Patrick N J Allaway was granted a temporary leave of absence, effective 30 November 2022.
3. Paula Dwyer was appointed to the Board of DXFM, effective 1 February 2023.
4. Tonianne Dwyer retired from the Board of DXFM, effective 27 October 2022.
5. Rhoda Phillippo was appointed to the Board of DXFM, effective 1 February 2023.
6. Elana Rubin was appointed to the Board of DXFM, effective 28 September 2022.
7. W Richard Sheppard retired from the Board of DXFM, effective 27 October 2022.

Review of results and operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Operating and Financial Review on pages 2 to 14 of this Interim Report.

Significant changes in the state of affairs

On 27 April 2022, Dexus agreed to acquire Collimate Capital's real estate and domestic infrastructure equity business from AMP Limited (AMP). The real estate and infrastructure equity business comprises a high-quality platform of pooled funds and separately managed accounts, with approximately $18 billion of assets under management. This transaction positions Dexus as a leading real asset manager, with new capabilities and an expanded product offering, underpinned by its best practice governance and risk management framework.

The acquisition is underpinned by a compelling strategic rationale for Dexus:

- Further diversifies Dexus's fund management platform with an expanded investor base
- Expanded capabilities to drive an enhanced offering and asset performance
- Provides a scalable platform for growth, underpinned by Dexus's best practice governance and risk management framework
- Long-term value creation potential for Dexus security holders and funds management partners.

Significant changes in the state of affairs (continued)

In January 2023, Dexus and AMP agreed to extend the date for satisfaction or waiver of conditions precedent to 28 February 2023. As all conditions precedent for completion were not satisfied (or waived) by 26 January 2023, the maximum total consideration payable by Dexus has reduced to $225 million.

Dexus and AMP have also entered into a non-binding term sheet regarding an alternative transaction structure that contemplates such a transaction under a two-stage completion process. If binding agreements are ultimately agreed by the parties, the transfer of most legal entities within AMP's domestic real estate and infrastructure business and effective day to day management control of the majority of the platform would occur at first completion. First completion is contemplated to take place in March 2023. Final completion would be dependent on satisfaction of the final condition precedent.

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 17 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 13 February 2023.

Warwick Negus	**Darren J Steinberg**
Chair	Chief Executive Officer
13 February 2023	13 February 2023

Auditor's Independence Declaration

As lead auditor for the review of Dexus Property Trust for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
13 February 2023

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2022

	Note	31 Dec 2022 $m	31 Dec 2021 $m
Revenue from ordinary activities			
Property revenue	2	**210.3**	234.1
Development revenue	8	**112.8**	170.1
Interest revenue		**4.2**	1.2
Management fees and other revenue		**136.2**	109.5
Total revenue from ordinary activities	1	**463.5**	514.9
Net fair value gain of investment properties	6	**-**	192.1
Share of net profit of investments accounted for using the equity method	7	**114.8**	497.0
Net fair value gain of financial assets at fair value through profit or loss		**1.9**	-
Net fair value gain of foreign currency interest bearing liabilities		**67.7**	30.8
Net fair value gain of derivatives		**-**	1.0
Other income		**5.2**	5.2
Net gain on dilution of investments accounted for using the equity method		**0.9**	-
Net foreign exchange gain		**0.4**	-
Total income		**654.4**	1,241.0
Expenses			
Property expenses	2	**(66.4)**	(73.9)
Development costs	8	**(62.1)**	(139.3)
Finance costs	3	**(75.7)**	(71.5)
Impairment of intangibles	16	**(60.0)**	-
Impairment of investments accounted for using the equity method	7	**(3.4)**	(0.9)
Net fair value loss of financial assets at fair value through profit or loss	10	**-**	(2.4)
Net fair value loss of derivatives		**(43.0)**	-
Net fair value loss of investment properties	6	**(180.1)**	-
Net loss on sale of investment properties		**(0.5)**	-
Net foreign exchange loss		**-**	(0.1)
Transaction costs		**(21.5)**	(52.1)
Management operations, corporate and administration expenses		**(95.1)**	(88.3)
Total expenses		**(607.8)**	(428.5)
Profit before tax		**46.6**	812.5
Income tax expense	4	**(23.5)**	(9.3)
Profit for the period		**23.1**	803.2
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**(3.2)**	2.6
Changes in the foreign currency basis spread reserve		**(2.1)**	7.9
Total comprehensive income for the period		**17.8**	813.7
Profit for the period attributable to:			
Unitholders of the parent entity		**7.6**	780.3
Unitholders of other stapled entities (non-controlling interests)		**15.5**	22.9
Profit for the period		**23.1**	803.2
Total comprehensive income for the period attributable to:			
Unitholders of the parent entity		**2.3**	790.8
Unitholders of other stapled entities (non-controlling interests)		**15.5**	22.9
Total comprehensive income for the period		**17.8**	813.7
		Cents	Cents
Earnings per unit on profit attributable to unitholders of the Trust (parent entity)			
Basic earnings per unit		**0.71**	72.55
Diluted earnings per unit		**(0.06)**	71.69
Earnings per stapled security on profit attributable to stapled security holders			
Basic earnings per security		**2.15**	74.68
Diluted earnings per security		**1.36**	73.77

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 2022

	Note	31 Dec 2022 $m	30 Jun 2022 $m
Current assets			
Cash and cash equivalents		**87.3**	75.3
Receivables		**155.2**	166.5
Non-current assets classified as held for sale	9	**443.4**	385.0
Inventories	8	**2.1**	54.4
Derivative financial instruments	13	**38.5**	12.6
Other		**47.4**	53.5
Total current assets		**773.9**	747.3
Non-current assets			
Investment properties	6	**7,646.0**	8,295.7
Plant and equipment		**10.9**	11.7
Right-of-use assets		**15.2**	16.9
Inventories	8	**1.9**	-
Investments accounted for using the equity method	7	**8,923.8**	8,881.9
Financial assets at fair value through profit or loss	10	**352.3**	186.5
Loans to related parties		**-**	33.7
Derivative financial instruments	13	**447.3**	457.9
Intangible assets	16	**428.9**	488.0
Other		**0.4**	72.5
Total non-current assets		**17,826.7**	18,444.8
Total assets		**18,600.6**	19,192.1
Current liabilities			
Payables		**191.5**	180.4
Interest bearing liabilities	11	**21.7**	-
Lease liabilities	12	**2.9**	4.2
Derivative financial instruments	13	**5.9**	1.2
Current tax liabilities		**8.2**	16.0
Provisions		**330.3**	315.9
Loans with related parties		**-**	33.1
Other		**0.9**	4.3
Total current liabilities		**561.4**	555.1
Non-current liabilities			
Interest bearing liabilities	11	**4,509.5**	4,882.3
Lease liabilities	12	**22.1**	22.7
Derivative financial instruments	13	**104.8**	40.5
Deferred tax liabilities		**98.9**	102.2
Provisions		**3.2**	3.4
Other		**19.3**	18.7
Total non-current liabilities		**4,757.8**	5,069.8
Total liabilities		**5,319.2**	5,624.9
Net assets		**13,281.4**	13,567.2
Equity			
Equity attributable to unitholders of the Trust (parent entity)			
Contributed equity	15	**7,048.0**	7,048.0
Reserves		**12.0**	17.3
Retained profits		**5,865.8**	6,159.4
Parent entity unitholders' interest		**12,925.8**	13,224.7
Equity attributable to unitholders of other stapled entities			
Contributed equity	15	**107.1**	107.1
Reserves		**31.4**	33.8
Retained profits		**217.1**	201.6
Other stapled unitholders' interest		**355.6**	342.5
Total equity		**13,281.4**	13,567.2

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 2022

		Attributable to unitholders of the Trust (parent entity)				Attributable to unitholders of other stapled entities				
	Note	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
Opening balance as at 1 July 2021		2,341.4	(0.8)	1,463.9	3,804.5	4,813.7	37.4	3,853.4	8,704.5	12,509.0
Capital reorganisation[1]		4,706.6	-	3,634.7	8,341.3	(4,706.6)	-	(3,634.7)	(8,341.3)	-
Restated opening balance as at 1 July 2021		7,048.0	(0.8)	5,098.6	12,145.8	107.1	37.4	218.7	363.2	12,509.0
Net profit for the period		-	-	780.3	780.3	-	-	22.9	22.9	803.2
Other comprehensive income for the period		-	10.5	-	10.5	-	-	-	-	10.5
Total comprehensive income for the period		-	10.5	780.3	790.8	-	-	22.9	22.9	813.7
Transactions with owners in their capacity as owners:										
Security-based payments expense		-	-	-	-	-	6.7	-	6.7	6.7
Distributions paid or provided for	5	-	-	(301.2)	(301.2)	-	-	-	-	(301.2)
Total transactions with owners in their capacity as owners:		-	-	(301.2)	(301.2)	-	6.7	-	6.7	(294.5)
Closing balance as at 31 December 2021		7,048.0	9.7	5,577.7	12,635.4	107.1	44.1	241.6	392.8	13,028.2
Opening balance as at 1 July 2022		**7,048.0**	**17.3**	**6,159.4**	**13,224.7**	**107.1**	**33.8**	**201.6**	**342.5**	**13,567.2**
Net profit/(loss) for the period		**-**	**-**	**7.6**	**7.6**	**-**	**-**	**15.5**	**15.5**	**23.1**
Other comprehensive loss for the period		**-**	**(5.3)**	**-**	**(5.3)**	**-**	**-**	**-**	**-**	**(5.3)**
Total comprehensive income/(loss) for the period		**-**	**(5.3)**	**7.6**	**2.3**	**-**	**-**	**15.5**	**15.5**	**17.8**
Transactions with owners in their capacity as owners:										
Purchase of securities, net of transaction costs		**-**	**-**	**-**	**-**	**-**	**(7.7)**	**-**	**(7.7)**	**(7.7)**
Security-based payments expense		**-**	**-**	**-**	**-**	**-**	**5.3**	**-**	**5.3**	**5.3**
Distributions paid or provided for	5	**-**	**-**	**(301.2)**	**(301.2)**	**-**	**-**	**-**	**-**	**(301.2)**
Total transactions with owners in their capacity as owners		**-**	**-**	**(301.2)**	**(301.2)**	**-**	**(2.4)**	**-**	**(2.4)**	**(303.6)**
Closing balance as at 31 December 2022		**7,048.0**	**12.0**	**5,865.8**	**12,925.8**	**107.1**	**31.4**	**217.1**	**355.6**	**13,281.4**

