

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 2016

DEXUS Diversified Trust ¹			
	31 Dec 2016	31 Dec 2015	%
	\$m	\$m	Change
Revenue from ordinary activities	384.0	523.7	(26.7%)
Net profit attributable to security holders after tax	716.0	797.5	(10.2%)
Funds from operations (FFO) ²	296.0	323.9	(8.6%)
Underlying FFO ³	287.7	260.6	10.4%
Distribution to security holders ⁴	210.1	223.1	(5.8%)
	CPS	CPS	
FFO per security ²	30.58	33.42	(8.5%)
Distributions per security for the period	21.71	23.05	(5.8%)
Payout ratio (distributions as a % of FFO)	71.0%	69.0%	2.9%
Basic and diluted earnings per security	73.97	82.27	(10.1%)
Franked distribution amount per security	-	-	-
	\$m	\$m	
Total assets	11,916.8	11,124.0	7.1%
Total borrowings	3,170.4	3,272.8	(3.1%)
Security holders equity	8,104.4	7,324.6	10.6%
Market capitalisation	9,311.7	7,259.6	28.3%
	\$ per security	\$ per security	
Net tangible assets	8.05	7.25	11.0%
Securities price	9.62	7.50	28.3%
Securities on issue	967,947,692	967,947,692	
Record date	31 Dec 2016	31 Dec 2015	
Payment date	28 Feb 2017	29 Feb 2016	

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Results commentary

Refer to the attached ASX release for a commentary on the results of DEXUS Property Group.

Details of joint ventures and associates

Name of entity	Ownership Interest		Share of net profit/(loss) after tax	
	31 Dec 2016	31 Dec 2015	6 months ended 31 Dec 2016	6 months ended 31 Dec 2015
	%	%	\$m	\$m
Bent Street Trust	33.3	33.3	17.3	34.6
DEXUS Creek Street Trust	50.0	50.0	4.7	9.1
DEXUS Martin Place Trust	50.0	50.0	53.8	23.8
Grosvenor Place Holding Trust	50.0	50.0	16.3	41.8
Site 6 Homebush Bay Trust	50.0	50.0	1.3	(3.1)
Site 7 Homebush Bay Trust	50.0	50.0	1.8	(2.8)
DEXUS 480 Q Holding Trust	50.0	50.0	18.1	22.2
DEXUS Kings Square Trust	50.0	50.0	5.3	5.1
DEXUS Office Trust Australia	50.0	50.0	139.4	202.4
DEXUS Industrial Trust Australia	50.0	50.0	(0.2)	(1.6)
DEXUS Eagle Street Pier Trust	50.0	50.0	2.0	6.4

- 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.
- 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.
- Underlying FFO excludes trading profits (net of tax).
- The distribution for the period 1 July 2016 to 31 December 2016 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 2017, will provide details of the components of DXS’s distributions.

DEXUS Property Group

(ARSN 089 324 541)

Interim Report
31 December 2016



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

HY17 OPERATING AND FINANCIAL REVIEW

The Group's financial performance for the six months ended 31 December 2016 is summarised in the following section. In order to fully understand the results, the interim Financial Statements included in this Financial Report should be referred to.

REVIEW OF OPERATIONS

DEXUS has adopted FFO as its primary 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, and 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.

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

	31 December 2016 ¹	31 December 2015 ¹
	(\$m)	(\$m)
Net profit for the period attributable to stapled security holders	716.0	797.5
Net fair value gain of investment properties	(396.0)	(533.7)
Net fair value loss of derivatives and interest bearing liabilities	(10.5)	9.7
Net (gain)/loss on sale of investment properties	(71.4)	(15.0)
Transaction costs	-	1.2
Incentive amortisation and rent straight-line ²	50.3	46.2
Amortisation of intangible assets	2.0	-
Rental guarantees, coupon income and other	6.8	10.1
Deferred tax	(1.2)	7.9
Funds from Operations (FFO)	296.0	323.9
Retained earnings³	85.9	100.8
Distributions	210.1	223.1
FFO per security (cents)	30.6	33.4
Distribution per security (cents)	21.71	23.05
Net tangible asset backing per security (\$)	8.05	7.25

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 cashflow. The payout ratio equated to 71% of FFO in HY17 an increase from 69% in HY16.

Operating result

GROUP

DEXUS's net profit after tax was \$716.0 million or 74.0 cents per security, a decrease of \$81.5 million from the previous corresponding period (HY16: 797.5 million). The key drivers of this movement included:

- Funds from Operations, or FFO, reduced by \$27.9 million (explained in the following table below) resulting in FFO per security of 30.6 cents, a reduction of 8.4%.
- Net revaluation gains of investment properties of \$396.0 million, representing a 3.7% uplift across the portfolio, were \$137.7 million lower than the HY16 gains.
- Partially offsetting the above impacts, \$71.4 million gains on the sale of investment properties were \$56.4 million higher than the HY16 gains.

Gains on the revaluation and sale of investment properties primarily drove the 52 cent increase in NTA per security from 30 June 2016 to \$8.05.

