

DEXUS Property Group (ASX: DXS) Appendix 4D

Results for announcement to the market

DEXUS Property Group
ARSN 089 324 541

Financial reporting for the half year ended 31 December 2015

DEXUS Diversified Trust¹

	31 Dec 2015	31 Dec 2014	%
	\$m	\$m	Change
Revenue from ordinary activities	523.7	419.6	24.8%
Net profit attributable to security holders after tax	797.5	257.8	209.3%
Funds from operations (FFO) ²	323.9	258.4	25.3%
Underlying FFO ³	260.6	240.3	8.4%
Distribution to security holders ⁴	223.1	178.2	25.2%
	CPS	CPS	
FFO per security ²	33.42	28.54	17.1%
Distributions per security for the period	23.05	19.68	17.1%
Payout ratio (distributions as a % of FFO)	69.0%	69.0%	-
Basic and diluted earnings per security	82.27	28.47	189.0%
Franked distribution amount per security	-	-	-
	\$m	\$m	
Total assets	11,124.0	9,985.6	11.4%
Total borrowings	3,272.8	2,959.1	10.6%
Security holders equity	7,324.6	6,148.9	19.1%
Market capitalisation	7,259.6	6,311.6	15.0%
	\$ per security	\$ per security	
Net tangible assets	7.25	6.47	12.1%
Securities price	7.50	6.97	7.6%
Securities on issue	967,947,692	905,531,797	
Record date	31 Dec 2015	31 Dec 2014	
Payment date	29 Feb 2016	27 Feb 2015	

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Results commentary

Refer to 2016 Half year results ASX release for a commentary on the results of DEXUS Property Group.

Details of joint ventures and associates

	Ownership Interest		Share of net profit after tax	
	31 Dec 2015	31 Dec 2014	6 months ended 31 Dec 2015	6 months ended 31 Dec 2014
Name of entity	%	%	\$m	\$m
Bent Street Trust	33.3	33.3	34.6	21.0
DEXUS Creek Street Trust	50.0	50.0	9.1	(1.5)
DEXUS Martin Place Trust	50.0	50.0	23.8	5.6
Grosvenor Place Holding Trust	50.0	50.0	41.8	7.0
Site 6 Homebush Bay Trust	50.0	50.0	(3.1)	1.1
Site 7 Homebush Bay Trust	50.0	50.0	(2.8)	0.9
DEXUS 480 Q Holding Trust	50.0	50.0	22.2	4.0
DEXUS Kings Square Trust	50.0	50.0	5.1	1.0
DEXUS Office Trust Australia	50.0	50.0	202.4	106.5
DEXUS Industrial Trust Australia	50.0	50.0	(1.6)	(0.1)
DEXUS Eagle Street Pier Trust	50.0	-	6.4	-

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 Diversified Trust has been chosen as the deemed acquirer of the balance of the DXS stapled entities, comprising DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust.
2. The Directors consider the Property Council of Australia definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, transaction costs, rental guarantees and coupon income.
3. Underlying FFO excludes trading profits (net of tax).
4. The distribution for the period 1 July 2015 to 31 December 2015 is the aggregate of the distributions from DEXUS Diversified Trust, DEXUS Industrial Trust and DEXUS Office Trust (DEXUS Operations Trust did not pay a distribution during the period). The Annual Tax Statement, issued as at 30 June 2016, will provide details of the components of DXS's distributions.

DEXUS Property Group

(ARSN 089 324 541)

Interim Report
31 December 2015



DEXUS
PROPERTY GROUP

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

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

Under Australian Accounting Standards, DDF has been deemed the parent entity for accounting purposes. Therefore the DDF consolidated Financial Statements include all entities forming part of DXS.

All ASX and media releases, Financial Statements and other information are available on our website:
www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as the Responsible Entity of DEXUS Diversified Trust (DDF or the Trust) present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2015. The consolidated Financial Statements represents DDF and its consolidated entities, DEXUS Property Group (DXS or the Group).

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

1 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	Resigned
Christopher T Beare	4 August 2004	28 October 2015
Elizabeth A Alexander, AM	1 January 2005	
Penny Bingham-Hall	10 June 2014	
John C Conde, AO	29 April 2009	
Tonianne Dwyer	24 August 2011	
Craig D Mitchell	12 February 2013	
W Richard Sheppard	1 January 2012	
Darren J Steinberg	1 March 2012	
Peter B St George	29 April 2009	

2 Review of results and operations

The Group's financial performance for the six months ended 31 December 2015 is summarised in the following section. In order to fully understand the results, the full Financial Statements included in this Interim Report should be referred to.

DEXUS has adopted FFO as its underlying earnings measure which has been defined in accordance with the guidelines established by the Property Council of Australia for its reporting with effect from 1 July 2014.

In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. FFO is a financial measure of real estate operating performance and is determined by adjusting net profit after finance costs and taxes for certain items which are non-cash, unrealised or capital in nature.

The Directors consider FFO to be a measure that reflects the underlying performance of the Group.

2 Review of results and operations (continued)

The following table reconciles between profit attributable to stapled security holders, FFO and distributions paid to stapled security holders.

	31 December 2015 (\$m)	31 December 2014 (\$m)
Net profit for the period attributable to stapled security holders	797.5	257.8
Net fair value gain of investment properties ¹	(533.7)	(109.3)
Net fair value loss of derivatives and interest bearing liabilities	9.7	51.8
Net (gain)/loss on sale of investment properties	(15.0)	1.3
Foreign currency translation reserve transfer on disposal of foreign operations	-	2.1
Incentive amortisation and rent straight-line ²	46.2	38.9
Coupon income	10.1	6.8
Deferred tax and other	9.1	9.0
Funds from Operations (FFO)	323.9	258.4
Retained earnings³	100.8	80.2
Distributions	223.1	178.2
FFO per security (cents)	33.4	28.5
Distribution per security (cents)	23.05	19.68
Net tangible asset backing per security (\$)	7.25	6.68

OPERATING RESULT

GROUP

DEXUS's net profit after tax was \$797.5 million or 82.3 cents per security, an increase of \$539.7 million from the previous corresponding period (HY15: \$257.8 million). The key drivers of this movement included:

- Funds from Operations, or FFO, increased by \$65.5 million resulting in FFO per security of 33.4 cents, an increase of 17.1%.
- Net revaluation gains of investment properties of \$533.7 million, representing a 5.4% uplift across the portfolio, were \$424.4 million higher than the HY15 gains. This was driven primarily by value uplifts across the office portfolio.

Revaluation gains achieved across DEXUS's office portfolio primarily drove the 57 cent increase in NTA per security to \$7.25, reflecting the contribution of recent leasing success, combined with recent comparable market transactions for quality Australian office property with strong tenant covenants.

¹ Including DEXUS's share of equity accounted investments.

² Including cash, rent free and fit out incentives amortisation.

³ Based on DEXUS's distribution policy to payout in line with free cash flow. The payout ratio equated to 69% of FFO in both HY16 and HY15.

2 Review of results and operations (continued)

The following table provides a summary of the key components of FFO and AFFO based on the information provided in the Group Performance and Property Portfolio assets sections included in this interim report.

	31 December 2015	31 December 2014
	\$m	\$m
Office Property FFO	272.3	262.8
Industrial Property FFO	52.5	52.0
Total Property FFO	324.8	314.8
Management operations ⁴	18.9	19.4
Group corporate	(16.0)	(14.8)
Net finance costs	(66.9)	(78.6)
Other	(0.2)	(0.5)
Underlying FFO	260.6	240.3
Trading profits (net of tax)	63.3	18.1
Total FFO	323.9	258.4
Maintenance capex, lease incentives and leasing costs paid	(93.2)	(69.7)
Total AFFO⁵	230.7	188.7

Operationally, FFO increased 25.3% to \$323.9 million (HY15: \$258.4 million)

The key drivers of the \$65.5 million increase included:

- The realisation of \$63.3 million of Trading profits (net of tax) representing an increase of \$45.2 million on the previous corresponding period
- Finance costs net of interest revenue reduced by \$11.7 million, due to the equity raising and hedge restructure undertaken during 2015, assisted by the reduction in floating rates

On a per security basis, FFO increased 17.1% to 33.4 cents. The underlying business excluding trading profits delivered FFO per security of 26.9 cents, up 1.3% on the previous corresponding period and on track to achieve 3.0% - 3.5% growth for the full year.

NTA per security increased 57 cents to \$7.25, primarily as a result of investment property revaluation gains.

Distributions

Distributions per security were 23.05 cents for the six months ended 31 December 2015, up 17.1% on the previous corresponding period (HY15: 19.68 cents), with the payout ratio remaining consistent with free cash flow, in accordance with DEXUS's distribution policy. The distribution will be paid to DEXUS Security holders on Monday, 29 February 2016.

⁴ 'Management Operations' income includes development management fees.

⁵ AFFO is calculated in line with the Property Council of Australia definition and comprises PCA FFO adjusted for: maintenance capex, incentives (including rent free incentives) given to tenants during the period and other items which have not been adjusted in determining FFO.

2 Review of results and operations (continued)

Management expense ratio

	31 December 2015	31 December 2014
	\$m	\$m
Group corporate costs	(16.0)	(14.8)
Asset management costs	(4.7)	(4.6)
Total corporate and asset management costs	(20.7)	(19.4)
Closing funds under management (balance sheet only)	10,467	9,102
Group management expense ratio (MER)	40bp	43bp

While Group corporate costs increased slightly as a result of business growth, DEXUS has been able to reduce the overall Management expense ratio⁶ (MER) from 43 basis points in HY15 to 40 basis points in HY16.

IOF merger with DEXUS

DEXUS submitted a proposal (Proposal) to acquire all of the units in Investa Office Fund (IOF) as a consequence of an unsolicited approach to DEXUS from the advisers to the Independent Board Committee (IBC) of Investa Listed Funds Management Limited (ILFML).

On 18 December 2015, following the completion of due diligence under the process agreement, DEXUS Funds Management Limited and ILFML entered into a binding Implementation Agreement ("MIA") under which DEXUS will seek to acquire all of the units in IOF. The MIA includes provisions such as exclusivity arrangements and provisions for payment of a break fee of \$23.52 million by IOF to DEXUS in certain circumstances.

The Proposal is strongly aligned with DEXUS's strategy, and offers a number of opportunities to unlock value.

Implementation of the Proposal will be via an IOF informal trust scheme and requires, among other things, the approval of IOF Unitholders at a meeting expected to be held on 8 April 2016.

The IBC of ILFML has resolved that they intend to unanimously recommend that IOF Unitholders vote in favour of the Proposal, in the absence of a superior proposal and subject to an Independent Expert concluding that the Proposal is in the best interests of IOF Unitholders.

Following implementation, the Proposal offers the following benefits to new and existing DEXUS Security holders:

- **Portfolio benefits** - the DEXUS and IOF portfolios are highly complementary, retaining a focus on Sydney and Melbourne CBDs. The combination also enhances asset and tenant diversification
- **Synergy benefits** - improved flexibility and capacity to unlock development and repositioning potential, increased scope to action portfolio leasing strategies for customers, and improved margins (Management Expense Ratio to reduce from 40 basis points at 31 December 2015 to sub-35 basis points)⁷
- **Efficient transaction reduces value leakage** - financially attractive merger that is accretive to Underlying FFO per security
- **Capital markets benefits** - increased global relevance for debt and equity investors seeking exposure to Australian office property

In January 2016, DEXUS received confirmation from the Australian Competition and Consumer Commission (ACCC) that it does not intend to conduct a public review of the Proposal.

No agreement with Morgan Stanley has been reached to facilitate the transition of the management of IOF and provide other services. DEXUS continues to work constructively with IOF management and the IBC to ensure a seamless transition of the IOF portfolio.

⁶ Gross Management Expense Ratio is calculated as annual costs arising from managing DEXUS assets and corporate activity divided by balance sheet funds under management at the end of the period.

⁷ Assumes the Proposal is implemented and DEXUS acquires 100% of the IOF Units.

2 Review of results and operations (continued)

Property Transactions

Consistent with DEXUS's strategy of recycling capital from non-core properties and capitalising on strong investor demand, 36 George Street, Burwood⁸ was sold for \$95 million, reflecting a 44% premium to book value and 32% IRR on investment.