1. The simplification from a quadruple stapled trust structure to a dual stapled trust structure is viewed as a capital reorganisation as it was merely a change in the legal structure of the Group. There was no change to the assets or liabilities of the Group on implementation of the Simplification, excluding the impact of transaction costs. Refer to the Basis of preparation within the Notes to the Consolidated Financial Statements for further information.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2022

	31 Dec 2022 $m	31 Dec 2021 $m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**361.6**	365.7
Payments in the course of operations (inclusive of GST)	**(160.6)**	(211.2)
Interest received	**4.2**	1.2
Finance costs paid	**(109.8)**	(73.5)
Distributions received from investments accounted for using the equity method	**130.5**	106.6
Income tax paid	**(34.6)**	(12.4)
Proceeds from sale of property classified as inventory and development services	**112.8**	170.1
Payments for property classified as inventory and development services	**(10.0)**	(2.3)
Net cash inflow/(outflow) from operating activities	**294.1**	344.2
Cash flows from investing activities		
Proceeds from sale of investment properties	**473.9**	271.2
Payments for capital expenditure on investment properties	**(70.0)**	(84.6)
Proceeds from the sale of investments accounted for using the equity method	**145.3**	989.6
Payments for investments accounted for using the equity method	**(166.0)**	(1,490.0)
Payments for acquisition of investment properties	**-**	(100.4)
Payments for financial assets at fair value through profit or loss	**(163.8)**	-
Payments for plant and equipment	**(1.0)**	(0.4)
Payments for intangibles	**(1.7)**	(3.5)
Payment for acquisition of subsidiary, net of cash acquired	**-**	(280.0)
Net cash inflow/(outflow) from investing activities	**216.7**	(698.1)
Cash flows from financing activities		
Proceeds from borrowings	**3,969.5**	1,734.8
Repayment of borrowings	**(4,221.1)**	(1,113.0)
Proceeds from loan with related party	**35.6**	-
Payment of lease liabilities	**(4.0)**	(2.1)
Purchase of securities for security-based payments plans	**(7.7)**	-
Distributions paid to security holders	**(271.1)**	(247.4)
Net cash inflow/(outflow) from financing activities	**(498.8)**	372.3
Net increase/(decrease) in cash and cash equivalents	**12.0**	18.4
Cash and cash equivalents at the beginning of the period	**75.3**	43.5
Cash and cash equivalents at the end of the period	**87.3**	61.9

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

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

The 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 2022 and any public pronouncements made by the Group during the half year, and up to the date of issuance of this Interim report, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Unless otherwise stated, the Interim Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period. Where required, comparative information has been restated for consistency with the current year's presentation.

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

The Interim Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions except for investment properties, investment properties included within equity accounted investments, non-current assets held for sale, derivative financial instruments, security based payments, financial assets at fair value through profit or loss and other 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 2022 for the basis of valuation of assets and liabilities measured at fair value.

Critical accounting estimates

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

In the process of applying the Group's accounting policies, management has considered the current economic environment including the impacts of inflation and rising interest rates. The Group's strategic focus on investing in income streams that provide resilience through-the-cycle and expanding and diversifying the funds management business as well as the diversification of debt sources and tenor and interest rate hedging assist in mitigating these risks.

Other than inflationary and interest rate impacts, the estimates and assumptions used for the measurement of items held at fair value such as certain financial instruments, other financial assets at fair value through profit or loss, investment properties (including those held within investments accounted for using the equity method), security-based payments, and the assumptions for assessing intangible assets for impairment and the net realisable value for inventories, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Interim Consolidated Financial Statements.

Basis of preparation (continued)

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

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

Group performance

In this section

This section explains the results and performance of the Group.

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

Note 1 Operating segments

Description of segments

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

Segment	Description
Office	Domestic office space with any associated retail space; as well as car parks and office developments owned directly or in joint ventures or partnerships.
Industrial	Domestic industrial properties, industrial estates and industrial developments owned directly or in joint ventures or partnerships.
Co-investments	Distribution income earned from investments in pooled property and real estate security funds.
Property management	Property management services for third party clients and owned assets.
Funds management	Funds management of third party client assets.
Development and trading	Revenue earned and costs incurred by the Group on development services for third party clients and inventory.
All other segments	Corporate expenses associated with maintaining and operating the Group. This segment also includes the centralised treasury function and direct property portfolio value of other investments.

Note 1 Operating segments (continued)

31 December 2022	Office $m	Industrial $m	Co-investments $m	Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
Segment performance measures									
Property revenue	328.8	100.7	-	-	-	-	-	(2.7)	**426.8**
Property management fees	-	-	-	23.1	-	-	-	-	**23.1**
Development revenue	-	-	-	-	-	112.8	-	-	**112.8**
Management fee revenue	-	-	-	14.1	60.7	24.9	-	-	**99.7**
Co-investment income	-	-	14.4	-	-	-	-	-	**14.4**
Gain on sale of units in investments accounted for using the equity method	-	-	-	-	-	18.9	-	-	**18.9**
Total operating segment revenue	**328.8**	**100.7**	**14.4**	**37.2**	**60.7**	**156.6**	**-**	**(2.7)**	**695.7**
Property expenses and property management salaries	(95.3)	(23.5)	-	(12.0)	-	-	-	-	**(130.8)**
Management operations expenses	-	-	-	(21.5)	(23.5)	(15.7)	-	-	**(60.7)**
Corporate and administration expenses	(6.2)	(2.9)	-	-	-	-	(23.0)	2.7	**(29.4)**
Development costs	-	-	-	-	-	(62.1)	-	-	**(62.1)**
Interest revenue	-	-	-	-	-	-	9.0	-	**9.0**
Finance costs	-	-	-	-	-	-	(74.2)	-	**(74.2)**
Incentive amortisation and rent straight-line	67.6	8.1	-	-	-	-	-	-	**75.7**
FFO tax expense	-	-	-	-	-	(20.9)	(17.1)	-	**(38.0)**
Rental guarantees, coupon income and other	-	1.5	-	-	1.9	-	0.5	-	**3.9**
Funds From Operations (FFO)	**294.9**	**83.9**	**14.4**	**3.7**	**39.1**	**57.9**	**(104.8)**	**-**	**389.1**
Net fair value gain/(loss) of investment properties	(236.1)	(6.3)	-	-	-	-	5.7	-	**(236.7)**
Net fair value gain/(loss) of derivatives	-	-	-	-	-	-	(42.7)	-	**(42.7)**
Transaction costs and other significant items	-	-	-	-	-	-	(25.0)	-	**(25.0)**
Net fair value gain/(loss) of financial assets at fair value	-	-	-	-	-	-	1.9	-	**1.9**
Net gain/(loss) on sale of investment properties	(0.5)	-	-	-	-	-	-	-	**(0.5)**
Net fair value gain/(loss) of interest bearing liabilities	-	-	-	-	-	-	67.7	-	**67.7**
Incentive amortisation and rent straight-line	(67.6)	(8.1)	-	-	-	-	-	-	**(75.7)**
Amortisation and impairment of intangible assets	-	-	-	-	-	-	(60.8)	-	**(60.8)**
Non FFO tax expense	-	-	-	-	-	-	12.0	-	**12.0**
Rental guarantees, coupon income and other	-	(1.5)	-	-	-	-	(5.4)	-	**(6.9)**
Share of net profit of investments accounted for using the equity method	-	-	11.3	-	-	-	-	-	**11.3**
Distribution income	-	-	3.8	-	-	-	-	-	**3.8**
Co-investment income	-	-	(14.4)	-	-	-	-	-	**(14.4)**
Net profit/(loss) attributable to stapled security holders	**(9.3)**	**68.0**	**15.1**	**3.7**	**39.1**	**57.9**	**(151.4)**	**-**	**23.1**
Investment properties	6,130.0	1,486.5	-	-	-	-	29.5	-	**7,646.0**
Non-current assets held for sale	213.8	229.6	-	-	-	-	-	-	**443.4**
Inventories	-	-	-	-	-	4.0	-	-	**4.0**
Equity accounted investment properties	6,384.2	2,196.4	678.6	-	-	-	58.5	-	**9,317.7**
Equity accounted real estate security funds	-	-	12.3	-	-	-	-	-	**12.3**
Financial assets at fair value through profit or loss	163.9	-	188.4	-	-	-	-	-	**352.3**
Property portfolio and pooled funds	**12,891.9**	**3,912.5**	**879.3**	**-**	**-**	**4.0**	**88.0**	**-**	**17,775.7**

Note 1 Operating segments (continued)

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

Note 1 Operating segments (continued)

Other segment information

Funds from Operations (FFO)

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

Reconciliation of segment revenue to the Consolidated Statement of Comprehensive Income

	31 Dec 2022 $m	31 Dec 2021 $m
Property lease revenue	**379.0**	420.2
Property services revenue	**47.8**	49.8
Property revenue	**426.8**	470.0
Co-investment income	**14.4**	13.8
Gain on sale of units in investments accounted for using the equity method	**18.9**	-
Property management fees	**23.1**	22.0
Development revenue	**112.8**	170.1
Management fee revenue	**99.7**	77.3
Total operating segment revenue	**695.7**	753.2
Share of revenue from joint ventures	**(236.4)**	(239.5)
Interest revenue	**4.2**	1.2
Total revenue from ordinary activities	**463.5**	514.9

Reconciliation of segment assets to the Consolidated Statement of Financial Position

	31 Dec 2022 $m	30 Jun 2022 $m
Property portfolio[1, 2]	**17,423.4**	18,145.5
Financial assets at fair value through profit or loss	**352.3**	186.5
Right-of-use assets	**15.2**	16.9
Cash and cash equivalents	**87.3**	75.3
Receivables	**155.2**	166.5
Intangible assets	**428.9**	488.0
Derivative financial instruments	**485.8**	470.5
Plant and equipment	**10.9**	11.7
Prepayments and other assets[3]	**(358.4)**	(368.8)
Total assets	**18,600.6**	19,192.1

1. Includes the Group's portion of investment properties accounted for using the equity method.
2. Excludes Co-investments in unlisted real estate security funds which are managed by the Group. The principal activity of these funds is to invest in domestic and global listed real estate investment trusts. The Group is deemed to have significant influence over these managed funds, due to its ability to influence the decisions made by the Board of the Responsible Entities of these funds, which are wholly owned subsidiaries of the Group.
3. Other assets include the Group's share of total net assets of its investments accounted for using the equity method less the Group's share of the investment property value which is included in the property portfolio.