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

	31 December 2016	31 December 2015
	\$m	\$m
Office Property FFO	292.6	272.3
Industrial Property FFO	53.7	52.5
Total Property FFO	346.3	324.8
Management operations ⁴	21.0	18.9
Group corporate	(10.7)	(16.0)
Net finance costs	(64.5)	(66.9)
Other ⁵	(4.4)	(0.2)
Underlying FFO	287.7	260.6
Trading profits (net of tax)	8.3	63.3
Total FFO	296.0	323.9
Maintenance capex, lease incentives and leasing costs paid	(81.7)	(93.2)
Total AFFO⁶	214.3	230.7

⁴ 'Management Operations' income includes development management fees.

⁵ 'Other' FFO includes non-trading related FFO tax expense.

⁶ AFFO is in line with the Property Council of Australia definition.

Operationally, FFO reduced by 8.6% to \$296.0 million (HY16: \$323.9 million)

The key drivers of the \$27.9 million reduction included:

- The realisation of \$8.3 million of Trading profits (net of tax) representing a reduction of \$55.0 million on the previous corresponding period. All FY16 trading profits were recognised in HY16, whereas FY17 trading profits will be skewed to the second half.
- Partially offsetting the above impact and despite the impact of recent asset sales, Office property FFO grew by \$20.3 million to \$292.6 million driven by income growth from leasing activity and development completions.

The underlying business excluding trading profits delivered FFO per security of 29.7 cents, up 10.6% on the previous corresponding period.

Distribution

Distribution per security of 21.71 cents for the six months ended 31 December 2016, represented a 5.8% decrease compared to the previous corresponding period (HY16: 23.05 cents) and was impacted by the timing of trading profits. The distribution will be paid to DEXUS Security holders on Tuesday, 28 February 2017.

Management expense ratio

	31 December 2016	31 December 2015
	\$m	\$m
Group corporate costs	(10.7)	(16.0)
Asset management costs	(9.4)	(4.7)
Total corporate and asset management costs	(20.1)	(20.7)
Closing funds under management (balance sheet only)	10,981	10,467
Group management expense ratio (MER)	36bps	40bps

DEXUS's gross Management Expense Ratio improved, reducing to 36 basis points from 40 basis points in the previous corresponding period.

Property transactions

DEXUS had a busy period of transactional activity which included settlement of the sales of its 50% interest in The Zenith, Chatswood (\$139.5 million) and 108 North Terrace, Adelaide (\$43.2 million), and the first 50% tranche of the Southgate Complex, Melbourne (\$578.0 million total).

The finalisation of negotiations relating to the compulsory acquisition of properties for the Sydney Metro rail project resulted in the sale of DEXUS's and DWPF's combined 100% interest in 39 Martin Place, Sydney⁷ for \$332.0 million.

The \$110.2 million acquisition of The Mill, Alexandria was announced in the period and settled in January 2017. The Mill is a multi-tenanted property across a significant landholding in a prime South Sydney location, and provides the opportunity to actively manage underutilised space and capture rental growth.

⁷ Owned 50% by DEXUS and 50% by DWPF.

Valuations and portfolio total returns

The combination of a buoyant Sydney office leasing market, comparable market transactions and recent leasing success at DEXUS's properties contributed to a \$381.4 million or 4.3% increase in valuations on prior book values across the office portfolio. The Perth office market remained challenging with properties such as 240 St Georges Terrace decreasing in value as a result of the impending expiry of Woodside in FY19. The weighted average capitalisation rate for the DEXUS Office portfolio tightened 21 basis points from 6.16% at 30 June 2016 to 5.95% at 31 December 2016. The one-year total return of 13.9% for the DEXUS Office portfolio was driven by strong leasing outcomes in Sydney and gains from the sale of investment properties.

DEXUS's Industrial portfolio achieved an uplift of \$14.6 million or 0.8% on prior book values as a result of continued investment demand and leasing success for well-located prime quality industrial facilities. This also contributed to a 10 basis point tightening of capitalisation rates across the DEXUS Industrial portfolio from 7.38% at 30 June 2016 to 7.28% at 31 December 2016. The one-year total return of 10.4% for the DEXUS Industrial portfolio was driven by a combination of capitalisation rate compression and development completions.

While property fundamentals continue to improve in Sydney and Melbourne, DEXUS expects to see underlying valuation assumptions improving and further capitalisation rate compression for Prime properties over the next 12 months which will continue to support values in DEXUS's key markets over 2017.

The following sections review the HY17 performance of the Group's key financial drivers: Property Portfolio, Funds Management & Property Services, and Trading.

i) 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 91% of FFO in HY17.

The size of DEXUS's direct portfolio remained at \$11.0 billion from 30 June 2016 to 31 December 2016 as development spend and valuation uplifts were offset by the divestments mentioned above.

Office portfolio

Portfolio value:	\$9.2 billion
Total area:	1,484,246 square metres
Area leased during the period:	98,839 square metres ⁸

Key metrics	31 December 2016	30 June 2016
Occupancy by income	96.3%	96.3%
Occupancy by area	96.5%	96.3%
WALE by income	4.7 years	4.7 years
Average incentive	14.3%	17.7%
Retention rate	63%	62%
Total return - 1 year	13.9%	16.0%

Demand for office space in Sydney continued to be buoyed by an increase in withdrawals, resulting in DEXUS securing a number of displaced tenants from the construction of the Sydney Metro and residential conversions. Some remaining vacancy in the portfolio provides further opportunity to capitalise on market rental growth.