During the period, the NSW State Government advised DEXUS of its intention to compulsorily acquire 39 Martin Place, Sydney⁹ for the new Sydney Metro rail project. DEXUS is working through negotiations to ensure the best possible outcome for its Security holders, investors and customers, and will provide an update when further information is available.

Post 31 December 2015, DEXUS and DWPF entered into an agreement to each acquire a 50% interest in 90 and 100 Mount Street, North Sydney. DEXUS and DWPF plan to develop a 41,163 square metre premium office tower on the site and the project will be completed at a time when tight supply fundamentals are expected in Sydney.

PROPERTY PORTFOLIO

DEXUS remains focused on maximising the performance of its property portfolio through leasing and asset management activities, with the property portfolio contributing to 80% of FFO in HY16.

Valuations and portfolio total returns

Recent leasing success, combined with recent comparable market transactions for quality Australian office property with strong tenant covenants, contributed to a \$528.0 million or 6.4% increase in valuations on prior book values across the office portfolio. The weighted average capitalisation rate for the DEXUS office portfolio tightened 41 basis points from 6.71% at 30 June 2015 to 6.30% at 31 December 2015.

Continued strong investment demand for well-located prime quality industrial facilities contributed to a 21 basis point tightening of capitalisation rates across the DEXUS industrial portfolio from 7.77% at 30 June 2015 to 7.56% at 31 December 2015, resulting in a marginal uplift in valuations of \$5.7 million or 0.3% increase on prior book values.

As a result of the strong office valuation uplifts and trading profits realised at industrial properties in Rosebery and Mascot, DEXUS achieved strong one-year total returns across its Office and Industrial portfolios delivering a 14.8% and 16.7% return respectively.

Office portfolio

Portfolio value:	\$8.8 billion
Total area:	1,564,717 square metres
Area leased during the period:	97,935 square metres ¹⁰

Key metrics	31 December 2015	30 June 2015
Occupancy by income	94.1%	95.3%
Occupancy by area	94.3%	95.5%
WALE by income	4.4 years	4.3 years
Average incentive	17.2%	15.0%
Average rental increase/(decrease) or re-leasing spread ¹¹	1.3%	0.1%
Retention rate	56%	61%
Total return - 1 year	14.8%	9.6%

⁸ Owned by the DEXUS Office Partnership, in which DEXUS has a 50% interest.

⁹ Owned 50/50 by DEXUS and DWPF

¹⁰ Including Heads of Agreement.

¹¹ Average change in face rents for leasing undertaken during the period.

2 Review of results and operations (continued)

PROPERTY PORTFOLIO - Office portfolio (continued)

Solid tenant demand across east coast CBD office markets, particularly Sydney, flowed through to an increased number of leasing deals across the office portfolio. Despite occupancy reducing as a result of expected movements, DEXUS continues to target occupancy of 95% at 30 June 2016. An increase in withdrawals due to the new Sydney Metro rail project is expected to further drive demand for office space in the Sydney portfolio over the coming 12 months.

Effective deals represented a lower percentage of total leasing in HY16 compared to FY15, which meant that overall office portfolio incentives rose marginally.

During the period, DEXUS leased 97,935 square metres¹⁰ of office space across 198 transactions on average lease terms of 5.4 years. Notable leasing volumes were achieved at 309-321 Kent Street and Grosvenor Place in Sydney, as well as Waterfront Place Complex and 10 Eagle Street in Brisbane. Office portfolio occupancy (by income) reduced to 94.1% from 95.3% at 30 June 2015 and portfolio WALE was 4.4 years. Despite tenant retention of 56%, DEXUS successfully re-leased 61% of the area vacated during the period, with average downtime of only three months.

Office property FFO increased by \$9.5 million, or 3.6% to \$272.3 million underpinned by the acquisition of Waterfront Place Complex, Brisbane, with office like-for-like income reducing marginally (down 0.3%), in line with expectations.

Industrial portfolio

Portfolio value:	\$1.7 billion
Total area:	1,240,245 square metres
Area leased during the year:	144,661 square metres ¹⁰

Key metrics	31 December 2015	30 June 2015
Occupancy by income	93.4%	92.4%
Occupancy by area	92.2%	91.7%
WALE by income	4.6 years	4.0 years
Average incentive	10.1%	10.8%
Average rental increase/(decrease) or re-leasing spread ¹¹	(3.0)%	(4.6)%
Retention rate	32%	53%
Total return - 1 year	16.7%	11.3%

DEXUS achieved significant leasing volumes across its industrial portfolio, increasing portfolio occupancy over the period despite industrial retention being impacted by the departure of tenants from some large scale facilities. DEXUS continues to see an uptick in tenant enquiry and demand for industrial property in South Sydney, benefitting from supply withdrawals for alternative use.

During the period, DEXUS leased 144,661 square metres¹⁰ of industrial space across 47 transactions of which 28 were new leases. This represents a significant increase on the 97,968 square metres leased in the previous corresponding period, and includes notable deals at 2-4 Military Road in Matraville, 15-23 Whicker Road in Gillman, 79-99 St Hilliers Road in Auburn and 2 Alspeg Place in Eastern Creek.

Portfolio WALE improved to 4.6 years. New rents reduced 3.0% on average compared with prior rents, as DEXUS continues to work through over-renting in the industrial portfolio, with the portfolio now 5.3% over-rented. Average incentives decreased slightly to 10.1% (FY15: 10.8%).

Industrial property FFO increased by \$0.5 million, or 1.0% to \$52.5 million. Like-for-like income reduced 6.8%, driven by vacancies at Knoxfield and Matraville, partially offset by fixed rental increases across the remainder of the portfolio and the acquisition of Lakes Business Park, Botany.

2 Review of results and operations (continued)

PROPERTY PORTFOLIO (continued)

Development

DEXUS continued to enhance future investor returns through the \$3.2 billion Group development pipeline, of which \$1.1 billion sits within the DEXUS portfolio and \$2.1 billion within third party funds.

The final stage of development at 5 Martin Place, Sydney¹², was completed, with total space now 94.7% committed (of which office space by income is 96% committed). The development is on track to achieve a forecast unlevered project IRR of 39%.

The remaining tower at Kings Square, Perth was completed, and the rental guarantee secured at time of acquisition ensures full income on the properties for a further five years from practical completion.

The Premium grade 480 Queen Street, Brisbane development is on track for completion in February 2016, with the office space now 100% committed.

The development of two industrial facilities at Quarry at Greystanes completed, including a 120 seat café which will service the entire estate. Construction on a 20,489 square metre warehouse pre-leased to Reece Plumbing is underway and the estate is now 100% leased.

The first developments at the adjoining Quarrywest site have commenced construction, comprising a 12,520 square metre warehouse facility pre-leased to Toshiba and three speculative facilities across 23,855 square metres.

Along with a 25,650 square metre warehouse facility for Kathmandu in Laverton North and a 22,950 square metre facility at Larapinta these facilities are due for completion by 30 June 2016.

FUNDS MANAGEMENT & PROPERTY SERVICES

DEXUS's third party funds under management increased 11% to \$10.6 billion through revaluations, developments and a number of transactions completed in the period. DEXUS also continued to drive performance for its clients with DWPF and DEXUS Office Partnership delivering outperformance against their benchmarks.

DWPF achieved a one-year total return of 14.8%, outperforming its benchmark over one, three and five years. The DEXUS Office Partnership portfolio has achieved an annualised 16.0% unlevered total return since inception in April 2014.

The \$2.1 billion third party development pipeline provides an opportunity to improve the quality of clients' property portfolios and enhance future returns.

TRADING

Trading is a capability that involves the identification of opportunities, repositioning to enhance value, and realising value through divestment.

Trading properties are either acquired with the direct purpose of repositioning or development, or they are identified in DEXUS's existing portfolio as having value-add potential and subsequently transferred into the trading trust to be repositioned, and then sold.

Since 2010, DEXUS has been undertaking trading activities and recognising trading profits in its FFO. Over the past three years DEXUS has established a robust trading portfolio that DEXUS believes will drive consistent delivery of profits from this area of the business.

Trading profits of \$63.3 million¹³ were realised in the period in line with FY16 guidance, through the settlement of trading properties at Rosebery and Mascot.

With FY16 trading profits delivered, DEXUS is focused on securing FY17 trading profits and progressing other trading opportunities.

During the period DEXUS announced the sale of 57-65 Templar Road in Erskine Park for gross sale proceeds of \$50 million. Settlement is expected to occur in July 2016 and contribute approximately \$12 million pre-tax to FY17 trading profits.

¹² 5 Martin Place, Sydney is co-owned by Cbus Property (50%) and DEXUS Office Partnership (50%), in which DEXUS has a 50% interest.

¹³ Trading profits generated less associated FFO tax expense.

2 Review of results and operations (continued)

PROPERTY PORTFOLIO - TRADING (continued)

Recent progress on DEXUS's trading pipeline includes:

- Securing Heads of Agreement with Government Property NSW for a development spanning approximately 25,000 square metres at 105 Phillip Street, Parramatta, with an expected lease term of 12 years
- Securing Heads of Agreement for a long term lease with a major tenant for a facility to be constructed at 12 Frederick Street, St Leonards
- Securing Heads of Agreement for a lease with Bunnings for the development of a new 19,300 square metre retail facility at 79-99 St Hilliers Road, Auburn

CAPITAL MANAGEMENT

▪ Cost of debt	4.9%
▪ Duration of debt	5.2 years
▪ Gearing (look through) ¹⁴	29.5%
▪ S&P/Moody's credit rating:	A- /A3

DEXUS continued to maintain a strong balance sheet. The movement in gearing¹⁴ over the period was a result of the receipt of proceeds from trading property settlements and DEXUS's 50% interest in 36 George Street, Burwood as well as the acquisition of a 50% interest in the Waterfront Place Complex in Brisbane.

DEXUS has minimal short term refinancing requirements and remains within all of its debt covenant limits and target ranges.

On market securities buy-back

During the period, DEXUS bought back 2.9 million DEXUS securities as part of its on-market securities buyback at pricing ranging from \$7.05 - \$7.20. The buyback was suspended as a result of entry into the process agreement for the IOF Proposal announced on 7 December 2015.

OUTLOOK

FY16 GUIDANCE

Barring unforeseen changes to operating conditions, DEXUS's guidance¹⁵ for the 12 months ending 30 June 2016 is for 5.5-6.0% growth in FFO per security.

Distributions will be paid in line with free cash flow which is expected to deliver growth in distribution per security of 5.5-6.0% for the 12 months ending 30 June 2016.

3 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10 and forms part of this Directors' Report.

4 Rounding of amounts and currency

The Group is a registered scheme of the kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest tenth of a million dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

¹⁴ Gearing is adjusted for cash and for debt in equity accounted investments and excludes the proposed IOF merger, which would increase gearing by a further 4ppt.

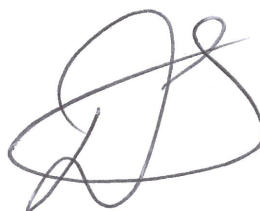
¹⁵ Barring unforeseen circumstances guidance is supported by the following assumptions: circa 1% like-for-like income growth across the DEXUS office portfolio and circa 7% decline in like-for-like income across the DEXUS industrial portfolio, weighted average cost of debt of 4.9%, trading profits of \$63m net of tax, Management Operations FFO of circa \$45m (including third party development management fees), and excluding the impact of the IOF Proposal and any further transactions.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 16 February 2016. The Directors have the power to amend and reissue the Financial Statements.