Note 2 Property revenue and expenses

The Group's main revenue stream is property rental revenue and is derived from holding properties as investment properties and earning rental yields over time.

	31 Dec 2022 $m	31 Dec 2021 $m
Rent and recoverable outgoings	**198.5**	219.0
Services revenue	**26.2**	26.9
Incentive amortisation	**(39.5)**	(39.9)
Other revenue	**25.1**	28.1
Total property revenue	**210.3**	234.1

Property expenses of $66.4 million (December 2021: $73.9 million) includes rates, taxes and other property outgoings incurred in relation to investment properties.

Note 3 Finance costs

Finance costs include interest, amortisation or other costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and realised interest rate swaps.

	31 Dec 2022 $m	31 Dec 2021 $m
Interest paid/payable	**85.5**	61.7
Amount capitalised	**(10.5)**	(3.3)
Realised (gain)/loss of interest rate derivatives	**(8.9)**	5.7
Finance costs - leases and debt modification	**5.4**	2.5
Other finance costs	**4.2**	4.9
Total finance costs	**75.7**	71.5

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.80% (December 2021: 2.75%).

Note 4 Taxation

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

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

	31 Dec 2022 $m	31 Dec 2021 $m
Profit before income tax	**46.6**	812.5
Less: (profit)/loss attributed to entities not subject to tax	**(14.8)**	(781.8)
Profit subject to income tax	**31.8**	30.7
Prima facie tax expense at the Australian tax rate of 30% (December 2021: 30%)	**(9.5)**	(9.2)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
(Non-assessable)/non-deductible items	**(14.0)**	(0.1)
Income tax expense	**(23.5)**	(9.3)

Note 5 Distributions paid and payable

Distributions are recognised when declared.

a) Distribution to security holders

	31 Dec 2022 $m	31 Dec 2021 $m
31 December (payable 28 February 2023)	**301.2**	301.2
Total distribution to security holders	**301.2**	301.2

b) Distribution rate

	31 Dec 2022 Cents per security	31 Dec 2021 Cents per security
31 December (payable 28 February 2023)	**28.0**	28.0
Total distribution rate	**28.0**	28.0

Property portfolio assets

In this section

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

31 December 2022	Note	Office $m	Industrial $m	Co-investments $m	Leased Asset $m	Other $m	Total $m
Investment properties	6	6,130.0	1,486.5	-	7.7	21.8	**7,646.0**
Investments accounted for using the equity method	7	6,384.2	2,196.4	678.6	58.5	-	**9,317.7**
Inventories	8	-	4.0	-	-	-	**4.0**
Non-current assets classified as held for sale	9	213.8	229.6	-	-	-	**443.4**
Financial assets at fair value through profit or loss[1]	10	163.9	-	188.4	-	-	**352.3**
Total		**12,891.9**	**3,916.5**	**867.0**	**66.2**	**21.8**	**17,763.4**

1. Reflects the net investment of the financial asset.

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 (including ground leases where relevant), both stabilised and under development.
- *Investments accounted for using the equity method*: provides summarised financial information on the joint ventures and investments 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 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 reporting date and are currently being marketed for sale.
- *Financial assets at fair value through profit or loss:* relates to the fair value of investments in Australian trusts and managed property funds.

Note 6 Investment properties

The Group's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property.

a) Reconciliation

	For the 6 months to 31 Dec 2022 $m	For the 12 months to 30 Jun 2022 $m
Opening balance at the beginning of the period	**8,295.7**	8,476.8
Capital expenditure	**76.1**	112.5
Acquisitions	**-**	158.7
Lease incentives	**30.7**	61.4
Amortisation of lease incentives	**(42.7)**	(87.8)
Rent straightlining	**(1.0)**	0.4
Disposals	**(91.2)**	(479.0)
Transfer to non-current assets classified as held for sale	**(443.4)**	(385.0)
Net fair value gain/(loss) of investment properties	**(178.2)**	437.7
Closing balance at the end of the period	**7,646.0**	8,295.7

Note 6 Investment properties (continued)

a) Reconciliation (continued)

Leased Assets

The Group holds leasehold interests in a number of properties. Refer to note 12 *Lease liabilities* for details of the lease liabilities.

Disposals

On 29 July 2022, settlement occurred for the disposal of 383-395 Kent Street, Sydney NSW for $385.0 million excluding transaction costs.

On 4 November 2022, settlement occurred for the disposal of 47 Acanthus Street, Darra QLD for $15.9 million excluding transaction costs.

On 16 December 2022, settlement occurred for the disposal of 19 Stoddart Road, Prospect NSW for $76.2 million excluding transaction costs.

b) Fair value measurement, valuation techniques and inputs

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

			Range of unobservable inputs	
Class of property	**Fair value hierarchy**	**Inputs used to measure fair value**	**31 Dec 2022**	30 Jun 2022
Office[1]	Level 3	Adopted capitalisation rate	**4.00% - 6.50%**	4.13% - 6.13%
		Adopted discount rate	**5.50% - 6.75%**	5.50% - 6.75%
		Adopted terminal yield	**4.00% - 6.75%**	4.50% - 6.50%
		Net market rental (per sqm)	**$223 - $1,627**	$223 - $1,589
Industrial	Level 3	Adopted capitalisation rate	**3.63% - 9.75%**	$3.38% - 9.75%
		Adopted discount rate	**5.25% - 9.75%**	5.25% - 9.75%
		Adopted terminal yield	**3.88% - 9.75%**	3.63% - 9.75%
		Net market rental (per sqm)	**$50 - $766**	$50 - $709
Leased asset	Level 3	Adopted discount rate	**2.26% - 6.40%**	2.26% - 6.40%

1. Includes office developments and excludes car parks, retail and other.

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

Judgement is required in determining the following key assumptions:

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

Note 6 Investment properties (continued)

c) Sensitivity information

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

The estimated impact of a change in certain significant unobservable inputs would result in a change in the fair value as follows:

	Office		Industrial	
	31 Dec 2022	30 Jun 2022	**31 Dec 2022**	30 Jun 2022
	$m	$m	**$m**	$m
A decrease of 25 basis points in the adopted capitalisation rate	**635.3**	705.1	**193.8**	233.7
An increase of 25 basis points in the adopted capitalisation rate	**(573.5)**	(634.8)	**(173.2)**	(207.8)
A decrease of 25 basis points in the adopted discount rate	**516.0**	569.0	**146.1**	176.4
An increase of 25 basis points in the adopted discount rate	**(474.5)**	(522.3)	**(134.1)**	(161.2)
A decrease of 5% in the net market rental (per sqm)	**(589.7)**	(637.1)	**(163.2)**	(187.5)
An increase of 5% in the net market rental (per sqm)	**589.7**	637.1	**163.2**	187.5

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

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

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

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

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.

All entities were formed in Australia and their principal activity is either property investment related in Australia or investment in Australian and global listed real estate investment trusts.

	Ownership interest			
	31 Dec 2022	30 Jun 2022	**31 Dec 2022**	30 Jun 2022
Name of entity	**%**	%	**$m**	$m
Dexus Office Trust Australia (DOTA)	**50.0**	50.0	**2,324.7**	2,408.4
Dexus 80C Trust	**75.0**	75.0	**1,246.9**	1,238.3
Dexus Martin Place Trust	**50.0**	50.0	**991.6**	993.0
Dexus Australian Logistics Trust (DALT)	**51.0**	51.0	**712.1**	703.1
Dexus Australian Logistics Trust No.2 (DALT2)	**51.0**	51.0	**568.3**	544.3
Bent Street Trust	**33.3**	33.3	**388.2**	386.3
Dexus 480 Q Holding Trust	**50.0**	50.0	**384.1**	382.1
AAIG Holding Trust	**49.4**	49.4	**335.5**	342.7
Dexus Industrial Trust Australia (DITA)	**50.0**	50.0	**303.9**	300.1
Jandakot City Holdings Trust (JCHT)	**33.4**	33.4	**286.2**	253.0
Dexus Healthcare Property Fund (DHPF)[1]	**19.3**	23.1	**254.0**	243.4
Dexus Kings Square Trust	**50.0**	50.0	**242.9**	250.3
Dexus Industria REIT (DXI)	**17.5**	17.5	**197.9**	202.8
Dexus Australian Logistics Trust No.3 (DALT3)	**51.0**	51.0	**127.6**	109.0
Site 7 Homebush Bay Trust[2]	**50.0**	50.0	**85.7**	90.9
Dexus Australia Commercial Trust (DACT)	**10.0**	10.0	**64.5**	65.1
Dexus Eagle Street Pier Trust	**50.0**	50.0	**50.0**	39.4
Site 6 Homebush Bay Trust[2]	**50.0**	50.0	**49.5**	55.3
Dexus Convenience Retail REIT (DXC)	**9.0**	9.0	**48.9**	49.9
Mercatus Dexus Australia Partnership (MDAP)	**10.0**	10.0	**39.1**	38.7
Dexus RBR Ravenhall Pty Limited[3]	**50.1**	-	**36.1**	-
Dexus Australian Logistics Trust No.4 (DALT4)	**51.0**	51.0	**31.6**	32.2
Dexus Chester Hill Trust[4]	**50.0**	-	**24.8**	-
Dexus Real Estate Partnership 1 (DREP1)[5]	**21.3**	36.6	**23.4**	8.2
Jandakot Airport Holdings Trust (JAHT)	**32.0**	32.0	**23.2**	21.2
Dexus Moorebank Trust	**50.0**	50.0	**22.7**	22.6
Jandakot Airport Domestic Trust (JADT)	**34.7**	34.7	**19.6**	17.3
RealTech Ventures	**62.1**	62.1	**15.1**	13.7
APN Global REIT Income Fund (GREIT)	**63.9**	55.7	**11.2**	9.2
Dexus Walker Street Trust	**50.0**	50.0	**8.2**	9.1
Dexus Regional Property Fund	**3.3**	3.3	**1.3**	1.4
Dexus Development Fund No. 2	**4.8**	4.8	**1.2**	1.2
APN Asian REIT Fund (ARI)	**2.4**	2.4	**1.1**	1.2
Grosvenor Place Holding Trust[2]	**50.0**	50.0	**1.1**	1.4
Dexus Mamre Road Trust	**50.0**	-	**1.0**	-
Dexus Creek Street Trust	**50.0**	50.0	**0.6**	0.6
SAHMRI 2 Holding Trust[6]	**-**	50.0	**-**	46.5
Divvy Parking Pty Limited	**24.8**	24.8	**-**	-
Total assets - investments accounted for using the equity method[7]			**8,923.8**	8,881.9