⁸ Including Heads of Agreement.

DEXUS leased 98,839 square metres⁸ of office space across 157 transactions on average lease terms of 6.8 years. Notable leasing volumes were achieved at 385 Bourke Street in Melbourne and 30 The Bond in Sydney, with 13,864 square metres and 10,784 square metres leased respectively. Tiffany & Co also intends to expand its footprint to cover 2,275 square metres of office and retail space upon relocating to a proposed newly developed three-storey flagship store at 175 Pitt Street, Sydney in 2018.

Office portfolio occupancy (by income) and portfolio WALE were maintained at 96.3% and 4.7 years respectively. Tenant retention of 63% was affected by the decision to negotiate an early surrender of Lend Lease's space at 30 The Bond in Sydney. DEXUS successfully re-leased 62% of the area vacated in the past 12 months, with average downtime of only 5.8 months. Average incentives across the office portfolio reduced to 14.3% from 17.7% in FY16.

Office property FFO increased by \$20.3 million, or 7.5% to \$292.6 million, underpinned by leasing success which offset the impact of divestments. Office like-for-like income growth of 9.6% was positively impacted by receipt of a surrender payment from Lendlease, partially offset by the impact of a rent review within Woodside's lease during the period. DEXUS has tightened its expectation for office like-for-like income growth to 2.5-3% for FY17.

Industrial portfolio

Portfolio value:	\$1.8 billion
Total area:	1,331,345 square metres
Area leased during the period:	229,099 square metres ⁸

Key metrics	31 December 2016	30 June 2016
Occupancy by income	94.9%	90.4%
Occupancy by area	94.0%	91.7%
WALE by income	4.6 years	4.1 years
Average incentive	14.6%	9.5%
Retention rate	65%	32%
Total return - 1 year	10.4%	16.0%

DEXUS's focus on improving industrial portfolio occupancy resulted in a record leasing period, which improved key portfolio metrics. This was achieved through targeting industry groups with specific locational requirements and capitalising on the improving demand in West Melbourne.

DEXUS leased 229,099 square metres⁸ of industrial space across 68 transactions, of which 32 were new leases. This represents a significant increase on the 144,661 square metres⁸ leased in the previous corresponding period and reflects 17% of the portfolio's area. Notable deals undertaken at DEXUS Industrial Estate, Laverton North included a lease renewal with CUB which involved expansion into the adjoining building (45,493sqm) and the securing of new leases with Best Bar (13,008sqm) and Unipod (17,470sqm).

Portfolio occupancy increased to 94.9%, WALE improved to 4.6 years and the retention rate doubled to 65%. Average incentives increased to 14.6% (HY16: 9.5%).

Industrial property FFO increased by \$1.2 million, or 2.3% to \$53.7 million, despite the settlement of asset sales during the period. Like-for-like income grew by 1.0%, driven by fixed rental increases and leasing success at properties including 2-4 Military Road, Matraville, partially offset by the impact of vacancies at Axxess Corporate Park, Mount Waverley.

⁸ Including Heads of Agreement.

Development

DEXUS continued to enhance future investor returns through the progression of its \$4.5 billion Group development pipeline, of which \$2.0 billion sits within the DEXUS portfolio and \$2.5 billion within third party funds.

Construction was completed at the first stage at Quarrywest, Greystanes, across 36,045 square metres of space, with this stage now 100% leased. A 10,194 square metre facility, fully leased to Wrightson Seeds, was also completed at Laverton North. Post period end, DEXUS secured a lease with Anmar Group over 15,720 square metres and agreed terms with another tenant over 23,392 square metres at Laverton North, enabling the construction of these facilities to commence.

Construction of the core of 100 Mount Street in North Sydney is also underway with completion of the building expected in early 2019.

A number of projects in DEXUS's development pipeline advanced through planning stages or are being marketed for tenant pre-commitment. These include the submission of a State Significant Development application for the construction of a mixed-use 59,546 square metre mixed-use tower at 201 Elizabeth Street, Sydney and in January 2017, the submission of a development application for the construction of a new flagship store for Tiffany & Co. at 175 Pitt Street, Sydney.

ii) FUNDS MANAGEMENT & PROPERTY SERVICES

DEXUS's third party funds under management increased to \$11.7 billion, up \$0.5 billion from 30 June 2016, driven by acquisitions, developments and revaluations, partially offset by divestments.

DEXUS continued to deliver on its clients' investment objectives with funds outperforming their respective benchmarks.

DWPF achieved a one-year total return of 13.5%, outperforming its benchmark over one, three, five and seven years, and the DEXUS Office Partnership portfolio achieved a 12.9% one-year unlevered property return.

DEXUS delivered on DWPF's investment objectives through the acquisition of its first retail property in Perth at Carillon City and the sale of its 50% interest in 324 Queen Street, Brisbane.

The new Gateway and Grosvenor Place food/restaurant precincts in Sydney also opened, enhancing returns for investors and improving office tenant amenity.