W Richard Sheppard
Chair
16 February 2016



Darren J Steinberg
Chief Executive Officer
16 February 2016



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Diversified Trust for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'E A Barron'.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
16 February 2016

DEXUS Diversified Trust
Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2015

		31 Dec 2015	31 Dec 2014
	Note	\$m	\$m
Revenue from ordinary activities			
Property revenue		269.7	271.8
Proceeds from sale of inventory		204.7	104.4
Interest revenue		0.3	0.1
Management fee revenue		49.0	43.3
Total revenue from ordinary activities		523.7	419.6
Net fair value gain of investment properties		278.6	31.6
Share of net profit of investments accounted for using the equity method		337.9	145.5
Net gain on sale of investment properties		1.0	-
Net fair value gain of derivatives		31.5	31.0
Total income		1,172.7	627.7
Expenses			
Property expenses		(73.7)	(70.9)
Cost of sale of inventory		(114.3)	(84.0)
Finance costs	2	(73.3)	(126.3)
Net loss on sale of investment properties		-	(1.3)
Net fair value loss of interest bearing liabilities		(30.9)	(31.6)
Transaction costs		(1.2)	-
Management operations, corporate and administration expenses		(46.5)	(41.9)
Total expenses		(339.9)	(356.0)
Foreign currency translation reserve transfer on disposal of foreign operations		-	(2.1)
Profit/(loss) before tax		832.8	269.6
Income tax expense		(35.3)	(11.8)
Profit/(loss) for the period		797.5	257.8
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations		-	(0.3)
Foreign currency translation reserve transfer on disposal of foreign operations		-	2.1
Changes in the fair value of cash flow hedges		(4.1)	16.5
Total comprehensive income/(loss) for the period		793.4	276.1
Profit/(loss) for the period attributable to:			
Unitholders of the parent entity		139.3	80.9
Unitholders of other stapled entities (non-controlling interests)		658.2	176.9
Profit/(loss) for the period		797.5	257.8
Unitholders of the parent entity		135.2	97.4
Unitholders of other stapled entities (non-controlling interests)		658.2	178.7
Total comprehensive income/(loss) for the period		793.4	276.1
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity			
Basic earnings per unit		14.37	8.93
Diluted earnings per unit		14.37	8.93
Earnings per stapled security on profit/(loss) attributable to stapled security holders			
Basic earnings per security		82.27	28.47
Diluted earnings per security		82.27	28.47

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

DEXUS Diversified Trust
Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 Dec 2015 \$m	30 Jun 2015 \$m
Current assets			
Cash and cash equivalents		25.5	13.0
Receivables		72.2	55.5
Non-current assets classified as held for sale	7	-	5.5
Inventories	6	37.5	110.3
Derivative financial instruments	12	23.0	15.2
Other		27.3	27.3
Total current assets		185.5	226.8
Non-current assets			
Investment properties	4	6,775.5	6,207.3
Plant and equipment		14.3	11.3
Inventories	6	225.7	164.5
Investments accounted for using the equity method	5	3,197.9	2,795.9
Derivative financial instruments	12	412.0	316.1
Deferred tax assets		6.2	10.8
Intangible assets	11	303.3	301.4
Other		3.6	2.3
Total non-current assets		10,938.5	9,809.6
Total assets		11,124.0	10,036.4
Current liabilities			
Payables		117.3	110.7
Current tax liabilities		27.4	4.2
Interest bearing liabilities	8	76.1	150.0
Provisions		256.4	231.1
Derivative financial instruments	12	7.5	8.3
Total current liabilities		484.7	504.3
Non-current liabilities			
Interest bearing liabilities	8	3,196.7	2,624.0
Derivative financial instruments	12	92.2	108.1
Deferred tax liabilities		20.2	17.2
Provisions		2.4	2.1
Other		3.2	3.4
Total non-current liabilities		3,314.7	2,754.8
Total liabilities		3,799.4	3,259.1
Net assets		7,324.6	6,777.3
Equity			
Equity attributable to unitholders of the parent entity			
Contributed equity	10	1,984.0	1,990.6
Reserves		4.5	8.6
Retained profits/(accumulated losses)		257.9	190.3
Parent entity unitholders' interest		2,246.4	2,189.5
Equity attributable to unitholders of other stapled entities			
Contributed equity	10	3,926.1	3,939.9
Reserves		40.2	42.8
Retained profits/(accumulated losses)		1,111.9	605.1
Other stapled unitholders' interest		5,078.2	4,587.8
Total equity		7,324.6	6,777.3

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

DEXUS Diversified Trust
Consolidated Statement of Changes In Equity

For the half year ended 31 December 2015

	Note	Attributable to unitholders of the parent entity				Attributable to unitholders of other stapled entities				Total equity
		Contributed equity	Reserves	Retained profits	Total	Contributed equity	Reserves	Retained profits	Total	
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Opening balance as at 1 July 2014		1,833.4	(9.3)	193.0	2,017.1	3,625.7	41.2	369.3	4,036.2	6,053.3
Net profit/(loss) for the period		-	-	80.9	80.9	-	-	176.9	176.9	257.8
Other comprehensive income/(loss) for the period		-	16.5	-	16.5	-	1.8	-	1.8	18.3
Total comprehensive income for the period		-	16.5	80.9	97.4	-	1.8	176.9	178.7	276.1
Transactions with owners in their capacity as owners										
Purchase of securities, net of transaction costs	10	-	-	-	-	-	(4.0)	-	(4.0)	(4.0)
Security-based payments expense		-	-	-	-	-	1.7	-	1.7	1.7
Distributions paid or provided for	3	-	-	(66.9)	(66.9)	-	-	(111.3)	(111.3)	(178.2)
Total transactions with owners in their capacity as owners		-	-	(66.9)	(66.9)	-	(2.3)	(111.3)	(113.6)	(180.5)
Closing balance as at 31 December 2014		1,833.4	7.2	207.0	2,047.6	3,625.7	40.7	434.9	4,101.3	6,148.9
Opening balance as at 1 July		1,990.6	8.6	190.3	2,189.5	3,939.9	42.8	605.1	4,587.8	6,777.3
Net profit for the period		-	-	139.3	139.3	-	-	658.2	658.2	797.5
Other comprehensive income for the period		-	(4.1)	-	(4.1)	-	-	-	-	(4.1)
Total comprehensive income for the period		-	(4.1)	139.3	135.2	-	-	658.2	658.2	793.4
Transactions with owners in their capacity as owners										
Buy-back of contributed equity, net of transaction costs	10	(6.6)	-	-	(6.6)	(13.8)	-	-	(13.8)	(20.4)
Purchase of securities, net of transaction costs		-	-	-	-	-	(4.6)	-	(4.6)	(4.6)
Security-based payments expense		-	-	-	-	-	2.0	-	2.0	2.0
Distributions paid or provided for	3	-	-	(71.7)	(71.7)	-	-	(151.4)	(151.4)	(223.1)
Total transactions with owners in their capacity as owners		(6.6)	-	(71.7)	(78.3)	(13.8)	(2.6)	(151.4)	(167.8)	(246.1)
Closing balance as at 31 December 2015		1,984.0	4.5	257.9	2,246.4	3,926.1	40.2	1,111.9	5,078.2	7,324.6

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

DEXUS Diversified Trust
Consolidated Statement of Cash Flows

For the half year ended 31 December 2015

	31 Dec 2015	31 Dec 2014
	\$m	\$m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	361.9	356.3
Payments in the course of operations (inclusive of GST)	(154.6)	(153.3)
Interest received	0.3	0.1
Finance costs paid to financial institutions	(62.7)	(73.9)
Distributions received from investments accounted for using the equity method	122.5	128.5
Income and withholding taxes paid	(4.5)	-
Proceeds from sale of property classified as inventory	198.0	116.5
Payments for property classified as inventory	(22.4)	(21.6)
Net cash inflow/(outflow) from operating activities	438.5	352.6
Cash flows from investing activities		
Proceeds from sale of investment properties	6.5	141.2
Payments for capital expenditure on investment properties	(56.8)	(45.6)
Payments for acquisition of investment properties	(307.3)	-
Payments for acquisition of subsidiaries	-	(15.4)
Payments for investments accounted for using the equity method	(192.6)	(139.4)
Payments for plant and equipment	(3.9)	(2.5)
Payments for software	(3.6)	(2.9)
Net cash inflow/(outflow) from investing activities	(557.7)	(64.6)
Cash flows from financing activities		
Proceeds from borrowings	1,867.9	1,527.8
Repayment of borrowings	(1,503.8)	(1,672.5)
Proceeds from loan with related party	-	34.2
Payments for buy-back of contributed equity	(20.4)	-
Purchase of securities for security-based payments plans	(4.6)	(4.0)
Distributions paid to security holders	(207.4)	(173.3)
Net cash inflow/(outflow) from financing activities	131.7	(287.8)
Net increase/(decrease) in cash and cash equivalents	12.5	0.2
Cash and cash equivalents at the beginning of the period	13.0	14.1
Cash and cash equivalents at the end of the period	25.5	14.3

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

About this Report

In this section

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

Basis of preparation

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

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

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

These interim Financial Statements for the half year ended 31 December 2015 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2015 and any public pronouncements made by the Group during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding financial reporting period, unless otherwise stated.

The Group has unutilised facilities of \$402.0 million (June 2015: \$758.1 million) (refer note 8) and sufficient working capital and cash flows in order to fund all requirements arising from the net current asset deficiency of \$299.2 million (June 2015: \$277.5 million).

Critical accounting estimates

The preparation of 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. Other than the estimation of fair values relating to derivatives and other financial instruments, inventories, investment properties, intangible assets and security-based payments, 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 Financial Statements in the next reporting period.

Notes to the Financial Statements

The notes to the Financial Statements have been reordered and rewritten in order to provide more meaningful information to the readers of the Financial Statements. The notes are organised into the following sections:

Group performance	Property portfolio assets	Capital management	Other disclosures
1. Operating segments	4. Investment properties	8. Interest bearing liabilities	11. Intangible assets
2. Finance costs	5. Investments accounted for using the equity method	9. Contingent liabilities	12. Fair value of financial instruments
3. Distributions paid and payable	6. Inventories	10. Contributed equity	13. Subsequent events
	7. Non-current assets classified as held for sale		

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 Financial Statements that the Directors consider most relevant in the context of the operations of the Group for the half year, including: results by operating segment, finance costs and distributions paid and payable.

Note 1

Operating segments

(a) Description of segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified the Group's operating segments based on the sectors analysed within the management reports reviewed by the CODM, in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

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

Note 1**Operating segments (continued)****(b) Segment information provided to the CODM**

	Office	Industrial	Property	Funds	Development and	All other	Eliminations	Total
	\$m	\$m	management	management	trading	segments	\$m	\$m
31 December 2015	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Segment performance measures								
Property revenue and property management fees	304.5	62.0	8.5	-	-	-	(0.8)	374.2
Proceeds from sale of inventory	-	-	-	-	204.7	-	-	204.7
Management fee revenue	-	-	18.3	21.8	3.0	-	-	43.1
Total operating segment revenue	304.5	62.0	26.8	21.8	207.7	-	(0.8)	622.0
Property expenses & property management salaries	(80.5)	(12.6)	(8.0)	-	-	-	-	(101.1)
Management operations expenses	-	-	(13.4)	(8.3)	(3.0)	-	-	(24.7)
Corporate and administration expenses	(3.8)	(0.9)	-	-	-	(16.0)	0.8	(19.9)
Cost of sale of inventory	-	-	-	-	(114.3)	-	-	(114.3)
Interest revenue	-	-	-	-	-	0.5	-	0.5
Finance costs	-	-	-	-	-	(67.4)	-	(67.4)
Incentive amortisation and rent straight-line	42.2	4.0	-	-	-	-	-	46.2
Tax expense	-	-	-	-	(27.1)	(0.3)	-	(27.4)
Coupon income and other	9.9	-	-	-	-	0.1	-	10.0
Funds From Operations (FFO)	272.3	52.5	5.4	13.5	63.3	(83.1)	-	323.9
Net fair value gain/(loss) of investment properties	528.0	5.7	-	-	-	-	-	533.7
Net fair value gain/(loss) of derivatives	-	-	-	-	-	21.2	-	21.2
Transaction costs	-	-	-	-	-	(1.2)	-	(1.2)
Net gain/(loss) on sale of investment properties	14.0	1.0	-	-	-	-	-	15.0
Net fair value gain/(loss) of interest bearing liabilities	-	-	-	-	-	(30.9)	-	(30.9)
Incentive amortisation and rent straight-line	(42.2)	(4.0)	-	-	-	-	-	(46.2)
Deferred tax expense/(benefit)	-	-	-	-	-	(7.9)	-	(7.9)
Coupon income and other	(9.9)	-	-	-	-	(0.2)	-	(10.1)
Net profit/(loss) attributable to stapled security holders	762.2	55.2	5.4	13.5	63.3	(102.1)	-	797.5
31 December 2015								
Segment asset measures								
Investment properties	5,415.4	1,360.1	-	-	-	-	-	6,775.5
Non-current assets held for sale	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	263.2	-	-	263.2
Equity accounted investment properties	3,354.4	73.6	-	-	-	-	-	3,428.0
Direct property portfolio	8,769.8	1,433.7	-	-	263.2	-	-	10,466.7