1. In December 2022, DHPF completed an equity raising resulting in a dilution of the Group's interest from 23.1% to 19.3%.
2. These entities are 50% owned by Dexus Office Trust Australia. The Group's economic interest is 75% when combined with the interest held by DOTA.
3. In August 2022, the Group acquired a 50.1% interest in Dexus RBR Ravenhall Pty Limited.
4. In October 2022, the Group acquired a 50.0% interest in Dexus Chester Hill Trust.
5. In December 2022, DREP1 had its final equity close resulting in a dilution of the Group's interest from 36.6% to 21.3%.
6. In December 2022, the Group exchanged and settled on the sale of units held in SAHMRI2 Holding Trust to Dexus Healthcare Property Fund (DHPF).
7. The Group's share of investment properties in the investments accounted for using the equity method was $9,317.7 million (June 2022: $9,322.8 million). Additionally, held for sale assets in the investments accounted for using the equity method was $0.9 million (June 2022: $77.2 million). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

Note 8 Inventories

Development properties held for repositioning, construction and sale are recorded at the lower of cost or net realisable value.

a) Development properties held for sale

	31 Dec 2022 $m	30 Jun 2022 $m
Current assets		
Development properties held for sale	**2.1**	54.4
Total current assets - inventories	**2.1**	54.4
Non-current assets		
Development properties held for sale	**1.9**	-
Total non-current assets - inventories	**1.9**	-
Total assets - inventories	**4.0**	54.4

b) Reconciliation

	For the 6 months to 31 Dec 2022 $m	For the 12 months to 30 Jun 2022 $m
Opening balance at the beginning of the period	**54.4**	178.2
Additions	**10.0**	14.8
Disposals	**(60.4)**	(138.6)
Closing balance at the end of the period	**4.0**	54.4

Disposals

On 22 December 2022, settlement occurred for the disposal of 12 Frederick Street, St Leonards NSW for $118.5 million excluding transaction costs.

Note 9 Non-current assets classified as held for sale

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

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

At 31 December 2022, the balance relates to 14 Felstead Drive, Laverton VIC, 586 Wickham Street and 10 Light Street, Fortitude Valley QLD, 112 Cullen Avenue, Eagle Farm QLD, 20 Distribution Drive, Truganina VIC, 8 Nicholson Street, Melbourne VIC and 145-151 Arthur Street, Flemington NSW (30 June 2022: 383-395 Kent Street, Sydney NSW.)

- On 30 September 2022, Dexus exchanged contracts for the disposal of its 50% interest in 14 Felstead Drive, Laverton VIC for $11.6 million excluding transaction costs.
- On 13 October 2022, Dexus exchanged contracts for the disposal of 586 Wickham Street and 10 Light Street, Fortitude Valley QLD for $98.0 million excluding transaction costs.
- On 23 November 2022, Dexus exchanged contracts for the disposal of 112 Cullen Avenue, Eagle Farm QLD for $31.9 million excluding transaction costs.
- On 6 December 2022, Dexus exchanged contracts for the partial disposal of 20 Distribution Drive, Truganina VIC for $20.9 million excluding transaction costs.
- On 21 December 2022, Dexus exchanged contracts for the disposal of 8 Nicholson Street, Melbourne VIC for $213.7 million excluding transaction costs.
- On 23 December 2022, Dexus exchanged contracts for the disposal of 145-151 Arthur Street, Flemington NSW for $73.3 million excluding transaction costs.

Note 10 Financial assets at fair value through profit or loss

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

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

	31 Dec 2022 $m	30 Jun 2022 $m
Non-current assets		
Equity investments in Australian managed funds	**188.4**	186.5
Investments classified as debt in Australian trusts	**163.9**	-
Total current financial assets at fair value through profit or loss	**352.3**	186.5

Amounts recognised in profit or loss

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

	31 Dec 2022 $m	31 Dec 2021 $m
Fair value gains on equity investments in Australian managed funds	**1.9**	-
Total gains at fair value through profit or loss	**1.9**	-

b) Fair value measurement

Equity investments in Australian managed funds are measured at Level 3 using unit prices which are based on the net assets of the relevant fund, which is largely comprised of investment property held at fair value. Recent arm's length transactions, if any, are also taken into consideration.

Investments classified as debt in Australian trusts are measured at Level 3 using a fair value model.

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

c) Equity price risks

The Group is exposed to equity price risk arising from equity investments in Australian managed funds classified as financial assets at fair value through profit or loss. The exposure to equity price risk at the end of the reporting period, assuming equity prices had been 10% higher or lower while all other variables were held constant, would increase/decrease net profit by $18.8 million (June 2022: $18.6 million).

Capital management and other investments

In this section

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

- Debt: *Interest bearing liabilities* in note 11, *Lease liabilities* in note 12, *Fair value measurement* in note 13 and *Commitments and contingencies* in note 14;
- Equity: *Contributed equity* in note 15.

Note 11 Interest bearing liabilities

	Note	31 Dec 2022 $m	30 Jun 2022 $m
Current			
Unsecured			
US senior notes[1]	(a)	**21.7**	-
Total unsecured		**21.7**	-
Total current liabilities - interest bearing liabilities		**21.7**	-
Non-current			
Unsecured			
US senior notes[1]	(a)	**1,861.1**	1,922.7
Bank loans	(b)	**782.2**	1,430.2
Commercial paper	(c)	**100.0**	100.0
Medium term notes	(d)	**1,043.9**	1,043.9
Exchangeable notes	(e)	**753.2**	407.2
Total unsecured		**4,540.4**	4,904.0
Deferred borrowing costs		**(30.9)**	(21.7)
Total non-current liabilities - interest bearing liabilities		**4,509.5**	4,882.3
Total interest bearing liabilities[1]		**4,531.2**	4,882.3

1. Includes cumulative fair value adjustments amounting to $117.5 million (June 2022: $49.9 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 $m	Facility Limit $m
US senior notes (USPP)[1]	(a)	US$	Unsecured	Jul-23 to Nov-32	**1,675.3**	**1,675.3**
US senior notes (USPP)	(a)	A$	Unsecured	Jun-28 to Oct-38	**325.0**	**325.0**
Multi-option revolving credit facilities	(b)	Multi Currency	Unsecured	Feb-24 to Jun-29	**784.5**	**3,900.0**
Commercial paper	(c)	A$	Unsecured	Nov-25	**100.0**	**100.0**
Medium term notes	(d)	A$	Unsecured	Nov-25 to Aug-38	**1,043.9**	**1,043.9**
Exchangeable notes	(e)	A$	Unsecured	Jun-26 and Nov-27	**753.2**	**753.2**
Total					**4,681.9**	**7,797.4**
Bank guarantee facilities in place[2]					**(175.0)**	
Unused at balance date					**2,940.5**	

1. Excludes fair value adjustments recorded in interest bearing liabilities in relation to effective fair value hedges.
2. Includes utilised bank guarantees of $118.9 million.

Note 11 Interest bearing liabilities (continued)

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.

a) US senior notes (USPP)

This includes a total of US$1,135.0 million and A$325.0 million (A$2,000.3 million) of US senior notes with a weighted average maturity of February 2029. US$1,135.0 million is designated as an accounting hedge using cross currency interest rate swaps with the same notional value.

b) Multi-option revolving credit facilities

This includes A$3,900.0 million of facilities maturing between February 2024 and June 2029 with a weighted average maturity of December 2026. A$175.0 million represents bank guarantee facilities available for utilisation for Australian Financial Services Licences (AFSL) requirements and other business requirements including developments.

c) Commercial paper

This includes a total of A$100.0 million of Commercial Paper maturing in November 2025 and supported by a standby facility of A$100.0 million with same day availability.

d) Medium term notes

This includes a total of A$1,045.0 million of Medium Term Notes with a weighted average maturity of February 2030. The remaining A$1.1 million is the net discount on the issue of these instruments.

e) Exchangeable notes

This includes existing Exchangeable Notes with a current face value totalling $325.0 million maturing June 2026 (Existing Notes) and newly issued Exchangeable Notes with a face value totalling $500 million maturing November 2027 (New Notes).