DEXUS continued to progress the third party development pipeline which provides an opportunity to improve the quality of its clients' property portfolios and enhance future returns.

iii) 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, then sold.

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

During the period, DEXUS settled on the sale of 57-65 Templar Road, Erskine Park, contributing \$8.3 million⁹ to FY17 trading profits. In January 2017, DEXUS settled on the sale of 79-99 St Hilliers Road, Auburn, securing a further \$17 million⁹ towards FY17 trading profits. The sale of one other trading property is expected to result in the achievement of the FY17 target of \$45-\$50 million post tax.

DEXUS has progressed its priority trading projects and focused on opportunities to restock the future trading pipeline, receiving local Council and Regional Planning Panel endorsement of a concept scheme for an office building at 140 George Street, Parramatta.

⁹ Trading profits are post tax.

CAPITAL MANAGEMENT

- Cost of debt 4.3%
- Duration of debt 5.6 years
- Gearing (look through)¹⁰ 26.5%
- S&P/Moody's credit rating: A-/A3

DEXUS maintained its funding relationships, and has continued to capitalise on reverse enquiry for longer term capital markets debt, assisting with maintaining its debt duration at 5.6 years.

Gearing has significantly reduced as a result of the settlement of asset sales over the past six months. As the sales resulted in a substantial increase in our percentage hedged, DEXUS terminated expensive interest rate swaps to reinstate hedging back towards target levels and reduce the forecast weighted average cost of debt for FY17.

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

OUTLOOK

FY17 GUIDANCE

As a result of the improved performance in the underlying business and confidence in achieving trading sales, DEXUS has upgraded its market guidance¹¹ for growth in underlying FFO per security from 3.0-3.5% to circa 4%, growth in FFO per security to circa 1% and distributions will be paid in line with free cash flow, delivering distribution per security growth of 3.5-4.5% for the 12 months ending 30 June 2017.

¹⁰ Gearing is adjusted for cash and for debt in equity accounted investments. Pro-forma gearing is expected to increase to 26.8% post the settlement of the acquisition of the Mill, Alexandria and the sale of 79-99 St Hilliers Road, Auburn.

¹¹ Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisition; 2.5-3% like-for-like income growth across the DEXUS Office portfolio and 3-4% like-for-like income growth across the DEXUS Industrial portfolio, weighted average cost of debt of circa 4.2%, trading profits of circa \$45-50m net of tax, and Management Operations FFO of circa \$45-50m (including third party development management fees).

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 2016. 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
W Richard Sheppard	1 January 2012
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
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009
Mark Ford	1 November 2016

2 Review of results and operations

Information on the operations and financial position of the group and its business strategies and prospects is set out in the operating and financial review on pages 1 - 7 of this financial report

3 Auditor's Independence Declaration

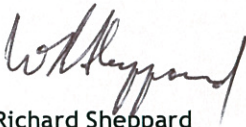
A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

4 Rounding of amounts and currency

The Group is a registered scheme of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 Instrument 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.

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 14 February 2017. The Directors have the power to amend and reissue the Financial Statements.



W Richard Sheppard
Chair
14 February 2017



Darren J Steinberg
Chief Executive Officer
14 February 2017



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Diversified Trust for the half-year ended 31 December 2016, 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', with a star-like mark above the 'A'.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
14 February 2017

DEXUS Diversified Trust
Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2016

	Note	31 Dec 2016 \$m	31 Dec 2015 \$m
Revenue from ordinary activities			
Property revenue		275.4	269.7
Proceeds from sale of inventory		50.0	204.7
Interest revenue		0.3	0.3
Management fee revenue and other		58.3	49.0
Total revenue from ordinary activities		384.0	523.7
Net fair value gain of investment properties		270.5	278.6
Share of net profit of investments accounted for using the equity method		259.8	337.9
Net gain on sale of investment properties		24.2	1.0
Net fair value gain of interest bearing liabilities		91.4	-
Net fair value gain of derivatives		-	31.5
Total income		1,029.9	1,172.7
Expenses			
Property expenses		(77.0)	(73.7)
Cost of sale of inventory		(38.1)	(114.3)
Finance costs	2	(49.9)	(73.3)
Net fair value loss of derivatives		(93.6)	-
Net fair value loss of interest bearing liabilities		-	(30.9)
Transaction costs		-	(1.2)
Management operations, corporate and administration expenses		(48.5)	(46.5)
Total expenses		(307.1)	(339.9)
Profit/(loss) before tax		722.8	832.8
Income tax expense		(6.8)	(35.3)
Profit/(loss) for the period		716.0	797.5
Other comprehensive income/(loss):			
Changes in the fair value of cash flow hedges		6.8	(4.1)
Total comprehensive income/(loss) for the period		722.8	793.4
Profit/(loss) for the period attributable to:			
Unitholders of the parent entity		99.1	139.3
Unitholders of other stapled entities (non-controlling interests)		616.9	658.2
Profit/(loss) for the period		716.0	797.5
Total comprehensive income/(loss) for the period attributable to:			
Unitholders of the parent entity		105.9	135.2
Unitholders of other stapled entities (non-controlling interests)		616.9	658.2
Total comprehensive income/(loss) for the period		722.8	793.4
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity			
Basic earnings per unit		10.24	14.37
Diluted earnings per unit		10.24	14.37
Earnings per stapled security on profit/(loss) attributable to stapled security holders			
Basic earnings per security		73.97	82.27
Diluted earnings per security		73.97	82.27