Note 1**Operating segments** (continued)**(b) Segment information provided to the CODM** (continued)

	Office	Industrial	Property management	Funds management	Development and trading	All other segments	Eliminations	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
31 December 2014								
Segment performance measures								
Property revenue and property management fees	302.4	62.6	8.3	-	-	-	(0.3)	373.0
Proceeds from sale of inventory	-	-	-	-	104.4	-	-	104.4
Management fee revenue	-	-	16.5	19.8	2.9	-	-	39.2
Total operating segment revenue	302.4	62.6	24.8	19.8	107.3	-	(0.3)	516.6
Property expenses & property management salaries	(79.0)	(12.3)	(5.8)	-	-	-	-	(97.1)
Management operations expenses	-	-	(11.5)	(8.1)	(2.7)	-	-	(22.3)
Corporate and administration expenses	(3.6)	(1.0)	-	-	-	(14.8)	0.3	(19.1)
Cost of sale of inventory	-	-	-	-	(84.0)	-	-	(84.0)
Interest revenue	-	-	-	-	-	0.5	-	0.5
Finance costs	-	-	-	-	-	(79.1)	-	(79.1)
Incentive amortisation and rent straight-line	36.2	2.7	-	-	-	-	-	38.9
Tax expense	-	-	-	-	(2.3)	(0.5)	-	(2.8)
Coupon income	6.8	-	-	-	-	-	-	6.8
Funds From Operations (FFO)	262.8	52.0	7.5	11.7	18.3	(93.9)	-	258.4
Net fair value gain of investment properties	105.8	3.5	-	-	-	-	-	109.3
Net fair value loss of derivatives	-	-	-	-	-	(20.2)	-	(20.2)
Foreign currency translation reserve transfer	-	-	-	-	-	(2.1)	-	(2.1)
Net (loss)/ gain on sale of investment properties	(1.6)	0.3	-	-	-	-	-	(1.3)
Net fair value loss of interest bearing liabilities	-	-	-	-	-	(31.6)	-	(31.6)
Incentive amortisation and rent straight-line	(36.2)	(2.7)	-	-	-	-	-	(38.9)
Deferred tax expense	-	-	-	-	-	(9.0)	-	(9.0)
Coupon income	(6.8)	-	-	-	-	-	-	(6.8)
Net profit/(loss) attributable to stapled security holders	324.0	53.1	7.5	11.7	18.3	(156.8)	-	257.8
30 June 2015								
Segment asset measures								
Investment properties	4,795.5	1,411.8	-	-	-	-	-	6,207.3
Non-current assets held for sale	-	5.5	-	-	-	-	-	5.5
Inventories	-	-	-	-	274.8	-	-	274.8
Equity accounted investment properties	2,983.9	61.9	-	-	-	-	-	3,045.8
Direct property portfolio	7,779.4	1,479.2	-	-	274.8	-	-	9,533.4

Note 1**Operating segments (continued)****(c) Other segment information****(i) Funds From Operations (FFO)**

The Directors consider the Property Council of Australia definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, transaction costs, rental guarantees and coupon income.

(ii) Reconciliation of segment revenue to the Statement of Comprehensive Income

	31 Dec 2015 \$m	31 Dec 2014 \$m
Gross operating segment revenue	622.0	516.6
Share of property revenue from joint ventures	(104.5)	(101.2)
Share of management fees charged to joint ventures	5.9	4.1
Interest revenue	0.3	0.1
Total revenue from ordinary activities	523.7	419.6

(iii) Reconciliation of segment assets to the Statement of Financial Position

The amounts provided to the CODM as a measure of segment assets is the direct property portfolio. The direct property portfolio values are allocated based on the operations of the segment and physical location of the asset and are measured in a manner consistent with the Statement of Financial Position. The reconciliation below reconciles the total direct property portfolio balance to total assets in the Statement of Financial Position.

	31 Dec 2015 \$m	30 Jun 2015 \$m
Direct property portfolio ¹	10,466.7	9,533.4
Cash and cash equivalents	25.5	13.0
Receivables	72.2	55.5
Intangible assets	303.3	301.4
Derivative financial instruments	435.0	331.3
Deferred tax assets	6.2	10.8
Plant and equipment	14.3	11.3
Prepayments and other assets ²	(199.2)	(220.3)
Total assets	11,124.0	10,036.4

¹ This includes the Group's portion of investment properties accounted for using the equity method.

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

Note 2**Finance costs**

	31 Dec 2015	31 Dec 2014
	\$m	\$m
Interest paid/payable	57.8	71.5
Net fair value loss of interest rate swaps	16.5	55.0
Amount capitalised	(3.7)	(2.6)
Other finance costs	2.7	2.4
Total finance costs	73.3	126.3

Note 3**Distributions paid and payable**

Distributions are recognised when declared.

(a) Distribution to security holders

	31 Dec 2015	31 Dec 2014
	\$m	\$m
31 December (payable 29 February 2016)	223.1	178.2
Total distribution to security holders	223.1	178.2

(b) Distribution rate

	31 Dec 2015	31 Dec 2014
	Cents per security	Cents per security
31 December (payable 29 February 2016)	23.05	19.68
Total distributions	23.05	19.68

Property portfolio assets

In this section

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

		Office	Industrial	Total
31 December 2015	Note	\$m	\$m	\$m
Investment properties	4	5,415.4	1,360.1	6,775.5
Equity accounted investments	5	3,354.4	73.6	3,428.0
Inventories	6	44.7	218.5	263.2
Assets held for sale	7	-	-	-
Total		8,814.5	1,652.2	10,466.7

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

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

The list of property portfolio assets is detailed in the Property Synopsis, available at: www.dexus.com/investor-centre/dxs/announcements/asx.

Note 4

Investment properties

(a) Reconciliation

		For the 6 months to 31 Dec 2015	For the 12 months to 30 Jun 2015
	Note	\$m	\$m
Opening balance at the beginning of the period		6,207.3	5,926.5
Additions		32.4	61.9
Acquisitions		322.1	114.4
Lease incentives		45.7	77.3
Amortisation of lease incentives		(33.3)	(60.4)
Rent straightlining		2.4	3.5
Disposals		-	(8.7)
Transfer to non-current assets classified as held for sale		-	(5.5)
Transfer to inventories	6	(79.7)	(32.0)
Net fair value gain/(loss) of investment properties		278.6	130.3
Closing balance at the end of the period		6,775.5	6,207.3

Acquisitions

- On 30 September 2015, settlement occurred on the acquisition of Waterfront Place at 1 Eagle Street, Brisbane, QLD, jointly acquired by the Group and DWPF for \$592.0 million excluding acquisition costs (Group share of \$314.6 million including acquisition costs).
- On 30 October 2015, settlement occurred on the acquisition of Naldham House at 193 Mary Street, Brisbane, QLD, jointly acquired by the Group and DWPF for \$14.0 million excluding acquisition costs (Group share of \$7.5 million including acquisition costs).

Note 5

Investments accounted for using the equity method

Investments are accounted for in the Financial Statements using the equity method of accounting.

Information relating to these entities is set out below:

Name of entity	Ownership interest			
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	%	%	\$m	\$m
Bent Street Trust	33.3	33.3	290.7	264.2
DEXUS Creek Street Trust	50.0	50.0	136.8	131.5
DEXUS Martin Place Trust	50.0	50.0	110.7	89.7
Grosvenor Place Holding Trust ^{1,2}	50.0	50.0	338.2	303.3
Site 6 Homebush Bay Trust ¹	50.0	50.0	32.7	37.2
Site 7 Homebush Bay Trust ¹	50.0	50.0	45.1	49.8
DEXUS 480 Q Holding Trust	50.0	50.0	225.3	149.7
DEXUS Kings Square Trust	50.0	50.0	223.9	165.7
DEXUS Office Trust Australia	50.0	50.0	1,687.5	1,546.3
DEXUS Industrial Trust Australia	50.0	50.0	77.9	57.4
DEXUS Eagle Street Pier Trust	50.0	50.0	29.1	1.1
Total assets - investments accounted for using the equity method³			3,197.9	2,795.9

1 These entities are 50% owned by DEXUS Office Trust Australia. The Group's economic interest is therefore 75% when combined with the interest held by DEXUS Office Trust Australia. These entities are classified as joint ventures and are accounted for using the equity method as a result of contractual arrangements required unanimous decisions on all relevant matters.

2 Grosvenor Place Holding Trust owns 50% of Grosvenor Place, at 225 George Street, Sydney, NSW. The Group's economic interest in this property is therefore 37.5%.

3. The Group's share of investment properties in the investments accounted for using the equity method were \$3,428.0 million (June 2015: \$3,045.8 million).

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

Acquisitions

- On 30 September 2015, settlement occurred on the acquisition of Eagle Street Pier at 45 Eagle Street, Brisbane, QLD, jointly acquired by the Group and DWPF for \$43.0 million excluding acquisition costs (Group share of \$22.8 million including acquisition costs).

Note 6**Inventories****(a) Inventories - land and properties held for resale**

	31 Dec 2015 \$m	30 Jun 2015 \$m
Current assets		
Land and properties held for resale	37.5	110.3
Total current assets - inventories	37.5	110.3
Non-current assets		
Land and properties held for resale	225.7	164.5
Total non-current assets - inventories	225.7	164.5
Total assets - inventories	263.2	274.8

(b) Reconciliation

		For the 6 months to 31 Dec 2015 \$m	For the 12 months to 30 Jun 2015 \$m
	Note		
Opening balance at the beginning of the period		274.8	316.2
Transfer from investment properties	4	79.7	32.0
Disposals		(114.3)	(172.2)
Acquisitions and additions		23.0	98.8
Closing balance at the end of the period		263.2	274.8

Disposals

- On 31 July 2015, settlement occurred on the sale of 154 O'Riordan Street, Mascot, NSW for gross proceeds of \$32.0 million (carrying value of \$16.1 million).
- On 21 July 2015, settlement occurred on the sale of 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery, NSW for \$190.0 million, represented by a \$19.0 million option fee and \$171.0 million settlement payment. The Group recognised the option fee over the term of the option and therefore recognised \$17.3 million during the year ended 30 June 2015. The balance of \$1.7 million and the settlement amount of \$171.0 million (carrying value of \$98.2 million) has been recognised in the period ended 31 December 2015.

Note 7**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 balance sheet. They relate to investment properties and are measured at fair value.

Disposals

- On 4 August 2015, settlement occurred on the sale of Units 10/11, 108 Silverwater Road, Silverwater, NSW for gross proceeds of \$5.5 million (carrying value of \$5.5 million).

Capital management

In this section

The Board 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 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 8 and *Contingent liabilities* in note 9;
- Equity: *Contributed equity* in note 10.

Note 8

Interest bearing liabilities

	Note	31 Dec 2015 \$m	30 Jun 2015 \$m
Current			
Unsecured			
US senior notes	8 (b)	26.1	-
Bank loans	8 (c)	50.0	150.0
Total unsecured		76.1	150.0
Total current liabilities - interest bearing liabilities		76.1	150.0
Non-current			
Unsecured			
US senior notes	8 (a), 8 (b)	1,437.6	1,359.4
Bank loans	8 (c)	1,166.0	761.0
Commercial paper	8 (d)	100.0	100.0
Medium term notes	8 (e)	506.4	417.7
Total unsecured		3,210.0	2,638.1
Deferred borrowing costs		(13.3)	(14.1)
Total non-current liabilities - interest bearing liabilities		3,196.7	2,624.0
Total interest bearing liabilities		3,272.8	2,774.0

Note 8**Interest bearing liabilities (continued)****Financing arrangements**

The following table summarises the maturity profile of the Group's financing arrangements as at 31 December 2015.