Existing Notes:

The notes are exchangeable based on the exchange price (currently $15.00 representing approximately 21.7 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. On 24 November 2022, $100 million of notes were repurchased at a discounted price of 96.25% of the face value. As at 31 December 2022, no remaining notes have been exchanged.

New Notes:

The notes are exchangeable based on the exchange price (currently $9.79 representing approximately 51.1 million securities) on the exchange date, at the election of the holder, until 10 days prior to maturity on 24 November 2027. Any securities issued on exchange will rank equally with existing securities. If the New Notes are not exchanged, they will be redeemed on maturity at 104.15% of face value. Settlement of the New Notes completed on 24 November 2022. The New Notes pay a fixed coupon of 3.5% per annum.

Note 12 Lease liabilities

	Note	31 Dec 2022 $m	30 Jun 2022 $m
Current			
Lease liabilities - ground leases	(a)	**0.6**	0.8
Lease liabilities - other property leases	(b)	**2.3**	3.4
Total current liabilities - lease liabilities		**2.9**	4.2
Non-current			
Lease liabilities - ground leases	(a)	**7.1**	7.2
Lease liabilities - other property leases	(b)	**15.0**	15.5
Total non-current liabilities - lease liabilities		**22.1**	22.7
Total liabilities - lease liabilities		**25.0**	26.9

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 in connection with 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 13 Fair value measurement

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

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

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

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

Equity investments in Australian managed funds are measured at Level 3 having regard to unit prices which are determined by giving consideration to the unit prices and net assets of the relevant fund. The unit prices and net asset values are largely driven by the fair values of investment properties and derivatives held by the funds. Recent arm’s length transactions, if any, are also taken into consideration. The fair value of investments in associates at fair value through profit or loss is impacted by the price per security of the investment. An increase to the price per security results in an increase to the fair value of the investment.

Investments classified as debt in Australian trusts are measured at Level 3 using a fair value model.

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

All investment properties including those within investments accounted for using the equity method, were measured at Level 3 for the periods presented in this report.

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

Note 14 Commitments and contingencies

a) Commitments

Capital commitments

The following amounts represent capital expenditure on financial assets at fair value through profit or loss, investment properties and inventories as well as committed fitout or cash incentives contracted at the end of each reporting period but not recognised as liabilities payable:

	31 Dec 2022 $m	30 Jun 2022 $m
Investment properties	**225.5**	108.9
Inventories and development management services	**4.8**	1.9
Investments accounted for using the equity method	**74.2**	128.4
Financial assets at fair value through profit or loss	**825.9**	-
Total capital commitments	**1,130.4**	239.2

b) Contingencies

DPT and DXO are guarantors of $7,797.4 million (June 2022: $6,948.8 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 $118.9 million, comprising $75.1 million held to comply with the terms of the Australian Financial Services Licence (AFSL) and $43.8 million largely in respect of developments, with $56.1 million available for other corporate purposes.

The above guarantees are issued in respect of the Group and represent an additional liability to those already existing in interest bearing liabilities on the Interim 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.

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

Note 15 Contributed equity

Number of securities on issue

	For the 6 months to 31 Dec 2022 No. of securities	For the 12 months to 30 Jun 2022 No. of securities
Opening balance at the beginning of the period	**1,075,565,246**	1,075,565,246
Closing balance at the end of the period	**1,075,565,246**	1,075,565,246

Other disclosures

In this section

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

Note 16 Intangible assets

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

Management rights represent the asset management rights, which form part of the Funds Management operating segment, and are owned by Dexus Holdings Pty Limited (and its controlled entities), a wholly owned subsidiary of DXO, which entitles it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of $0.5 million (June 2022: $0.8 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 1.5 to 6.5 years. Management rights that are deemed to have an indefinite life are held at a value of $410.4 million (June 2022: $433.7 million).

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arising from acquisitions of Investments accounted for using the equity method is included in the carrying amount of investments in associates or joint ventures. Refer to note 7 for further details.

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

Increasing interest rates amid high inflation presented uncertainty both in the transaction and financial markets during the period. As a result, management have performed an assessment of the recoverable amount of its management rights and goodwill. The Directors and management have considered the key assumptions adopted and have identified an impairment associated with the management rights and goodwill. The value-in-use has been determined using long-term forecasts in a five-year discounted cash flow model and applying a terminal value in year five. Forecasts were based on projected returns in light of current market conditions.

Key assumptions: value in use of management rights and goodwill

Judgement is required in determining the following key assumptions used to calculate the value in use:

- Terminal yield multiple range of 5 to 12 times (June 2022: 5 to 12 times) has been applied incorporating an appropriate risk premium for a management business. A terminal yield multiple of 12 times (June 2022: 12 times) has been applied to the majority of the management rights.
- Cash flows have been discounted at a post-tax rate of 9.0% (June 2022: 9.0%) based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk.
- An average income growth rate of 3.4% (June 2022: 6.5%) has been applied to forecast cashflows.

Note 16 Intangible assets (continued)

Sensitivity information

A significant movement in any one of the inputs listed in the table above as at the reporting date would result in a change in the recoverable amount of the Group's management rights and goodwill, as shown below.

The estimated impact of a change in certain significant inputs would result in a change in the recoverable amount as follows:

Assumption	Intangibles $m
A decrease of 1% in the adopted discount rate	5.5
An increase of 1% in the adopted discount rate	(5.2)
A decrease of 1x the adopted terminal yield multiple	(7.4)
An increase of 1x the adopted terminal yield multiple	7.4
A decrease of 1% in the adopted income growth rate	(2.8)
An increase of 1% in the adopted income growth rate	2.8

Note 16 Intangible assets (continued)

	31 Dec 2022 $m	30 Jun 2022 $m
Management rights		
Opening balance at the beginning of the period		
Dexus Wholesale Property Fund (indefinite useful life)	**261.9**	258.5
Direct Property Funds (indefinite useful life)	**42.0**	42.0
Direct Property Funds (finite useful life)	**0.6**	0.4
APN Funds (indefinite useful life)	**129.9**	-
APN Funds (finite useful life)	**0.1**	-
Additions		
APN Funds (indefinite useful life)	**-**	129.9
APN Funds (finite useful life)	**-**	0.7
Direct Property Funds (finite useful life)	**-**	2.4
Dexus Wholesale Property Fund (indefinite useful life)[1]	**0.6**	3.4
Impairment of management rights	**(24.1)**	(1.9)
Amortisation charge	**(0.1)**	(0.9)
Closing balance at the end of the period	**410.9**	434.5
Cost	**445.9**	445.3
Accumulated amortisation	**(6.4)**	(6.3)
Accumulated impairment	**(28.6)**	(4.5)
Total management rights	**410.9**	434.5
Goodwill		
Opening balance at the beginning of the period	**49.9**	0.9
Additions	**-**	49.0
Impairment	**(35.9)**	-
Closing balance at the end of the period	**14.0**	49.9
Cost	**54.9**	54.9
Accumulated impairment	**(40.9)**	(5.0)
Total goodwill	**14.0**	49.9
Software		
Opening balance at the beginning of the period	**3.6**	3.6
Additions	**1.1**	1.5
Amortisation charge	**(0.7)**	(1.5)
Closing balance at the end of the period	**4.0**	3.6
Cost	**20.2**	19.1
Accumulated amortisation	**(16.2)**	(15.5)
Cost - Fully amortised assets written off	**(16.7)**	(16.6)
Accumulated amortisation - Fully amortised assets written off	**16.7**	16.6
Total software	**4.0**	3.6
Total non-current intangible assets	**428.9**	488.0

1. During the period Dexus incurred costs in connection with Dexus Wholesale Property Limited, a Dexus entity, being appointed as Responsible Entity of Dexus ADPF.

Note 17 Subsequent events

In January 2023, Dexus and AMP agreed to extend the date for satisfaction or waiver of conditions precedent for the acquisition of AMP's domestic real estate and infrastructure business to 28 February 2023. As all conditions precedent for completion were not satisfied (or waived) by 26 January 2023, the maximum total consideration payable by Dexus has reduced to $225 million.

Dexus and AMP have also entered into a non-binding term sheet regarding an alternative transaction structure that contemplates such a transaction under a two-stage completion process. If binding agreements are ultimately agreed by the parties, the transfer of most legal entities within AMP's domestic real estate and infrastructure business and effective day to day management control of the majority of the platform would occur at first completion. First completion is contemplated to take place in March 2023. Final completion would be dependent on satisfaction of the final condition precedent.

On 24 January 2023, settlement occurred for the disposal of 112 Cullen Avenue, Eagle Farm QLD for $31.9 million excluding transaction costs.

On 31 January 2023, Dexus confirmed that the five-year construction program of the first stage of Dexus's and Dexus Wholesale Property Fund's (DWPF's) $2.5 billion Waterfront Brisbane development is underway with builder John Holland Group now on site.

On 1 February 2023, settlement occurred for the disposal of 145-151 Arthur Street, Flemington NSW for $73.3 million excluding transaction costs.

Since the end of the period, other than the matters disclosed above, the Directors are not aware of any other 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 of set out on pages 18 to 43 are in accordance with the *Corporations Act 2001,* including:

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

   (ii) giving a true and fair view of the Group's consolidated financial position as at 31 December 2022 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.

Warwick Negus

Chair

13 February 2023

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Dexus Property Trust (the Trust) and the entities it controlled during the half-year (together the Group), which comprises the Consolidated Statement of Financial Position as at 31 December 2022, 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.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date

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

Basis for conclusion

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

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

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

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

M Lunn

Matthew Lunn
Partner

Sydney
13 February 2023

Dexus Operations Trust
Interim Report
31 December 2022

ARSN: 110 521 223

Contents

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

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Operations Trust (DXO or the Trust) present their Directors' Report together with the Interim Consolidated Financial Statements for the half year ended 31 December 2022. The Interim Consolidated Financial Statements represents DXO and its consolidated entities.