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 2016

	Note	31 Dec 2016 \$m	30 Jun 2016 \$m
Current assets			
Cash and cash equivalents		19.7	18.1
Receivables		91.9	81.9
Non-current assets classified as held for sale	7	281.1	651.2
Inventories	6	37.2	74.2
Derivative financial instruments	12	29.2	38.6
Other		31.7	11.1
Total current assets		490.8	875.1
Non-current assets			
Investment properties	4	6,796.2	6,419.5
Plant and equipment		17.3	16.5
Inventories	6	229.6	201.8
Investments accounted for using the equity method	5	3,671.8	3,520.2
Derivative financial instruments	12	398.1	438.5
Intangible assets	11	308.1	307.1
Other		4.9	4.1
Total non-current assets		11,426.0	10,907.7
Total assets		11,916.8	11,782.8
Current liabilities			
Payables		132.5	116.8
Current tax liabilities		42.3	40.1
Interest bearing liabilities	8	290.7	316.0
Provisions		245.4	220.8
Derivative financial instruments	12	2.9	4.4
Loans with related parties		161.1	-
Total current liabilities		874.9	698.1
Non-current liabilities			
Interest bearing liabilities	8	2,879.7	3,370.8
Derivative financial instruments	12	47.0	106.3
Deferred tax liabilities		5.2	6.5
Provisions		1.1	1.7
Other		4.5	3.1
Total non-current liabilities		2,937.5	3,488.4
Total liabilities		3,812.4	4,186.5
Net assets		8,104.4	7,596.3
Equity			
Equity attributable to unitholders of the parent entity			
Contributed equity	10	1,984.0	1,984.0
Reserves		15.9	9.1
Retained profits/(accumulated losses)		354.6	321.7
Parent entity unitholders' interest		2,354.5	2,314.8
Equity attributable to unitholders of other stapled entities			
Contributed equity	10	3,926.1	3,926.1
Reserves		38.4	43.0
Retained profits/(accumulated losses)		1,785.4	1,312.4
Other stapled unitholders' interest		5,749.9	5,281.5
Total equity		8,104.4	7,596.3

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 2016

	Note	Attributable to unitholders of the parent entity				Attributable to unitholders of other stapled entities				Total equity \$m
		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 2015		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/(loss) for the period		-	-	139.3	139.3	-	-	658.2	658.2	797.5
Other comprehensive income/(loss) 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
Opening balance as at 1 July 2016		1,984.0	9.1	321.7	2,314.8	3,926.1	43.0	1,312.4	5,281.5	7,596.3
Net profit for the period		-	-	99.1	99.1	-	-	616.9	616.9	716.0
Other comprehensive income for the period		-	6.8	-	6.8	-	-	-	-	6.8
Total comprehensive income for the period		-	6.8	99.1	105.9	-	-	616.9	616.9	722.8
Transactions with owners in their capacity as owners										
Purchase of securities, net of transaction costs		-	-	-	-	-	(7.4)	-	(7.4)	(7.4)
Security-based payments expense		-	-	-	-	-	2.8	-	2.8	2.8
Distributions paid or provided for	3	-	-	(66.2)	(66.2)	-	-	(143.9)	(143.9)	(210.1)
Total transactions with owners in their capacity as owners		-	-	(66.2)	(66.2)	-	(4.6)	(143.9)	(148.5)	(214.7)
Closing balance as at 31 December 2016		1,984.0	15.9	354.6	2,354.5	3,926.1	38.4	1,785.4	5,749.9	8,104.4

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 2016

	31 Dec 2016	31 Dec 2015
	\$m	\$m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	388.7	361.9
Payments in the course of operations (inclusive of GST)	(152.6)	(154.6)
Interest received	0.3	0.3
Finance costs paid to financial institutions	(72.4)	(62.7)
Distributions received from investments accounted for using the equity method	121.2	122.5
Income and withholding taxes paid	(6.4)	(4.5)
Proceeds from sale of property classified as inventory	50.0	198.0
Payments for property classified as inventory	(27.2)	(22.4)
Net cash inflow/(outflow) from operating activities	301.6	438.5
Cash flows from investing activities		
Proceeds from sale of investment properties	422.7	6.5
Payments for capital expenditure on investment properties	(67.6)	(56.7)
Payments for investments accounted for using the equity method	(29.6)	(192.6)
Payments for acquisition of investment properties	(67.6)	(307.3)
Payments for plant and equipment	(2.3)	(3.9)
Payments for software	(3.2)	(3.6)
Net cash inflow/(outflow) from investing activities	252.4	(557.7)
Cash flows from financing activities		
Proceeds from borrowings	1,551.2	1,867.9
Repayment of borrowings	(2,059.3)	(1,503.8)
Borrowings received from related parties	161.1	-
Payments for buy-back of contributed equity	-	(20.4)
Purchase of securities for security-based payments plans	(7.4)	(4.6)
Distributions paid to security holders	(198.0)	(207.4)
Net cash inflow/(outflow) from financing activities	(552.4)	131.7
Net increase/(decrease) in cash and cash equivalents	1.6	12.5
Cash and cash equivalents at the beginning of the period	18.1	13.0
Cash and cash equivalents at the end of the period	19.7	25.5

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 2016 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 2016 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 \$599.5 million (June 2016: \$411.9 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 \$384.1 million (June 2016: \$140.2 million surplus).