Type of facility	Notes	Currency	Security	Maturity Date	\$m Utilised ¹	\$m Facility Limit
					\$m	\$m
US senior notes (144A)	8 (a)	US\$	Unsecured	Mar-21	342.4	342.4
US Senior notes (USPP)	8 (b)	US\$	Unsecured	Dec-16 to Jul-28	1,085.6	1,085.6
Medium term notes	8 (e)	A\$	Unsecured	Apr-17 to Nov-25	506.4	506.4
Commercial paper	8 (d)	A\$	Unsecured	Sep-18	100.0	100.0
Multi-option revolving credit facilities	8 (c)	Multi Currency	Unsecured	Jul-16 to Aug-22	1,216.0	1,650.0
Total					3,250.4	3,684.4
Bank guarantee utilised	9				32.0	
Unused at balance date					402.0	

1 Includes drawn amounts excluding fair value adjustments recorded in interest bearing liabilities in relation to effective fair value hedges.

Each of the Group's unsecured borrowing facilities are supported by guarantee arrangements, and have negative pledge provisions which limit the amount and type of encumbrances that the Group can have over their assets and ensures that all senior unsecured debt ranks pari passu.

(a) US senior notes (144A)

This includes a total of US\$250.0 million (A\$342.4 million) of US senior notes with a maturity of March 2021. The USD exposure is economically hedged using cross currency interest rate swaps with a notional value of US\$250.0 million.

(b) US senior notes (USPP)

This includes a total of US\$791.0 million (A\$1,121.3 million) of US senior notes with a weighted average maturity of December 2025. The majority of the USD balance is designated as an accounting hedge using cross currency interest rate swaps with a notional value of US\$750 million. The remaining US\$41 million is economically hedged using cross currency interest rate swaps with the same notional value.

(c) Multi-option revolving credit facilities

This includes 19 facilities maturing between July 2016 and August 2022 with a weighted average maturity of November 2018. A\$32.0 million is utilised as bank guarantees for AFSL requirements and other business requirements including developments.

(d) Commercial Paper

This includes a total of A\$100.0 million of Commercial Paper which is supported by a standby facility of A\$100.0m with a weighted average maturity of September 2018. The standby facility has same day availability.

(e) Medium Term Notes

This includes a total of A\$504.5 million of Medium Term Notes with a weighted average maturity of March 2019. The remaining A\$1.9 million is the net premium on the issue of these instruments.

Additional information

The Group has facilities totalling A\$100.0m that are available for 3 months out of every 6 months.

Note 9

Contingent liabilities

DDF, together with DIT, DOT and DXO, is a guarantor of A\$3,684.4 million of interest bearing liabilities. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements, such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Group has bank guarantees of \$32.0 million, comprising \$30.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and \$1.8 million largely in respect of developments.

The above guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the 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 Financial Statements, which should be brought to the attention of security holders as at the date of completion of this report.

Note 10

Contributed equity

(a) Contributed equity of unitholders of the parent entity

	For the 6 months to 31 Dec 2015 \$m	For the 12 months to 30 Jun 2015 \$m
Opening balance at the beginning of the period	1,990.6	1,833.4
Issue of additional equity, net of transaction costs	-	157.2
Buy-back of contributed equity, net of transaction costs	(6.6)	-
Closing balance at the end of the period	1,984.0	1,990.6

(b) Contributed equity of unitholders of other stapled entities

	For the 6 months to 31 Dec 2015 \$m	For the 12 months to 30 Jun 2015 \$m
Opening balance at the beginning of the period	3,939.9	3,625.7
Issue of additional equity, net of transaction costs	-	314.2
Buy-back of contributed equity, net of transaction costs	(13.8)	-
Closing balance at the end of the period	3,926.1	3,939.9

(c) Number of securities on issue

	For the 6 months to 31 Dec 2015 No. of securities	For the 12 months to 30 Jun 2015 No. of securities
Opening balance at the beginning of the period	970,806,349	5,433,110,810
Issue of additional equity	-	65,274,552
One-for-six security consolidation	-	(4,527,579,013)
Buy-back of contributed equity	(2,858,657)	-
Closing balance at the end of the period	967,947,692	970,806,349

Other disclosures

In this section

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

Note 11

Intangible assets

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited, a wholly owned subsidiary of DXO, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of \$4.6 million (June 2015: \$4.7 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 17 years. Management rights that are deemed to have an indefinite life are held at a value of \$286.0 million (June 2015: \$286.0 million).

	31 Dec 2015	30 Jun 2015
	\$m	\$m
Management rights		
Opening balance at the beginning of the period	290.8	291.1
Amortisation charge	(0.2)	(0.3)
Closing balance at the end of the period	290.6	290.8
Cost	294.4	294.4
Accumulated amortisation	(3.8)	(3.6)
Total management rights	290.6	290.8
Goodwill		
Opening balance at the beginning of the period	1.4	1.5
Impairment	-	(0.1)
Closing balance at the end of the period	1.4	1.4
Cost	3.0	3.0
Accumulated impairment	(1.6)	(1.6)
Total goodwill	1.4	1.4
Software		
Opening balance at the beginning of the period	9.2	5.0
Additions	3.6	5.6
Amortisation charge	(1.5)	(1.4)
Closing balance at the end of the period	11.3	9.2
Cost	24.0	20.4
Accumulated amortisation	(12.7)	(11.2)
Total other intangible assets	11.3	9.2
Total non-current assets - intangible assets	303.3	301.4

As at 31 December 2015, management had not identified any events or circumstances that would indicate an impairment of the carrying amount of management rights associated with indefinite life trusts.

Note 12

Fair value of financial instruments

As at 31 December 2015 and 30 June 2015, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2015 Carrying amount ¹	31 Dec 2015 Fair value ²	30 Jun 2015 Carrying amount ¹	30 Jun 2015 Fair value ²
	\$m	\$m	\$m	\$m
Financial assets				
Cash and cash equivalents	25.5	25.5	13.0	13.0
Loans and receivables (current)	72.2	72.2	55.5	55.5
Derivative assets	435.0	435.0	331.3	331.3
Total financial assets	532.7	532.7	399.8	399.8
Financial liabilities				
Trade payables	117.3	117.3	110.7	110.7
Derivative liabilities	99.7	99.7	116.4	116.4
Interest bearing liabilities				
Fixed interest bearing liabilities	2,170.1	2,239.6	1,877.1	1,984.7
Floating interest bearing liabilities	1,116.0	1,116.0	911.0	911.0
Total financial liabilities	3,503.1	3,572.6	3,015.2	3,122.8

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.

2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

The fair value of interest bearing liabilities and derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates, and currency basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Group.

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

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

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

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

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

Note 13

Subsequent events

Since the end of the period, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the 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.

DEXUS Diversified Trust

Directors' Declaration

For the half year ended 31 December 2015

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 11 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



W Richard Sheppard

Chair

16 February 2016



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Diversified Trust (the registered scheme), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for DEXUS Property Group (the consolidated entity). DEXUS Property Group comprises the registered scheme and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2015 and 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*. As the auditor of DEXUS Diversified Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of DEXUS Diversified Trust for the half-year ended 31 December 2015 included on DEXUS Property Group's web site. The registered scheme's directors are responsible for the integrity of DEXUS Property Group's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'E A Barron', with a stylized flourish at the end.

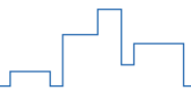
E A Barron
Partner

Sydney
16 February 2016

DEXUS Industrial Trust

(ARSN 090 879 137)

Interim Report
31 December 2015



DEXUS
PROPERTY GROUP

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

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

Under Australian Accounting Standards, DDF has been deemed the parent entity for accounting purposes. Therefore the DDF consolidated Financial Statements include all entities forming part of DXS. The DDF consolidated Financial Statements are presented in separate Financial Statements.

All ASX and media releases, Financial Statements and other information are available on our website:
www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Industrial Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2015. The consolidated Financial Statements represents DEXUS Industrial Trust and its consolidated entities (DIT or the Trust).

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

1 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	Resigned
Christopher T Beare	4 August 2004	28 October 2015
Elizabeth A Alexander, AM	1 January 2005	
Penny Bingham-Hall	10 June 2014	
John C Conde, AO	29 April 2009	
Tonianne Dwyer	24 August 2011	
Craig D Mitchell	12 February 2013	
W Richard Sheppard	1 January 2012	
Darren J Steinberg	1 March 2012	
Peter B St George	29 April 2009	

2 Review of results and operations

The results for the half year ended 31 December 2015 were:

- profit attributable to unitholders was \$41.8 million (December 2014: \$15.6 million);
- total assets were \$1,044.9 million (June 2015: \$1,082.4 million); and
- net assets were \$939.6 million (June 2015: \$924.9 million).

IOF transaction

DEXUS's proposal (Proposal) to acquire all of the units in Investa Office Fund (IOF) arose as a consequence of an unsolicited approach to DEXUS from the advisers to the Independent Board Committee of Investa Listed Funds Management Limited (ILFML).

On 18 December 2015, following the completion of due diligence under the process agreement, DEXUS Funds Management Limited and ILFML entered into a binding Implementation Agreement ("MIA") under which DEXUS will seek to acquire all of the units in IOF.

Implementation of the Proposal will be via an IOF informal trust scheme and requires, among other things, the approval of IOF Unitholders at a meeting expected to be held in early April 2016.

Further information about the Proposal, as well as a review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Directors' Report of the DEXUS Property Group Interim Report

3 Auditor's Independence Declaration

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

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 16 February 2016. The Directors have the power to amend and reissue the Financial Statements.



W Richard Sheppard

Chair

16 February 2016



Darren J Steinberg

Chief Executive Officer

16 February 2016



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Industrial Trust for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'E A Barron'.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
16 February 2016

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2015

		31 Dec 2015	31 Dec 2014
	Note	\$'000	\$'000
Revenue from ordinary activities			
Property revenue		32,373	32,959
Interest revenue		2,975	1,391
Total revenue from ordinary activities		35,348	34,350
Net fair value gain of investment properties		19,991	2,845
Net fair value gain of derivatives		53	293
Total income		55,392	37,488
Expenses			
Property expenses		(7,664)	(7,229)
Management fee expense		(1,088)	(1,080)
Finance costs	2	(1,433)	(6,730)
Net loss on sale of investment properties		(263)	(104)
Net foreign exchange loss		(2,791)	(6,338)
Management operations, corporate and administration expenses		(400)	(387)
Total expenses		(13,639)	(21,868)
Profit/(loss) for the period		41,753	15,620
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the period		41,753	15,620
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity			
Basic earnings per unit		1.46	0.65
Diluted earnings per unit		1.46	0.65

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

DEXUS Industrial Trust
Consolidated Statement of Financial Position
As at 31 December 2015

		31 Dec 2015	30 Jun 2015
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents		2,204	1,979
Receivables		3,369	4,293
Non-current assets classified as held for sale	4	22,300	102,200
Loans with related parties	6	138,948	138,948
Derivative financial instruments		3,969	742
Other	6	34,945	1,447
Total current assets		205,735	249,609
Non-current assets			
Investment properties	3	642,638	655,646
Loans with related parties	6	190,747	168,299
Derivative financial instruments		5,820	8,834
Total non-current assets		839,205	832,779
Total assets		1,044,940	1,082,388
Current liabilities			
Payables		63,536	68,258
Provisions		26,921	67,356
Derivative financial instruments		1,112	3,961
Total current liabilities		91,569	139,575
Non-current liabilities			
Derivative financial instruments		13,754	17,931
Other		1	4
Total non-current liabilities		13,755	17,935
Total liabilities		105,324	157,510
Net assets		939,616	924,878
Equity			
Contributed equity	5	1,255,798	1,258,587
Retained profits/(accumulated losses)		(316,182)	(333,709)
Total equity		939,616	924,878

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 2015

	Note	Contributed equity \$'000	Retained profits/ (losses) \$'000	Total equity \$'000
Opening balance as at 1 July 2014		1,190,969	(322,958)	868,011
Profit/(loss) for the period		-	15,620	15,620
Other comprehensive income/(loss) for the period		-	-	-
Total comprehensive income for the period		-	15,620	15,620
Closing balance as at 31 December 2014		1,190,969	(307,338)	883,631
Opening balance as at 1 July 2015		1,258,587	(333,709)	924,878
Profit/(loss) for the period		-	41,753	41,753
Other comprehensive income/(loss) for the period		-	-	-
Total comprehensive income for the period		-	41,753	41,753
Transactions with owners in their capacity as unitholders:				
Buy-back of contributed equity, net of transaction costs	5	(2,789)	-	(2,789)
Distributions paid or provided for		-	(38,974)	(38,974)
Total transactions with owners in their capacity as owners		(2,789)	(38,974)	(41,763)
Closing balance as at 31 December 2015		1,255,798	(330,930)	924,868