The Trust, together with Dexus Property Trust (DPT), form the Dexus stapled security (DXS or the Group).

Directors

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
Warwick Negus, BBus (UTS), MCom (UNSW), SF (Fin)[1]	1 February 2021
Patrick N J Allaway, BA/LLB[2]	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
Paula Dwyer, BCom, FCA, SF (Fin), FAICD[3]	1 February 2023
Tonianne Dwyer, BJuris (Hons), LLB (Hons)[4]	24 August 2011
Mark H. Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
Rhoda Phillippo MSc, (Telecommunications Business), GAICD[5]	1 February 2023
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Elana Rubin AM, BA (Hons), MA, FFin, FAICD[6]	28 September 2022
W Richard Sheppard, BEc (Hons), FAICD[7]	1 January 2012
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012

1. Warwick Negus was appointed as Chair of the Board of DXFM, effective 27 October 2022.
2. Patrick N J Allaway was granted a temporary leave of absence, effective 30 November 2022.
3. Paula Dwyer was appointed to the Board of DXFM, effective 1 February 2023.
4. Tonianne Dwyer retired from the Board of DXFM, effective 27 October 2022.
5. Rhoda Phillippo was appointed to the Board of DXFM, effective 1 February 2023.
6. Elana Rubin was appointed to the Board of DXFM, effective 28 September 2022.
7. W Richard Sheppard retired from the Board of DXFM, effective 27 October 2022.

Review of results and operations

The results for the half year ended 31 December 2022 were:

- Profit attributable to unitholders was $8.2 million (December 2021: $29.4 million);
- Total assets were $1,020.8 million (June 2022: $1,235.0 million);
- Net assets were $340.4 million (June 2022: $333.9 million).

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

Significant changes in the state of affairs

On 27 April 2022, Dexus agreed to acquire Collimate Capital's real estate and domestic infrastructure equity business from AMP Limited (AMP). The real estate and infrastructure equity business comprises a high-quality platform of pooled funds and separately managed accounts with approximately $18 billion of assets under management. This transaction positions Dexus as a leading real asset manager, with new capabilities and an expanded product offering, underpinned by its best practice governance and risk management framework.

The acquisition is underpinned by a compelling strategic rationale for Dexus:

- Further diversifies Dexus's fund management platform with an expanded investor base
- Expanded capabilities to drive an enhanced offering and asset performance

Significant changes in the state of affairs (continued)

- Provides a scalable platform for growth, underpinned by Dexus's best practice governance and risk management framework
- Long-term value creation potential for Dexus security holders and funds management partners.

In January 2023, Dexus and AMP agreed to extend the date for satisfaction or waiver of conditions precedent to 28 February 2023. As all conditions precedent for completion were not satisfied (or waived) by 26 January 2023, the maximum total consideration payable by Dexus has reduced to $225 million.

Dexus and AMP have also entered into a non-binding term sheet regarding an alternative transaction structure that contemplates such a transaction under a two-stage completion process. If binding agreements are ultimately agreed by the parties, the transfer of most legal entities within AMP's domestic real estate and infrastructure business and effective day to day management control of the majority of the platform would occur at first completion. First completion is contemplated to take place in March 2023. Final completion would be dependent on satisfaction of the final condition precedent.

Auditor's Independence Declaration

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

Rounding of amounts and currency

As the Trust is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest thousand, 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 13 February 2023.

Warwick Negus	**Darren J Steinberg**
Chair	Chief Executive Officer
13 February 2023	13 February 2023

Auditor's Independence Declaration

As lead auditor for the review of Dexus Operations Trust for the half-year ended 31 December 2022, 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
13 February 2023

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2022

	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Revenue from ordinary activities			
Property revenue	2	**10,902**	12,339
Development revenue	9	**112,762**	170,066
Distribution revenue		**713**	227
Interest revenue		**3,679**	57
Management fees and other revenue	3	**163,691**	136,235
Total revenue from ordinary activities		**291,747**	318,924
Share of net profit of investments accounted for using the equity method	8	**22,110**	4,220
Other income		**2,148**	953
Net gain on dilution of investments accounted for using the equity method		**947**	-
Total income		**316,952**	324,097
Expenses			
Property expenses	2	**(4,819)**	(4,539)
Development costs	9	**(62,088)**	(139,283)
Finance costs	4	**(9,574)**	(6,297)
Impairment of intangibles	15	**(65,532)**	-
Impairment of investments accounted for using the equity method		**(192)**	(886)
Net fair value loss of investment properties	7	**(2,248)**	(8,693)
Net loss on sale of investment properties		**(541)**	-
Transaction costs		**(21,451)**	(19,556)
Management operations, corporate and administration expenses	5	**(118,768)**	(112,940)
Total expenses		**(285,213)**	(292,194)
Profit before tax		**31,739**	31,903
Income tax expense	6	**(23,515)**	(2,541)
Profit for the period		**8,224**	29,362
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in financial assets at fair value through other comprehensive income		**(1,643)**	376
Total comprehensive income for the period		**6,581**	29,738
		Cents	Cents
Earnings per unit on profit attributable to unitholders of the Trust			
Basic earnings per unit		**0.76**	2.73
Diluted earnings per unit		**0.74**	2.66

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 2022

	Note	31 Dec 2022 $'000	30 Jun 2022 $'000
Current assets			
Cash and cash equivalents		**51,816**	42,848
Receivables		**79,644**	103,674
Non-current assets classified as held for sale	10	**14,808**	-
Inventories	9	**2,140**	54,355
Other		**3,907**	22,695
Total current assets		**152,315**	223,572
Non-current assets			
Investment properties	7	**212,965**	212,650
Plant and equipment		**10,937**	11,674
Right-of-use assets		**38,175**	42,570
Inventories	9	**1,861**	-
Investments accounted for using the equity method	8	**157,302**	125,011
Intangible assets	15	**428,945**	493,537
Financial assets at fair value through other comprehensive income	16	**18,224**	21,050
Loans to related parties		**-**	32,874
Other		**56**	72,044
Total non-current assets		**868,465**	1,011,410
Total assets		**1,020,780**	1,234,982
Current liabilities			
Payables		**56,584**	62,195
Lease liabilities	11	**7,446**	8,574
Current tax liabilities		**8,243**	16,059
Provisions		**36,160**	101,337
Loans with related parties		**-**	33,059
Contract liability		**1,017**	4,349
Other		**484**	225
Total current liabilities		**109,934**	225,798
Non-current liabilities			
Loans with related parties		**403,716**	497,222
Lease liabilities	11	**35,581**	38,525
Deferred tax liabilities		**98,894**	102,186
Provisions		**12,910**	18,016
Unearned revenue related to performance fees		**19,318**	19,318
Total non-current liabilities		**570,419**	675,267
Total liabilities		**680,353**	901,065
Net assets		**340,427**	333,917
Equity			
Contributed equity	14	**107,185**	107,185
Reserves		**39,781**	41,495
Retained profits		**193,461**	185,237
Total equity		**340,427**	333,917

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 2022

	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Opening balance as at 1 July 2021	**107,185**	**43,702**	**202,049**	**352,936**
Net profit for the period	-	-	29,362	29,362
Other comprehensive income for the period	-	376	-	376
Total comprehensive income for the period	-	376	29,362	29,738
Transactions with owners in their capacity as unitholders:				
Security-based payments expense	-	86	-	86
Total transactions with owners in their capacity as unitholders	-	86	-	86
Closing balance as at 31 December 2021	107,185	44,164	231,411	382,760
Opening balance as at 1 July 2022	**107,185**	**41,495**	**185,237**	**333,917**
Net profit for the period	**-**	**-**	**8,224**	**8,224**
Other comprehensive loss for the period	**-**	**(1,643)**	**-**	**(1,643)**
Total comprehensive income/(loss) for the period	**-**	**(1,643)**	**8,224**	**6,581**
Transactions with owners in their capacity as unitholders:				
Purchase of securities, net of transaction costs	**-**	**(192)**	**-**	**(192)**
Security-based payments expense	**-**	**121**	**-**	**121**
Total transactions with owners in their capacity as unitholders	**-**	**(71)**	**-**	**(71)**
Closing balance as at 31 December 2022	**107,185**	**39,781**	**193,461**	**340,427**

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 2022

	31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**165,681**	108,259
Payments in the course of operations (inclusive of GST)	**(119,352)**	(62,397)
Interest received	**3,605**	57
Finance costs paid	**(11,530)**	(4,979)
Distributions received from investments accounted for using the equity method	**1,294**	526
Income tax paid	**(34,622)**	(12,436)
Proceeds from sale of property classified as inventory and development services	**112,762**	170,066
Payments for property classified as inventory and development services	**(10,068)**	(2,330)
Net cash inflow/(outflow) from operating activities	**107,770**	196,766
Cash flows from investing activities		
Proceeds from sale of investment properties	**-**	75,378
Payments for capital expenditure on investment properties	**(18,260)**	(4,759)
Proceeds from the sale of investments accounted for using the equity method	**68,511**	299,848
Payments for investments accounted for using the equity method	**(25,465)**	(856,707)
Payments for acquisition of investment properties	**-**	(15,200)
Payments for plant and equipment	**(1,010)**	(410)
Payments for intangibles	**(1,738)**	(3,484)
Payment for acquisition of subsidiary, net of cash acquired	**-**	(239,930)
Net cash inflow/(outflow) from investing activities	**22,038**	(745,264)
Cash flows from financing activities		
Borrowings received from related parties	**415,310**	1,581,490
Borrowings provided to related parties	**(509,076)**	(969,076)
Proceeds from loan with related party	**33,961**	-
Purchase of securities for security-based payments plans	**(7,676)**	-
Payment of lease liabilities	**(4,072)**	(4,095)
Distributions received	**713**	227
Distributions paid to security holders	**(50,000)**	(50,022)
Net cash inflow/(outflow) from financing activities	**(120,840)**	558,524
Net increase/(decrease) in cash and cash equivalents	**8,968**	10,026
Cash and cash equivalents at the beginning of the period	**42,848**	9,946
Cash and cash equivalents at the end of the period	**51,816**	19,972

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

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

The 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 2022 and any public pronouncements made by the Trust during the half year, and up to the date of issuance of this Interim report, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Unless otherwise stated, the Interim Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period. Where required, comparative information has been restated for consistency with the current year's presentation.