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 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. Contingencies	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 including results by operating segment and finance costs. These line items are presented on a proportional consolidation basis to include the Group's share of equity accounted investments.

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 management	Funds management	Development and trading	All other segments	Eliminations	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
31 December 2016								
Segment performance measures								
Property revenue and property management fees	326.2	63.6	13.5	-	-	-	(1.1)	402.2
Proceeds from sale of inventory	-	-	-	-	50.0	-	-	50.0
Management fee revenue	-	-	17.7	25.6	3.5	-	-	46.8
Total operating segment revenue	326.2	63.6	31.2	25.6	53.5	-	(1.1)	499.0
Property expenses & property management salaries	(77.2)	(13.1)	(12.1)	-	-	-	-	(102.4)
Management operations expenses	-	-	(12.7)	(10.0)	(4.5)	-	-	(27.2)
Corporate and administration expenses	(7.6)	(1.8)	-	-	-	(10.7)	1.1	(19.0)
Cost of sale of inventory	-	-	-	-	(38.1)	-	-	(38.1)
Interest revenue	-	-	-	-	-	0.6	-	0.6
Finance costs	-	-	-	-	-	(65.1)	-	(65.1)
Incentive amortisation and rent straight-line	45.3	5.0	-	-	-	-	-	50.3
Tax expense	-	-	-	-	(3.6)	(4.4)	-	(8.0)
Rental guarantee and other	5.9	-	-	-	-	-	-	5.9
Funds From Operations (FFO)	292.6	53.7	6.4	15.6	7.3	(79.6)	-	296.0
Net fair value gain/(loss) of investment properties	381.4	14.6	-	-	-	-	-	396.0
Net fair value gain/(loss) of derivatives	-	-	-	-	-	(80.9)	-	(80.9)
Net gain/(loss) on sale of investment properties	71.4	-	-	-	-	-	-	71.4
Net fair value gain/(loss) of interest bearing liabilities	-	-	-	-	-	91.4	-	91.4
Incentive amortisation and rent straight-line	(45.3)	(5.0)	-	-	-	-	-	(50.3)
Amortisation of intangible assets	-	-	-	-	-	(2.0)	-	(2.0)
Deferred tax (expense)/benefit	-	-	-	-	-	1.2	-	1.2
Rental guarantee and other	(6.8)	-	-	-	-	-	-	(6.8)
Net profit/(loss) attributable to stapled security holders	693.3	63.3	6.4	15.6	7.3	(69.9)	-	716.0
31 December 2016								
Segment asset measures								
Investment properties	5,351.0	1,445.2	-	-	-	-	-	6,796.2
Non-current assets held for sale	281.1	-	-	-	-	-	-	281.1
Inventories	-	-	-	-	266.8	-	-	266.8
Equity accounted investment properties	3,525.4	111.9	-	-	-	-	-	3,637.3
Direct property portfolio	9,157.5	1,557.1	-	-	266.8	-	-	10,981.4

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
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	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 of investment properties	528.0	5.7	-	-	-	-	-	533.7
Net fair value loss of derivatives	-	-	-	-	-	21.2	-	21.2
Finance costs attributable to sales transactions	-	-	-	-	-	(1.2)	-	(1.2)
Net (loss)/ gain on sale of investment properties	14.0	1.0	-	-	-	-	-	15.0
Net fair value loss of interest bearing liabilities	-	-	-	-	-	(30.9)	-	(30.9)
Incentive amortisation and rent straight-line	(42.2)	(4.0)	-	-	-	-	-	(46.2)
Deferred tax expense	-	-	-	-	-	(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
30 June 2016								
Segment asset measures								
Investment properties	4,997.4	1,422.1	-	-	-	-	-	6,419.5
Non-current assets held for sale	651.2	-	-	-	-	-	-	651.2
Inventories	-	-	-	-	276.0	-	-	276.0
Equity accounted investment properties	3,539.7	101.0	-	-	-	-	-	3,640.7
Direct property portfolio	9,188.3	1,523.1	-	-	276.0	-	-	10,987.4

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, amortisation of intangible assets rental guarantees and coupon income.

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

	31 Dec 2016 \$m	31 Dec 2015 \$m
Gross operating segment revenue	499.0	622.0
Share of property revenue from joint ventures	(126.7)	(104.5)
Share of management fees charged to joint ventures	11.4	5.9
Interest revenue	0.3	0.3
Total revenue from ordinary activities	384.0	523.7

(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 2016 \$m	30 Jun 2016 \$m
Direct property portfolio ¹	10,981.4	10,987.4
Cash and cash equivalents	19.7	18.1
Receivables	91.9	81.9
Intangible assets	308.1	307.1
Derivative financial instruments	427.3	477.1
Plant and equipment	17.3	16.5
Prepayments and other assets ²	71.1	(105.3)
Total assets	11,916.8	11,782.8

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 2016	31 Dec 2015
	\$m	\$m
Interest paid/payable	59.4	57.8
Net fair value (gain)/loss of interest rate swaps	(7.8)	16.5
Amount capitalised	(4.8)	(3.7)
Other finance costs	3.1	2.7
Total finance costs	49.9	73.3

Note 3

Distributions paid and payable

Distributions are recognised when declared.