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 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	37,288	35,458
Payments in the course of operations (inclusive of GST)	(11,223)	(12,749)
Interest received	8	8
Finance costs paid to financial institutions	(8,696)	(3,980)
Net cash inflow/(outflow) from operating activities	17,377	18,737
Cash flows from investing activities		
Proceeds from sale of investment properties	79,270	1,283
Payments for capital expenditure on investment properties	(5,950)	(3,605)
Net cash inflow/(outflow) from investing activities	73,320	(2,322)
Cash flows from financing activities		
Borrowings provided to related parties	(122,703)	(74,623)
Borrowings received from related parties	102,377	58,234
Payments for buy-back of contributed equity	(2,789)	-
Distributions paid to unitholders	(67,356)	-
Net cash inflow/(outflow) from financing activities	(90,472)	(16,389)
Net increase/(decrease) in cash and cash equivalents	226	26
Cash and cash equivalents at the beginning of the year	1,979	2,197
Effects of exchange rate changes on cash and cash equivalents	(1)	19
Cash and cash equivalents at the end of the period	2,204	2,242

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

About this Report

In this section

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

Basis of preparation

DEXUS Property Group stapled securities are quoted on the Australian Securities Exchange under the "DXS" code and comprise one unit in each of DDF, DIT, DOT and DXO. Each entity forming part of DXS continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards. DEXUS Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These interim Financial Statements for the half year ended 31 December 2015 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2015 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing Financial Statements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting estimates

The preparation of 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. Other than the estimation of fair values relating to certain derivatives and other financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

Note 1

Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified the DXS's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

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

Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning DXS's operating segments, as well as the operating segments' key financial information provided to the CODM, are presented in the DEXUS Property Group Financial Statements.

Note 2

Finance costs

	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Interest paid/payable	184	792
Net fair value loss of interest rate swaps	1,133	5,784
Other finance costs	116	154
Total finance costs	1,433	6,730

Note 3**Investment properties**

	For the 6 months to 31 Dec 2015	For the 12 months to 30 Jun 2015
	\$'000	\$'000
Opening balance at the beginning of the period	735,546	726,391
Additions	3,040	5,550
Lease incentives	2,604	12,438
Amortisation of lease incentives	(3,389)	(6,653)
Rent straightlining	368	1,364
Disposals	(116,040)	(1,649)
Transfer to non-current assets classified as held for sale	-	(102,200)
Net fair value gain/(loss) of investment properties	20,509	20,405
Closing balance at the end of the period	642,638	655,646

Note 4**Non-current assets classified as held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. They relate to investment properties and are measured at fair value.

Note 5**Contributed equity****(a) Contributed equity**

	For the 6 months to 31 Dec 2015	For the 12 months to 30 Jun 2015
	\$'000	\$'000
Opening balance at the beginning of the period	1,258,587	1,190,969
Issue of additional equity, net of transaction costs	-	67,618
Buy-back of contributed equity, net of transaction costs	(2,789)	-
Closing balance at the end of the period	1,255,798	1,258,587

(b) Number of units on issue

	For the 6 months to 31 Dec 2015	For the 12 months to 30 Jun 2015
	No. of units	No. of units
Opening balance at the beginning of the period	970,806,349	5,433,110,810
Issue of additional equity	-	65,274,552
One-for-six security consolidation	-	(4,527,579,013)
Buy-back of contributed equity	(2,858,657)	-
Closing balance at the end of the period	967,947,692	970,806,349

Note 6

Fair value of financial instruments

As at 31 December 2015 and 30 June 2015, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2015 Carrying amount ¹ \$'000	31 Dec 2015 Fair value ² \$'000	30 Jun 2015 Carrying amount ¹ \$'000	30 Jun 2015 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	2,204	2,204	1,979	1,979
Loans and receivables (current)	3,369	3,369	4,293	4,293
Derivative assets	9,789	9,789	9,576	9,576
Non-interest bearing loans with related parties ³	138,948	138,948	138,948	138,948
Interest bearing loans with related parties ⁴	190,747	190,747	168,299	168,299
Other receivable from related parties ⁵	32,132	32,132	-	-
Total financial assets	377,189	377,189	323,095	323,095
Financial liabilities				
Trade payables	63,536	63,536	68,258	68,258
Derivative liabilities	14,866	14,866	21,892	21,892
Total financial liabilities	78,402	78,402	90,150	90,150

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.

2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

3 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DDF, DOT and DXO. These loan balances eliminate on consolidation within DXS.

4 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

5 Other Current Assets of \$34.9 million includes an amount of \$32.1 million which relates to a receivable from a related entity due to the disposal of an investment property expected to settle in February 2016.

The fair value of derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates, and currency basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Group.

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

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

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

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

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

Note 7

Contingent liabilities

The Trust together with DDF, DXO and DOT is a guarantor of A\$3,684.4 million of interest bearing liabilities. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the 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 Financial Statements, which should be brought to the attention of unitholders as at the date of completion of this report.

Note 8

Events occurring after reporting date

Since the end of the period, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the 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.

DEXUS Industrial Trust

Directors' Declaration

For the half year ended 31 December 2015

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Industrial 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.



W Richard Sheppard

Chair

16 February 2016



Independent auditor's review report to the unitholders of DEXUS Industrial Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Industrial Trust (the registered scheme), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for DEXUS Industrial Trust (the consolidated entity). The consolidated entity comprises the registered scheme and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2015 and 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*. As the auditor of DEXUS Industrial Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of DEXUS Industrial Trust for the half-year ended 31 December 2015 included on DEXUS Property Group's web site. The registered scheme's directors are responsible for the integrity of DEXUS Property Group's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner

Sydney
16 February 2016

DEXUS Office Trust

(ARSN 090 768 531)

Interim Report
31 December 2015



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

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

Under Australian Accounting Standards, DDF has been deemed the parent entity for accounting purposes. Therefore the DDF consolidated Financial Statements include all entities forming part of DXS.

All ASX and media releases, Financial Statements and other information are available on our website:
www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Office Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2015. The consolidated Financial Statements represents DEXUS Office Trust and its consolidated entities (DOT or the Trust).

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

1 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	Resigned
Christopher T Beare	4 August 2004	28 October 2015
Elizabeth A Alexander, AM	1 January 2005	
Penny Bingham-Hall	10 June 2014	
John C Conde, AO	29 April 2009	
Tonianne Dwyer	24 August 2011	
Craig D Mitchell	12 February 2013	
W Richard Sheppard	1 January 2012	
Darren J Steinberg	1 March 2012	
Peter B St George	29 April 2009	

2 Review of results and operations

The results for the half year ended 31 December 2015 were:

- profit attributable to unitholders was \$535.4 million (December 2014: \$132.6 million);
- total assets were \$7,122.7 million (June 2015: \$6,202.0 million); and
- net assets were \$3,822.3 million (June 2015: \$3,378.6 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 Directors' Report of the DEXUS Property Group Interim Report.

IOF transaction

DEXUS's proposal (Proposal) to acquire all of the units in Investa Office Fund (IOF) arose as a consequence of an unsolicited approach to DEXUS from the advisers to the Independent Board Committee of Investa Listed Funds Management Limited (ILFML).

On 18 December 2015, following the completion of due diligence under the process agreement, DEXUS Funds Management Limited and ILFML entered into a binding Implementation Agreement ("MIA") under which DEXUS will seek to acquire all of the units in IOF.

Implementation of the Proposal will be via an IOF informal trust scheme and requires, among other things, the approval of IOF Unitholders at a meeting expected to be held in early April 2016.

Further information about the Proposal, as well as a review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Directors' Report of the DEXUS Property Group Interim Report.

3 Auditor's Independence Declaration

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

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 16 February 2016. The Directors have the power to amend and reissue the Financial Statements.



W Richard Sheppard
Chair
16 February 2016



Darren J Steinberg
Chief Executive Officer
16 February 2016



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Office Trust for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'E A Barron'.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
16 February 2016

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2015

	Note	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue from ordinary activities			
Property revenue		143,265	140,354
Interest revenue		69	54
Total revenue from ordinary activities		143,334	140,408
Net fair value gain of investment properties		178,834	15,394
Share of net profit of investments accounted for using the equity method		339,578	145,603
Net foreign exchange gain		152	-
Total income		661,898	301,405
Expenses			
Property expenses		(40,385)	(39,583)
Management fee expense		(6,477)	(6,701)
Finance costs	2	(78,623)	(117,469)
Net loss on sale of investment properties		-	(1,404)
Management operations, corporate and administration expenses		(688)	(868)
Total expenses		(126,173)	(166,025)
Foreign currency translation reserve transfer on disposal of foreign operations		-	(2,050)
Profit before tax		535,725	133,330
Income tax expense		(321)	(688)
Profit for the period		535,404	132,642
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations		-	(257)
Foreign currency translation reserve transfer on disposal of foreign operations		-	2,050
Total comprehensive income for the period		535,404	134,435
		Cents	Cents
Earnings per unit on profit attributable to unitholders of the parent entity			
Basic earnings per unit		20.56	(2.49)
Diluted earnings per unit		20.56	(2.49)

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

	Note	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Current assets			
Cash and cash equivalents		16,830	7,073
Receivables		26,746	18,124
Derivative financial instruments		761	292
Other		11,664	18,446
Total current assets		56,001	43,935
Non-current assets			
Investment properties	3	3,945,459	3,417,475
Investments accounted for using the equity method	4	3,119,998	2,738,474
Derivative financial instruments		434	1,601
Other		812	523
Total non-current assets		7,066,703	6,158,073
Total assets		7,122,704	6,202,008
Current liabilities			
Payables		53,901	43,287
Current tax liabilities		-	4,292
Loans with related parties	6	55,684	55,684
Provisions		134,764	29,503
Derivative financial instruments		6,841	3,776
Total current liabilities		251,190	136,542
Non-current liabilities			
Loans with related parties	6	3,025,071	2,596,928
Derivative financial instruments		69,747	89,788
Other		72	156
Total non-current liabilities		3,094,890	2,686,872
Total liabilities		3,346,080	2,823,414
Net assets		3,776,624	3,378,594
Equity			
Contributed equity	5	2,432,390	2,442,563
Retained profits/(accumulated losses)		1,344,234	936,031
Total equity		3,776,624	3,378,594

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 2015

	Note	Contributed equity \$'000	Retained profits/ (losses) \$'000	Reserves \$'000	Total equity \$'000
Opening balance as at 1 July 2014		2,212,662	758,020	(1,793)	2,968,889
Profit/(loss) for the period		-	132,642	-	132,642
Other comprehensive income/(loss) for the period		-	-	1,793	1,793
Total comprehensive income for the period		-	132,642	1,793	134,435
Transactions with owners in their capacity as unitholders:					
Distributions paid or provided for		-	(111,314)	-	(111,314)
Total transactions with owners in their capacity as owners		-	(111,314)	-	(111,314)
Closing balance as at 31 December 2014		2,212,662	779,348	-	2,992,010
Opening balance as at 1 July 2015		2,442,563	936,031	-	3,378,594
Profit/(loss) for the period		-	535,404	-	535,404
Other comprehensive income/(loss) for the period		-	-	-	-
Total comprehensive income for the period		-	535,404	-	535,404
Transactions with owners in their capacity as unitholders:					
Buy-back of contributed equity, net of transaction costs	5	(10,173)	-	-	(10,173)
Distributions paid or provided for		-	(81,478)	-	(81,478)
Total transactions with owners in their capacity as owners		(10,173)	(81,478)	-	(91,651)
Closing balance as at 31 December 2015		2,432,390	1,389,957	-	3,822,347

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 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	171,579	160,079
Payments in the course of operations (inclusive of GST)	(61,909)	(71,040)
Interest received	69	54
Finance costs paid to financial institutions	(10,661)	(6,685)
Distributions received from investments accounted for using the equity method	122,551	128,450
Income and withholding taxes paid	(4,613)	-
Net cash inflow/(outflow) from operating activities	217,016	210,858
Cash flows from investing activities		
Proceeds from sale of investment properties	-	128,515
Payments for capital expenditure on investment properties	(32,356)	(30,274)
Payments for acquisition of investment properties	(307,347)	-
Payments for investments accounted for using the equity method	(172,118)	(110,761)
Net cash inflow/(outflow) from investing activities	(511,821)	(12,520)
Cash flows from financing activities		
Borrowings provided to related parties	(170,335)	(573,584)
Borrowings received from related parties	514,573	431,472
Proceeds from loan with related party	-	34,196
Payments for buy-back of contributed equity	(10,173)	-
Distributions paid to unitholders	(29,503)	(91,666)
Net cash inflow/(outflow) from financing activities	304,561	(199,582)
Net increase/(decrease) in cash and cash equivalents	9,757	(1,244)
Cash and cash equivalents at the beginning of the period	7,073	8,739
Effects of exchange rate changes on cash and cash equivalents	-	55
Cash and cash equivalents at the end of the period	16,830	7,550

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

About this Report

In this section

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

Basis of preparation

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2015 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2015 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing Financial Statements.