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

The Interim Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions except for investment properties, investment properties included within equity accounted investments, non-current assets held for sale, security based payments, financial assets at fair value through profit or loss and other 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 2022 for the basis of valuation of assets and liabilities measured at fair value.

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.

In the process of applying the Trust's accounting policies, management has considered the current economic environment including the impacts of inflation and rising interest rates. The Trust's strategic focus on investing in income streams that provide resilience through-the-cycle and expanding and diversifying the funds management business as well as the diversification of debt sources and tenor and interest rate hedging assist in mitigating these risks.

Other than inflationary and interest rate impacts, the estimates and assumptions used for the measurement of items held at fair value such as certain financial instruments, other financial assets at fair value through profit or loss, investment properties (including those held within investments accounted for using the equity method), security-based payments, and the assumptions for assessing intangible assets for impairment and the net realisable value of inventories, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Interim Consolidated Financial Statements.

Basis of preparation (continued)

The Notes 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	11. Lease liabilities	15. Intangible assets
2. Property revenue and expenses	8. Investments accounted for using the equity method	12. Fair value measurement	16. Financial assets at fair value through other comprehensive income
3. Management fee revenue	9. Inventories	13. Commitments and contingencies	17. Subsequent events
4. Finance costs	10. Non-current assets classified as held for sale	14. Contributed equity	
5. Management operations, corporate and administration expense			
6. Taxation			

Trust performance

In this section

This section explains the results and performance of the Trust.

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

Note 1 Operating segments

Description of segments

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

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

Disclosures concerning Dexus'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.

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Rent and recoverable outgoings	**10,325**	10,854
Services revenue	**985**	1,258
Incentive amortisation	**(1,079)**	(1,250)
Other revenue	**671**	1,477
Total property revenue	**10,902**	12,339

Property expenses of $4.8 million (December 2021: $4.5 million) includes rates, taxes and other property outgoings incurred in relation to investment properties.

Note 3 Management fee revenue

	31 Dec 2022	31 Dec 2021
	$'000	$'000
Investment management and responsible entity fees	**85,851**	80,700
Rent and lease renewal fees	**8,485**	10,009
Property management fees	**22,845**	21,530
Capital works and development fees	**35,107**	14,300
Wages recovery and other fees	**11,403**	9,696
Total management fee revenue	**163,691**	136,235

Note 4 Finance costs

Finance costs include interest, amortisation or other costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and realised interest rate swaps.

	31 Dec 2022 $'000	31 Dec 2021 $'000
Interest paid to related parties	**10,171**	6,127
Amount capitalised	**(1,391)**	(504)
Finance costs - leases	**675**	608
Other finance costs	**119**	66
Total finance costs	**9,574**	6,297

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 3.80% (December 2021: 2.75%).

Note 5 Management operations, corporate and administration expense

	31 Dec 2022 $'000	31 Dec 2021 $'000
Audit, taxation, legal and other professional fees	**5,082**	3,211
Depreciation and amortisation	**6,940**	7,154
Employee benefits expense and other staff expenses	**89,516**	86,244
Software customisation expenses	**2,859**	2,611
Administration and other expenses	**14,371**	13,720
Total management operations, corporate and administration expenses	**118,768**	112,940

Note 6 Taxation

Under current Australian income tax legislation, DXO is liable for income tax and has formed a tax consolidated Trust with its wholly owned and controlled Australian entities. As a consequence, these entities are taxed as a single entity.

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

	31 Dec 2022 $'000	31 Dec 2021 $'000
Profit before income tax	**31,739**	31,903
Profit subject to income tax	**31,739**	31,903
Prima facie tax expense at the Australian tax rate of 30% (December 2021: 30%)	**(9,522)**	(9,571)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Derecognition of deferred tax liability due to redemption of management units	-	7,155
(Non-assessable)/non-deductible items	**(13,993)**	(125)
Income tax expense	**(23,515)**	(2,541)

Property portfolio assets

In this section

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

	Note	Office $'000	Industrial $'000	Co-Investments $'000	Other $'000	Total $'000
Investment properties	7	149,000	42,215	-	21,750	**212,965**
Investments accounted for using the equity method	8	10,560	40,497	20,404	-	**71,461**
Inventories	9	-	4,001	-	-	**4,001**
Non-current assets classified as held for sale	10	-	14,808	-	-	**14,808**
Total		**159,560**	**101,521**	**20,404**	**21,750**	**303,235**

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 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 reporting date and are currently being marketed for 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.

a) Reconciliation

	For the 6 months to 31 Dec 2022 $'000	For the 12 months to 30 Jun 2022 $'000
Opening balance at the beginning of the period	**212,650**	288,845
Capital expenditure	**18,260**	11,479
Acquisitions	**-**	17,932
Lease incentives	**289**	951
Amortisation of lease incentives	**(945)**	(2,075)
Rent straightlining	**(233)**	(71)
Disposals	**-**	(75,378)
Transfer to non-current assets classified as held for sale	**(14,808)**	-
Net fair value loss of investment properties	**(2,248)**	(29,033)
Closing balance at the end of the period	**212,965**	212,650

Note 7 Investment properties (continued)

a) Reconciliation (continued)

Leased Assets

The Trust holds leasehold interests in a number of properties. Refer to note 11 *Lease liabilities* for details of the lease liabilities.

b) Fair value measurement, valuation techniques and inputs

The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement for each class of investment property.

Class of property	Fair value hierarchy	Inputs used to measure fair value	Range of unobservable inputs 31 Dec 2022	Range of unobservable inputs 30 Jun 2022
Office	Level 3	Adopted capitalisation rate	**5.63%**	5.38%
		Adopted discount rate	**6.50%**	6.50%
		Adopted terminal yield	**6.13%**	5.88%
		Net market rental (per sqm)	**$556**	$566
Industrial	Level 3	Adopted sales price per sqm[1]	**$215 - $235**	$115 - $190
Other	Level 3	Adopted capitalisation rate	**4.75% - 5.50%**	4.75% - 5.50%
		Adopted rate per licensed place	**$44,958 - $79,130**	$52,292 - $79,130
		Net market rental per licensed place	**$2,900 - $3,872**	$2,900 - $3,760

1. The direct comparison approach is used as the primary method of determining the market value of industrial development.

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

Judgement is required in determining the following key assumptions:

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

Note 7 Investment properties (continued)

c) Sensitivity information

Significant movement in any one of the inputs listed in the table above may result in a change in the fair value of the Trust's investment properties, as shown below.

The estimated impact of a change in certain significant unobservable inputs would result in a change in the fair value as follows:

	Office		Industrial[1]	
	31 Dec 2022	30 Jun 2022	**31 Dec 2022**	30 Jun 2022
	$'000	$'000	**$'000**	$'000
A decrease of 25 basis points in the adopted capitalisation rate	**6,930**	7,951	**-**	-
An increase of 25 basis points in the adopted capitalisation rate	**(6,340)**	(7,244)	**-**	-
A decrease of 25 basis points in the adopted discount rate	**5,960**	6,520	**-**	-
An increase of 25 basis points in the adopted discount rate	**(5,519)**	(6,037)	**-**	-
A decrease of 5% in the net market rental (per sqm)	**(7,450)**	(8,150)	**-**	-
An increase of 5% in the net market rental (per sqm)	**7,450**	8,150	**-**	-

1. Industrial investment property assets are non-income producing developments valued using a direct comparison approach. There is a directly proportional impact between adopted sales price per sqm and fair value.

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

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

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

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

Note 8 Investments accounted for using the equity method

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

All entities were formed in Australia and their principal activity is either property investment related in Australia or investment in Australian and global listed real estate investment trusts.

	Ownership interest			
Name of entity	**31 Dec 2022 %**	30 Jun 2022 %	**31 Dec 2022 $'000**	30 Jun 2022 $'000
Dexus RBR Ravenhall Pty Limited[1]	**50.1**	-	**36,140**	-
Dexus Chester Hill Trust[2]	**50.0**	-	**24,794**	-
Dexus Real Estate Partnership 1 (DREP1)[3]	**21.3**	36.6	**23,362**	8,156
Jandakot Airport Holdings Trust (JAHT)	**32.0**	32.0	**23,182**	21,246
Jandakot Airport Domestic Trust (JADT)	**34.7**	34.7	**19,598**	17,357
Dexus Convenience Retail REIT (DXC)	**1.7**	1.7	**9,472**	9,620
Dexus Walker Street Trust	**50.0**	50.0	**8,181**	9,079
Dexus Regional Property Fund	**3.3**	3.3	**1,285**	1,483
Dexus Development Fund No. 2	**4.8**	4.8	**1,231**	1,243
Divvy Parking Pty Limited	**24.8**	24.8	**-**	-
SAHMRI 2 Holding Trust[4]	**-**	50.0	**-**	46,598
Other[5]	**32.9**	32.9	**10,057**	10,229
Total assets - investments accounted for using the equity method[6]			**157,302**	125,011

1. In August 2022, DXO acquired a 50.1% interest in Dexus RBR Ravenhall Pty Limited.
2. In October 2022, DXO acquired a 50.0% interest in Dexus Chester Hill Trust.
3. In December 2022, DREP1 had its final equity close resulting in a dilution of DXO's interest from 36.6% to 21.3%.
4. In December 2022, DXO exchanged and settled on the sale of units held in SAHMRI2 Holding Trust to Dexus Healthcare Property Fund (DHPF).
5. Includes investments in entities where the Trust has an interest.
6. The Trust's share of investment properties in the investments accounted for using the equity method was $71.5 million (June 2022: $143.0 million). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

Note 9 Inventories

Development properties held for repositioning, construction and sale are recorded at the lower of cost or net realisable value.

a) Development properties held for sale

	31 Dec 2022 $'000	30 Jun 2022 $'000
Current assets		
Development properties held for sale	**2,140**	54,355
Total current assets - inventories	**2,140**	54,355
Non-current assets		
Development properties held for sale	**1,861**	-
Total non-current assets - inventories	**1,861**	-
Total assets - inventories	**4,001**	54,355

Note 9 Inventories (continued)

b) Reconciliation

	For the 6 months to 31 Dec 2022	For the 12 months to 30 Jun 2022
	$'000	$'000
Opening balance at the beginning of the period	**54,355**	178,164
Additions	**10,068**	14,831
Disposals	**(60,422)**	(138,640)
Closing balance at the end of the period	**4,001**	54,355

Disposals

On 22 December 2022, settlement occurred for the disposal of 12 Frederick Street, St Leonards NSW for $112.8 million excluding transaction costs.