(a) Distribution to security holders

	31 Dec 2016	31 Dec 2015
	\$m	\$m
31 December (payable 28 February 2017)	210.1	223.1
Total distribution to security holders	210.1	223.1

(b) Distribution rate

	31 Dec 2016	31 Dec 2015
	Cents per security	Cents per security
31 December (payable 28 February 2017)	21.71	23.05
Total distributions	21.71	23.05

Property portfolio assets

In this section

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

31 December 2016	Note	Office \$m	Industrial \$m	Total \$m
Investment properties	4	5,351.0	1,445.2	6,796.2
Equity accounted investments	5	3,525.4	111.9	3,637.3
Inventories	6	64.1	202.7	266.8
Assets held for sale	7	281.1	-	281.1
Total		9,221.6	1,759.8	10,981.4

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

	Note	For the 6 months to 31 Dec 2016 \$m	For the 12 months to 30 Jun 2016 \$m
Opening balance at the beginning of the period		6,419.5	6,207.3
Additions		41.5	121.9
Acquisitions		62.1	344.4
Lease incentives		37.0	89.6
Amortisation of lease incentives		(32.7)	(69.4)
Rent straightlining		1.7	4.5
Transfer to non-current assets classified as held for sale		-	(651.2)
Transfer to inventories	6	-	(79.7)
Net fair value gain/(loss) of investment properties		267.1	452.1
Closing balance at the end of the period		6,796.2	6,419.5

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 2016	30 Jun 2016
	31 Dec 2016	30 Jun 2016		
	%	%	\$m	\$m
Bent Street Trust	33.3	33.3	316.4	308.1
DEXUS Creek Street Trust	50.0	50.0	139.2	137.9
DEXUS Martin Place Trust ¹	50.0	50.0	160.9	111.2
Grosvenor Place Holding Trust ^{2,3}	50.0	50.0	361.4	352.9
Site 6 Homebush Bay Trust ²	50.0	50.0	30.6	30.7
Site 7 Homebush Bay Trust ²	50.0	50.0	42.9	43.1
DEXUS 480 Q Holding Trust	50.0	50.0	355.8	344.1
DEXUS Kings Square Trust	50.0	50.0	214.9	216.1
DEXUS Office Trust Australia	50.0	50.0	1,903.7	1,844.8
DEXUS Industrial Trust Australia	50.0	50.0	114.5	101.7
DEXUS Eagle Street Pier Trust	50.0	50.0	31.5	29.6
Total assets - investments accounted for using the equity method⁴			3,671.8	3,520.2

- 1 The Group has exchanged and settled on the sale of its 50% interest in the office tower at 39 Martin Place, Sydney, NSW on 11 November 2016 for gross proceeds of \$320 million. These proceeds were provided to the co-owners as a non-interest bearing loan payable on demand.
- 2 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 requiring unanimous decisions on all relevant matters.
- 3 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%.
- 4 The Group's share of investment properties in the investments accounted for using the equity method were \$3,637.3 million (June 2016: \$3,640.7 million).

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

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

	31 Dec 2016	30 Jun 2016
	\$m	\$m
Current assets		
Land and properties held for resale	37.2	74.2
Total current assets - inventories	37.2	74.2
Non-current assets		
Land and properties held for resale	229.6	201.8
Total non-current assets - inventories	229.6	201.8
Total assets - inventories	266.8	276.0

(b) Reconciliation

		For the 6 months to 31 Dec 2016	For the 12 months to 30 Jun 2016
	Note	\$m	\$m
Opening balance at the beginning of the period		276.0	274.8
Transfer from investment properties	4	-	79.7
Disposals		(37.7)	(114.3)
Acquisitions and additions		28.5	35.8
Closing balance at the end of the period		266.8	276.0

Disposals

- On 1 July 2016, settlement occurred on the sale of 57-65 Templar Rd, Erskine Park, NSW for gross proceeds of \$50.0 million.

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. Non-current assets classified as held for sale relate to investment properties and are measured at fair value.

As at 31 December 2016, the balance relates to the Group's remaining 50% share of Southgate Complex at 3 Southgate Avenue, Melbourne. The balance represents the cash price equivalent at 31 December 2016 of the deferred gross proceeds of \$289.0m.

Disposals

On 29 July 2016, settlement occurred on the sale of The Zenith, 821 Pacific Highway, Chatswood, NSW for gross proceeds of \$139.5 million.