As at 31 December 2015, the Trust had a net current asset deficiency of \$149.5 million. The DXS Group has in place both external and internal funding arrangements to support the cashflow requirements of the Trust. The Trust is a going concern and the Financial Statements have been prepared on that basis.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Trust's accounting policies. Other than the estimation of fair values relating to certain derivatives and other financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

Note 1

Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified DXS's operating segments based on the sectors analysed within the management reports reviewed by the CODM 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.

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

Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning DXS's operating segments, as well as the operating segments' key financial information provided to the CODM, are presented in the DEXUS Property Group Financial Statements.

Note 2

Finance costs

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Interest paid to related parties	62,690	67,059
Net fair value loss of interest rate swaps	15,933	50,410
Total finance costs	78,623	117,469

Note 3**Non-current assets - investment properties**

	For the 6 months to 31 Dec 2015 \$'000	For the 12 months to 30 Jun 2015 \$'000
Opening balance at the beginning of the period	3,417,475	3,310,615
Additions	10,457	32,791
Acquisitions	322,147	-
Lease incentives	36,422	49,351
Amortisation of lease incentives	(20,901)	(37,936)
Rent straightlining	1,025	(854)
Net fair value gain/(loss) of investment properties	178,834	63,508
Closing balance at the end of the period	3,945,459	3,417,475

Acquisitions

- On 30 September 2015, settlement occurred on the acquisition of Waterfront Place at 1 Eagle Street, Brisbane, QLD, jointly acquired by DEXUS Office Trust and DWPF for \$592.0 million excluding acquisition costs (DEXUS Office Trust share of \$314.7 million including acquisition costs).
- On 30 October 2015, settlement occurred on the acquisition of Naldham House at 193 Mary Street, Brisbane, QLD, jointly acquired by DEXUS Office Trust and DWPF for \$14.0 million excluding acquisition costs (DOT share of \$7.5 million including acquisition costs).

Note 4

Non-current assets - investments accounted for using the equity method

Investments are accounted for in the Financial Statements using the equity method of accounting.

Information relating to these entities is set out below:

Name of entity	Ownership interest		31 Dec 2015 \$'000	30 Jun 2015 \$'000
	31 Dec 2015 %	30 Jun 2015 %		
Bent Street Trust	33.3	33.3	290,675	264,164
DEXUS Creek Street Trust	50.0	50.0	136,884	131,542
DEXUS Martin Place Trust	50.0	50.0	110,699	89,751
Grosvenor Place Holding Trust ^{1,2}	50.0	50.0	338,235	303,279
Site 6 Homebush Bay Trust ¹	50.0	50.0	32,726	37,236
Site 7 Homebush Bay Trust ¹	50.0	50.0	45,065	49,786
DEXUS 480 Q Holding Trust	50.0	50.0	225,253	149,651
DEXUS Kings Square Trust	50.0	50.0	223,863	165,688
DEXUS Office Trust Australia	50.0	50.0	1,687,457	1,546,301
DEXUS Eagle Street Pier Trust	50.0	50.0	29,141	1,076
Total assets - investments accounted for using the equity method			3,119,998	2,738,474

1. These entities are 50% owned by DEXUS Office Trust Australia. The Trust's economic interest is therefore 75% when combined with the interest held by DEXUS Office Trust Australia. These entities are classified as joint ventures and are accounted for using the equity method as a result of contractual arrangements required unanimous decisions on all relevant matters.
2. Grosvenor Place Holding Trust owns 50% of Grosvenor Place, 225 George Street, Sydney, NSW. The Trust's economic interest in this property is therefore 37.5%.
3. The Trust's share of investment properties in the investments accounted for using the equity method were \$3,354.3 million (June 2015: \$2,983.9 million).

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

Acquisitions

On 30 September 2015, settlement occurred on the acquisition of Eagle Street Pier at 45 Eagle Street, Brisbane, QLD, jointly acquired by the Group and DWPF for \$43.0 million excluding acquisition costs (Group share of \$22.8 million including acquisition costs).

Note 5**Contributed equity****(a) Contributed equity**

	For the 6 months to 31 Dec 2015 \$'000	For the 12 months to 30 Jun 2015 \$'000
Opening balance at the beginning of the period	2,442,563	2,212,662
Issue of additional equity, net of transaction costs	-	229,901
Buy-back of contributed equity, net of transaction costs	(10,173)	-
Closing balance at the end of the period	2,432,390	2,442,563

(b) Number of units on issue

	For the 6 months to 31 Dec 2015 No. of units	For the 12 months to 30 Jun 2015 No. of units
Opening balance at the beginning of the period	970,806,349	5,433,110,810
Issue of additional equity	-	65,274,552
One-for-six security consolidation	-	(4,527,579,013)
Buy-back of contributed equity	(2,858,657)	-
Closing balance at the end of the period	967,947,692	970,806,349

Note 6

Fair value of financial instruments

At 31 December 2015 and 30 June 2015, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2015 Carrying amount ¹ \$'000	31 Dec 2015 Fair value ² \$'000	30 Jun 2015 Carrying amount ¹ \$'000	30 Jun 2015 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	16,830	16,830	7,073	7,073
Loans and receivables (current)	26,746	26,746	18,124	18,124
Derivative assets	1,195	1,195	1,893	1,893
Total financial assets	44,771	44,771	27,090	27,090
Financial liabilities				
Trade payables	53,901	53,901	43,287	43,287
Non-interest bearing loans with related parties ³	55,684	55,684	55,684	55,684
Interest bearing loans with related parties ⁴	3,025,071	3,025,071	2,596,928	2,596,928
Derivative liabilities	76,588	76,588	93,564	93,564
Total financial liabilities	3,211,244	3,211,244	2,789,463	2,789,463

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.

2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

3 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DIT, DDF and DXO. These loan balances eliminate on consolidation within DXS.

4 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

The fair value of derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates, and currency basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Group.

The Trust uses methods in the determination and disclosure of the fair value of financial instruments. These methods comprise:

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

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

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

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

Note 7

Contingent liabilities

The Trust together with DDF, DIT and DXO, is a guarantor of A\$3,684.4 million of interest bearing liabilities. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the 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 Financial Statements, which should be brought to the attention of security holders as at the date of completion of this report.

Note 8

Events occurring after reporting date

Since the end of the period, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the 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.

DEXUS Office Trust
Directors' Declaration

For the half year ended 31 December 2015

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Office 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.



W Richard Sheppard

Chair

16 February 2016



Independent auditor's review report to the unitholders of DEXUS Office Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Office Trust (the registered scheme), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for DEXUS Office Trust (the consolidated entity). The consolidated entity comprises the registered scheme and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2015 and 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*. As the auditor of DEXUS Office Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Liability limited by a scheme approved under Professional Standards Legislation.



Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of DEXUS Office Trust for the half-year ended 31 December 2015 included on DEXUS Property Group's web site. The registered scheme's directors are responsible for the integrity of DEXUS Property Group's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner

Sydney
16 February 2016

DEXUS Operations Trust

(ARSN 110 521 223)

Interim Report
31 December 2015



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

Under Australian Accounting Standards, DDF has been deemed the parent entity for accounting purposes. Therefore the DDF consolidated Financial Statements include all entities forming part of DXS. The DDF consolidated Financial Statements are presented in separate Financial Statements.

All ASX and media releases, Financial Statements and other information are available on our website:

www.dexus.com

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Operations Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2015. The consolidated Financial Statements represents DEXUS Operations Trust and its consolidated entities (DXO or the Trust).

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

1 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	Resigned
Christopher T Beare	4 August 2004	28 October 2015
Elizabeth A Alexander, AM	1 January 2005	
Penny Bingham-Hall	10 June 2014	
John C Conde, AO	29 April 2009	
Tonianne Dwyer	24 August 2011	
Craig D Mitchell	12 February 2013	
W Richard Sheppard	1 January 2012	
Darren J Steinberg	1 March 2012	
Peter B St George	29 April 2009	

2 Review of results and operations

The results for the half year ended 31 December 2015 were:

- net profit for the half year was \$84.5 million (December 2014: \$28.6 million);
- total assets were \$1,081.0 million (June 2015: \$1,058.4 million); and
- net assets were \$361.9 million (June 2015: \$278.9 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 Directors' Report of the DEXUS Property Group Interim Report.

IOF transaction

DEXUS's proposal (Proposal) to acquire all of the units in Investa Office Fund (IOF) arose as a consequence of an unsolicited approach to DEXUS from the advisers to the Independent Board Committee of Investa Listed Funds Management Limited (ILFML).

On 18 December 2015, following the completion of due diligence under the process agreement, DEXUS Funds Management Limited and ILFML entered into a binding Implementation Agreement ("MIA") under which DEXUS will seek to acquire all of the units in IOF.

Implementation of the Proposal will be via an IOF informal trust scheme and requires, among other things, the approval of IOF Unitholders at a meeting expected to be held in early April 2016.

Further information about the Proposal, as well as a review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Directors' Report of the DEXUS Property Group Interim Report.

3 Auditor's Independence Declaration

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

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 16 February 2016. The Directors have the power to amend and reissue the Financial Statements.



W Richard Sheppard
Chair
16 February 2016



Darren J Steinberg
Chief Executive Officer
16 February 2016



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Operations Trust for the half-year ended 31 December 2015, 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.