Note 10 Non-current assets classified as held for sale

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

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

At 31 December 2022, the balance relates to 20 Distribution Drive, Truganina VIC (June 2022: nil).

On 6 December 2022, Dexus exchanged contracts for the partial disposal of 20 Distribution Drive, Truganina VIC.

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 security and 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 11, *Fair value measurement* in note 12 and *Commitments and contingencies* in note 13;
- Equity: *Contributed equity* in note 14.

Note 11 Lease liabilities

		31 Dec 2022 $'000	30 Jun 2022 $'000
Current			
Lease liabilities - other property leases	(a)	**7,446**	8,574
Total current liabilities - lease liabilities		**7,446**	8,574
Non-current			
Lease liabilities - other property leases	(a)	**35,581**	38,525
Total non-current liabilities - lease liabilities		**35,581**	38,525
Total - lease liabilities		**43,027**	47,099

a) Lease liabilities – other property leases

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

Note 12 Fair value measurement

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

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

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

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

Financial assets at fair value through other comprehensive income relate to DXS securities acquired on-market in order to fulfil the future requirements of the security-based payment plans and are measured at Level 1.

All investment properties including those within investments accounted for using the equity method, were measured at Level 3 for the periods presented in this report.

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

Note 13 Commitments and contingencies

a) Commitments

Capital commitments

The following amounts represent capital expenditure on investment properties and inventories as well as committed fit-out or cash incentives contracted at the end of each reporting period but not recognised as liabilities payable:

	31 Dec 2022	30 Jun 2022
	$'000	$'000
Investment properties	**62,795**	-
Inventories and development management services	**4,747**	1,914
Investments accounted for using the equity method	**250**	36,938
Total capital commitments	**67,792**	38,852

b) Contingencies

The Trust, together with DPT, is a guarantor of $7,797.4 million (June 2022: $6,948.8 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 Trust has bank guarantees of $118.9 million, comprising $75.1 million held to comply with the terms of the Australian Financial Services Licence (AFSL) and $43.8 million largely in respect of developments, with $56.1m available for other corporate purposes.

The above guarantees are issued in respect of the Trust and represent an additional liability to those already existing in interest bearing liabilities on the Interim 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 security holders as at the date of completion of this report.

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

Note 14 Contributed equity

Number of securities on issue

	For the 6 months to 31 Dec 2022	For the 12 months to 30 Jun 2022
	No. of units	No. of units
Opening balance at the beginning of the period	**1,075,565,246**	1,075,565,246
Closing balance at the end of the period	**1,075,565,246**	1,075,565,246

Other disclosures

In this section

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

Note 15 Intangible assets

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

Management rights represent the asset management rights owned by Dexus Holdings Pty Limited (and its controlled entities), a wholly owned subsidiary of DXO, which entitles it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of $0.5 million (June 2022: $0.8 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 1.5 to 6.5 years. Management rights that are deemed to have an indefinite life are held at a value of $410.4 million (June 2022: $433.7 million).

Goodwill represents the excess of the cost of an acquisition over the fair value of the Trust's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arising from acquisitions of Investments accounted for using the equity method is included in the carrying amount of investments in associates or joint ventures. Refer to note 8 for further details.

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

Increasing interest rates amid high inflation presented uncertainty both in the transaction and financial markets during the period. As a result, management have performed an assessment of the recoverable amount of its management rights and goodwill. The Directors and management have considered the key assumptions adopted and have identified an impairment associated with the management rights and goodwill. The value-in-use has been determined using long-term forecasts in a five-year discounted cash flow model and applying a terminal value in year five. Forecasts were based on projected returns in light of current market conditions.

Key assumptions: value in use of management rights and goodwill

Judgement is required in determining the following key assumptions used to calculate the value in use:

- Terminal yield multiple range of 5 to 12 times (June 2022: 5 to 12 times) has been applied incorporating an appropriate risk premium for a management business. A terminal yield multiple of 12 times (June 2022: 12 times) has been applied to the majority of the management rights.
- Cash flows have been discounted at a post-tax rate of 9.0% (June 2022: 9.0%) based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk.
- An average growth rate of 3.4% (June 2022: 6.5%) has been applied to forecast cashflows.

Note 15 Intangible Assets (continued)

Sensitivity information

A significant movement in any one of the inputs listed in the table above as at the reporting date would result in a change in the recoverable amount of the Trust's management rights and goodwill, as shown below.

The estimated impact of a change in certain significant inputs would result in a change in the recoverable amount as follows:

Assumption	Intangibles $'000
A decrease of 1% in the adopted discount rate	**5,499.8**
An increase of 1% in the adopted discount rate	**(5,229.7)**
A decrease of 1x the adopted terminal yield multiple	**(7,443.6)**
An increase of 1x the adopted terminal yield multiple	**7,422.4**
A decrease of 1% in the adopted income growth rate	**(2,770.4)**
An increase of 1% in the adopted income growth rate	**2,777.6**

Note 15 Intangible assets (continued)

	31 Dec 2022	30 Jun 2022
	$'000	$'000
Management rights		
Opening balance at the beginning of the period		
Dexus Wholesale Property Fund (indefinite useful life)	**261,869**	258,511
Direct Property Funds (indefinite useful life)	**42,000**	42,000
Direct Property Funds (finite useful life)	**692**	444
APN Funds (indefinite useful life)	**129,828**	-
APN Funds (finite useful life)	**126**	-
Additions		
APN Funds (indefinite useful life)	**-**	129,828
APN Funds (finite useful life)	**-**	690
Direct Property Funds (finite useful life)	**-**	2,404
Dexus Wholesale Property Fund (indefinite useful life)[1]	**594**	3,358
Impairment of management rights	**(24,129)**	(1,868)
Amortisation charge	**(100)**	(852)
Closing balance at the end of the period	**410,880**	434,515
Cost	**445,769**	445,175
Accumulated amortisation	**(6,292)**	(6,192)
Accumulated impairment	**(28,597)**	(4,468)
Total management rights	**410,880**	434,515
Goodwill		
Opening balance at the beginning of the period	**55,444**	915
Additions	**-**	54,529
Impairment	**(41,403)**	-
Closing balance at the end of the period	**14,041**	55,444
Cost	**60,450**	60,450
Accumulated impairment	**(46,409)**	(5,006)
Total goodwill	**14,041**	55,444
Software		
Opening balance at the beginning of the period	**3,578**	3,595
Additions	**1,144**	1,531
Amortisation charge	**(698)**	(1,548)
Closing balance at the end of the period	**4,024**	3,578
Cost	**20,304**	19,160
Accumulated amortisation	**(16,280)**	(15,582)
Cost - Fully amortised assets written off	**(16,670)**	(16,638)
Accumulated amortisation - Fully amortised assets written off	**16,670**	16,638
Total software	**4,024**	3,578
Total non-current intangible assets	**428,945**	493,537

1. During the period Dexus incurred costs in connection with Dexus Wholesale Property Limited, a Dexus entity, being appointed as Responsible Entity of Dexus ADPF.

Note 16 Financial assets at fair value through other comprehensive income

Financial assets through other comprehensive income comprise DXS securities acquired on-market in order to fulfil the future requirements of the security-based payment plans which the Trust has irrevocably elected at initial recognition to recognise in this category.

Changes in fair value arising on valuation are recognised in other comprehensive income net of tax, in a separate reserve in equity. On disposal of these equity investments, any related balance within Financial assets at fair value through other comprehensive income reserve is reclassed to retained earnings.

Note 17 Subsequent events

In January 2023, Dexus and AMP agreed to extend the date for satisfaction or waiver of conditions precedent for the acquisition of AMP's domestic real estate and infrastructure business to 28 February 2023. As all conditions precedent for completion were not satisfied (or waived) by 26 January 2023, the maximum total consideration payable by Dexus has reduced to $225 million.

Dexus and AMP have also entered into a non-binding term sheet regarding an alternative transaction structure that contemplates such a transaction under a two-stage completion process. If binding agreements are ultimately agreed by the parties, the transfer of most legal entities within AMP's domestic real estate and infrastructure business and effective day to day management control of the majority of the platform would occur at first completion. First completion is contemplated to take place in March 2023. Final completion would be dependent on satisfaction of the final condition precedent.

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

Directors' Declaration

In the Directors' opinion:

a) The Interim Consolidated Financial Statements and Notes of set out on pages 5 to 23 are in accordance with the *Corporations Act 2001,* including:

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

   (ii) giving a true and fair view of the Trust's consolidated financial position as at 31 December 2022 and of their performance for the half year ended on that date; and

b) there are reasonable grounds to believe that the Trust 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.

Warwick Negus

Chair

13 February 2023

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Dexus Operations Trust (the Trust) and the entities it controlled during the half-year (together the Group), which comprises the Consolidated Statement of Financial Position as at 31 December 2022, 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.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date

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

Basis for conclusion

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

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

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

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

M Lunn

Matthew Lunn
Partner

Sydney
13 February 2023