A handwritten signature in black ink, appearing to be 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
16 February 2016

DEXUS Operations Trust
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2015

	Note	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue from ordinary activities			
Property revenue		23,140	25,288
Proceeds from sale of inventory		204,727	104,409
Distribution revenue		261	240
Interest revenue		108	44
Management fee revenue	2	69,160	61,535
Total revenue from ordinary activities		297,396	191,516
Net fair value gain of investment properties		7,350	593
Net gain on sale of investment properties		1,004	522
Net foreign exchange gain		-	217
Total income		305,750	192,848
Expenses			
Property expenses		(6,536)	(7,446)
Cost of sale of inventory	4	(114,282)	(84,039)
Finance costs	3	(9,597)	(14,842)
Impairment of goodwill		(49)	(49)
Management operations, corporate and administration expenses		(55,795)	(46,621)
Total expenses		(186,259)	(152,997)
Profit/(loss) before tax		119,491	39,851
Income tax expense		(35,011)	(11,207)
Profit/(loss) for the period		84,480	28,644
Other comprehensive income/(loss):			
Changes in fair value of available-for-sale financial assets		(522)	(29)
Total comprehensive income/(loss) for the period		83,958	28,615
Earnings per unit		Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity			
Basic earnings per unit		0.44	0.39
Diluted earnings per unit		0.44	0.39

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

DEXUS Operations Trust
Consolidated Statement of Financial Position
As at 31 December 2015

	Note	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Current assets			
Cash and cash equivalents		3,119	1,389
Receivables		46,060	38,037
Inventories	4	37,522	118,495
Other		3,818	3,209
Total current assets		90,519	161,130
Non-current assets			
Investment properties	5	430,354	407,731
Plant and equipment		14,331	11,251
Inventories	4	225,667	156,297
Deferred tax assets		6,150	10,800
Intangible assets	6	303,288	301,400
Available-for-sale financial assets		8,127	8,994
Other		2,588	832
Total non-current assets		990,505	897,305
Total assets		1,081,024	1,058,435
Current liabilities			
Payables		22,913	28,342
Loans with related parties	8	48,932	48,932
Provisions		19,841	27,269
Derivative financial instruments		-	148
Current tax liabilities		27,420	-
Other current liabilities	8	71,168	-
Total current liabilities		190,274	104,691
Non-current liabilities			
Loans with related parties	8	501,745	650,201
Deferred tax liabilities		18,007	15,066
Provisions		6,303	6,450
Other non-current liabilities		2,791	3,147
Total non-current liabilities		528,846	674,864
Total liabilities		719,120	779,555
Net assets		361,904	278,880
Equity			
Contributed equity	7	237,985	238,829
Reserves		42,782	43,394
Retained profits/(accumulated losses)		81,137	(3,343)
Total equity		361,904	278,880

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 2015

	Note	Contributed equity \$'000	Retained profits/ (losses) \$'000	Reserves \$'000	Total equity \$'000
Opening balance as at 1 July 2014		222,086	(72,237)	43,064	192,913
Profit/(loss) for the period		-	28,644	-	28,644
Other comprehensive income/(loss) for the period		-	-	(29)	(29)
Total comprehensive income for the period		-	28,644	(29)	28,615
Transactions with owners in their capacity as unitholders:					
Purchase of securities, net of transaction costs		-	-	(79)	(79)
Security-based payments expense		-	-	31	31
Total transactions with owners in their capacity as owners		-	-	(48)	(48)
Closing balance as at 31 December 2014		222,086	(43,593)	42,987	221,480
Opening balance as at 1 July 2015		238,829	(3,343)	43,394	278,880
Profit/(loss) for the period		-	84,480	-	84,480
Other comprehensive income/(loss) for the period		-	-	(522)	(522)
Total comprehensive income for the period		-	84,480	(522)	83,958
Transactions with owners in their capacity as unitholders:					
Buy-back of contributed equity, net of transaction costs	7	(844)	-	-	(844)
Purchase of securities, net of transaction costs		-	-	(21)	(21)
Security-based payments expense		-	-	(69)	(69)
Total transactions with owners in their capacity as owners		(844)	-	(90)	(934)
Closing balance as at 31 December 2015		237,985	81,137	42,782	361,904

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

DEXUS Operations Trust
Consolidated Statement of Cash Flows
For the half year ended 31 December 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	94,663	96,473
Payments in the course of operations (inclusive of GST)	(77,001)	(67,109)
Interest received	108	45
Finance costs paid to financial institutions	(129)	(293)
Proceeds from sale of property classified as inventory	198,027	116,500
Payments for property classified as inventory	(30,323)	(52,423)
Net cash inflow/(outflow) from operating activities	185,345	93,193
Cash flows from investing activities		
Proceeds from sale of investment properties	-	13,069
Payments for capital expenditure on investment properties	(10,965)	(1,817)
Payments for acquisition of subsidiaries	-	(15,350)
Payments for intangible assets	(3,631)	(2,851)
Payments for plant and equipment	(3,962)	(2,508)
Net cash inflow/(outflow) from investing activities	(18,558)	(9,457)
Cash flows from financing activities		
Borrowings provided to related parties	(418,560)	(475,600)
Borrowings received from related parties	258,749	411,762
Proceeds from issue of additional equity	(844)	-
Purchase of securities for security-based payments plans	(4,653)	(3,951)
Distributions received	251	148
Distributions paid to security holders	-	(15,000)
Net cash inflow/(outflow) from financing activities	(165,057)	(82,641)
Net increase/(decrease) in cash and cash equivalents	1,730	1,095
Cash and cash equivalents at the beginning of the period	1,389	1,269
Cash and cash equivalents at the end of the period	3,119	2,364

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

About this Report

In this section

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

Basis of preparation

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2015 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2015 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing Financial Statements.

As at 31 December 2015, the Trust had a net current asset deficiency of \$99.8 million. The DXS Group has in place both external and internal funding arrangements to support the cashflow requirements of the Trust. The Trust is a going concern and the Financial Statements have been prepared on that basis.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Trust's accounting policies. Other than the estimation of fair values relating to certain derivatives and other financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Financial Statements in the next reporting period.

Note 1

Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified DXS's operating segments based on the sectors analysed within the management reports reviewed by the CODM 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.

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

Consistent with how the CODM manages the business, the operating segments within DXS are reviewed on a consolidated basis and are not monitored at an individual trust level. The results of the individual trusts are not limited to any one of the segments described above.

Disclosures concerning DXS's operating segments, as well as the operating segments' key financial information provided to the CODM, are presented in the DEXUS Property Group Financial Statements.

Note 2

Management fee revenue

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Investment management & responsible entity fees	35,460	32,544
Property management fees	21,828	19,567
Capital works and development fees	5,606	3,709
Wages recovery and other fees	6,266	5,715
Total management fee revenue	69,160	61,535

Note 3

Finance costs

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Interest paid to related parties	11,356	16,167
Net fair value (gain)/loss of interest rate swaps	(43)	28
Amount capitalised	(1,753)	(1,382)
Other finance costs	37	29
Total finance costs	9,597	14,842

Note 4**Inventories****(a) Land and properties held for resale**

	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Current assets		
Land and properties held for resale	37,522	118,495
Total current assets - inventories	37,522	118,495
Non-current assets		
Land and properties held for resale	225,667	156,297
Total non-current assets - inventories	225,667	156,297
Total assets - inventories	263,189	274,792

(b) Reconciliation

	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Opening balance at the beginning of the period	274,792	316,277
Transfer from investment properties	-	1,621
Disposals	(114,282)	(172,156)
Acquisitions and additions	102,679	129,050
Closing balance at the end of the period	263,189	274,792

Disposals

- On 31 July 2015, settlement occurred on the sale of 154 O' Riordan Street, Mascot, NSW for gross proceeds of \$32.0 million (carrying value of \$16.1 million).
- On 21 July 2015, settlement occurred on the sale of 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery, NSW for \$190.0 million, represented by a \$19.0 million option fee and \$171.0 million settlement payment. The Group recognised the option fee over the term of the option and therefore recognised \$17.3 million during the year ended 30 June 2015. The balance of \$1.7 million and the settlement amount of \$171.0 million (carrying value of \$98.2 million) has been recognised in the period ended 31 December 2015.

Note 5**Non-current assets - investment properties**

	For the 6 months to 31 Dec 2015	For the 12 months to 30 Jun 2015
	\$'000	\$'000
Opening balance at the beginning of the period	407,731	275,397
Additions	14,083	12,786
Acquisitions	-	114,428
Lease incentives	1,746	2,975
Amortisation of lease incentives	(1,201)	(1,413)
Rent straightlining	645	1,223
Disposals	-	(6,851)
Transfer to inventories	-	(1,621)
Net fair value gain/(loss) of investment properties	7,350	10,807
Closing balance at the end of the period	430,354	407,731

Note 6**Non-current assets - intangible assets**

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Management rights		
Opening balance at the beginning of the period	290,748	291,078
Amortisation charge	(165)	(330)
Closing balance at the end of the period	290,583	290,748
Cost	294,382	294,382
Accumulated amortisation	(3,799)	(3,634)
Total management rights	290,583	290,748
Goodwill		
Opening balance at the beginning of the period	1,409	1,508
Impairment	(49)	(99)
Closing balance at the end of the period	1,360	1,409
Cost	2,998	2,998
Accumulated impairment	(1,638)	(1,589)
Total goodwill	1,360	1,409
Other Intangible Assets - Software		
Opening balance at the beginning of the period	9,243	5,085
Acquisition of other intangible assets	3,631	5,649
Amortisation charge	(1,529)	(1,491)
Closing balance at the end of the period	11,345	9,243
Cost	24,071	20,440
Accumulated amortisation	(12,726)	(11,197)
Total other intangible assets	11,345	9,243
Total non-current assets - intangible assets	303,288	301,400

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited (DXH), a wholly owned subsidiary of the Trust, which entitle it to management fee revenue from both finite and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of \$4.6 million (Jun 2015: \$4.7 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 17 years. Management rights that are deemed to have an indefinite life are held at a value of \$286.0 million (Jun 2015: \$286.0 million).

As at 31 December 2015, management had not identified any events or circumstances that would indicate an impairment of the carrying value of management rights associated with indefinite life trusts.

Note 7**Contributed Equity****(a) Contributed equity**

	For the 6 months to 31 Dec 2015	For the 12 months to 30 Jun 2015
	\$'000	\$'000
Opening balance at the beginning of the period	238,829	222,086
Issue of additional equity, net of transaction costs	-	16,743
Buy-back of contributed equity, net of transaction costs	(844)	-
Closing balance at the end of the period	237,985	238,829

(b) Number of units on issue

	For the 6 months to 31 Dec 2015	For the 12 months to 30 Jun 2015
	No. of units	No. of units
Opening balance at the beginning of the period	970,806,349	5,433,110,810
Issue of additional equity	-	65,274,552
One-for-six security consolidation	-	(4,527,579,013)
Buy-back of contributed equity	(2,858,657)	-
Closing balance at the end of the period	967,947,692	970,806,349

Note 8

Fair value of financial instruments

As at 31 December 2015 and 30 June 2015, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2015 Carrying amount ¹ \$'000	31 Dec 2015 Fair value ² \$'000	30 Jun 2015 Carrying amount ¹ \$'000	30 Jun 2015 Fair value ² \$'000
Financial assets				
Cash and cash equivalents	3,119	3,119	1,389	1,389
Loans and receivables (current)	46,060	46,060	38,037	38,037
Available-for-sale financial assets	8,127	8,127	8,994	8,994
Total financial assets	57,306	57,306	48,420	48,420
Financial liabilities				
Trade payables	22,913	22,913	28,342	28,342
Non-interest bearing loans with related parties ³	48,932	48,932	48,932	48,932
Interest bearing loans with related parties ⁴	501,745	501,745	650,201	650,201
Derivative liabilities	-	-	148	148
Other current liabilities ⁵	71,168	71,168	-	-
Total financial liabilities	644,758	644,758	727,623	727,623

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.

2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

3 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DIT, DOT and DDF. These loan balances eliminate on consolidation within DXS.

4 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

5 The balance at 31 December 2015 primarily relates to a payable to a related entity due to the acquisition of an investment property expected to settle in February 2016.

The fair value of interest bearing liabilities and derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates, and basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Trust.

Note 8

Fair value of financial instruments (continued)

The Trust uses methods in the determination and disclosure of the fair value of financial instruments. These methods comprise:

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.

The following table presents the assets and liabilities measured and recognised as at fair value at 31 December 2015 and 30 June 2015.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
31 Dec 2015				
Financial assets				
Available for sale financial assets	8,127	-	-	8,127
Financial liabilities				
Interest rate derivatives	-	-	-	-
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 Jun 2015				
Financial assets				
Available for sale financial assets	8,994	-	-	8,994
Financial liabilities				
Interest rate derivatives	-	148	-	148

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

Note 9

Contingent liabilities

DXO, together with DIT, DOT and DDF, is a guarantor of A\$3,684.4 million of interest bearing liabilities. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Group has bank guarantees of \$32.0, comprising \$30.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and \$1.8 million largely in respect of developments.

The above guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the 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 Financial Statements, which should be brought to the attention of security holders as at the date of completion of this report.

Note 10

Events occurring after reporting date

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the 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.

DEXUS Operations Trust

Directors' Declaration

For the half year ended 31 December 2015

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Operations 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.



W Richard Sheppard

Chair

16 February 2016



Independent auditor's review report to the unitholders of DEXUS Operations Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Operations Trust (the registered scheme), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for DEXUS Operations Trust (the consolidated entity). The consolidated entity comprises the registered scheme and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2015 and 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*. As the auditor of DEXUS Operations Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of DEXUS Operations Trust for the half-year ended 31 December 2015 included on DEXUS Property Group's web site. The registered scheme's directors are responsible for the integrity of DEXUS Property Group's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'E A Barron', with a stylized flourish at the end.

E A Barron
Partner

Sydney
16 February 2016