On 4 November 2016, the Group sold 50% of its interest in Southgate Complex at 3 Southgate Avenue, Melbourne for gross proceeds of \$289.0 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 shareholders (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 2016 \$m	30 Jun 2016 \$m
Current			
Unsecured			
US senior notes	(b)	30.4	55.2
Bank loans	(c)	50.0	50.0
Medium term notes	(e)	210.3	210.8
Total unsecured		290.7	316.0
Total current liabilities - interest bearing liabilities		290.7	316.0
Non-current			
Unsecured			
US senior notes	(a), (b)	1,505.5	1,561.5
Bank loans	(c)	867.0	1,356.0
Commercial paper	(d)	100.0	100.0
Medium term notes	(e)	418.3	365.9
Total unsecured		2,890.8	3,383.4
Deferred borrowing costs		(11.1)	(12.6)
Total non-current liabilities - interest bearing liabilities		2,879.7	3,370.8
Total interest bearing liabilities		3,170.4	3,686.8

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

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

Type of facility	Notes	Currency	Security	Maturity Date	\$m	\$m
					Utilised ¹	Facility Limit
					\$m	\$m
US senior notes (144A)	(a)	US\$	Unsecured	Mar-21	344.9	344.9
US Senior notes (USPP) ¹	(b)	US\$	Unsecured	Mar-17 to Jul-28	1,066.9	1,066.9
US Senior notes (USPP)	(b)	A\$	Unsecured	Jun-28	100.0	100.0
Medium term notes	(e)	A\$	Unsecured	Apr-17 to Nov-25	628.6	628.6
Commercial paper	(d)	A\$	Unsecured	Sep-18	100.0	100.0
Multi-option revolving credit facilities	(c)	Multi Currency	Unsecured	Dec-17 to Aug-22	917.0	1,550.0
Total					3,157.4	3,790.4
Bank guarantee in place					33.5	
Unused at balance date					599.5	

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\$344.9 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\$772.0 million and A\$100.0 million (A\$1,166.9 million) of US senior notes with a weighted average maturity of March 2026. \$US750.0 million is designated as an accounting hedge using cross currency interest rate swaps with the same notional value. The remaining US\$22.0 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 December 2017 and August 2022 with a weighted average maturity of February 2020. A\$33.5 million is utilised as bank guarantees for AFSL requirements and other business requirements including developments.

(d) Commercial Paper

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

(e) Medium Term Notes

This includes a total of A\$624.5 million of Medium Term Notes with a weighted average maturity of March 2020. The remaining A\$4.1 million is the net premium on the issue of these instruments. A further \$75.5 million of Medium Term Notes were issued in January 2017 with a maturity of November 2025, resulting in a weighted average maturity of October 2020.

Note 9**Contingencies and Commitments**

DDF, together with DIT, DOT and DXO, is a guarantor of A\$3,790.4 million of debt facilities. 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 \$33.5 million, comprising \$32.1 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and \$1.4 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 shareholders of the parent entity**

	For the 6 months to 31 Dec 2016	For the 12 months to 30 Jun 2016
Opening balance at the beginning of the period	1,984.0	1,990.6
Buy-back of contributed equity, net of transaction costs	-	(6.6)
Closing balance at the end of the period	1,984.0	1,984.0

(b) Contributed equity of shareholders of other stapled entities

	For the 6 months to 31 Dec 2016 \$m	For the 12 months to 30 Jun 2016 \$m
Opening balance at the beginning of the period	3,926.1	3,939.9
Buy-back of contributed equity, net of transaction costs	-	(13.8)
Closing balance at the end of the period	3,926.1	3,926.1

(c) Number of securities on issue

	For the 6 months to 31 Dec 2016 No. of securities	For the 12 months to 30 Jun 2016 No. of securities
Opening balance at the beginning of the period	967,947,692	970,806,349
Buy-back of contributed equity	-	(2,858,657)
Closing balance at the end of the period	967,947,692	967,947,692

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 \$4.4 million (June 2016: \$4.6 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 16 years. Management rights that are deemed to have an indefinite life are held at a value of \$286.0 million (June 2016: \$286.0 million).

Software is measured at cost and amortised using the straight-line method over its estimated useful life expected to be 3-5 year useful lives of the assets.

	31 Dec 2016	30 Jun 2016
	\$m	\$m
Management rights		
Opening balance at the beginning of the period	290.6	290.8
Amortisation charge	(0.2)	(0.2)
Closing balance at the end of the period	290.4	290.6
Cost	294.4	294.4
Accumulated amortisation	(4.0)	(3.8)
Total management rights	290.4	290.6
Goodwill		
Opening balance at the beginning of the period	1.3	1.4
Impairment	(0.1)	(0.1)
Closing balance at the end of the period	1.2	1.3
Cost	3.0	3.0
Accumulated impairment	(1.8)	(1.7)
Total goodwill	1.2	1.3
Software		
Opening balance at the beginning of the period	15.2	9.2
Additions	3.2	9.1
Amortisation charge	(1.9)	(3.1)
Closing balance at the end of the period	16.5	15.2
Cost	32.7	29.5
Accumulated amortisation	(16.2)	(14.3)
Total other intangible assets	16.5	15.2
Total non-current assets - intangible assets	308.1	307.1

As at 31 December 2016, 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 2016 and 30 June 2016, the carrying amounts of financial assets and liabilities are held at fair value excluding interest bearing liabilities which have a carrying amount of \$3,170.4 million and a fair value of \$3,249.2 million. The Group uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

Level 3: the fair value is estimated using inputs for the asset or liability that are 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

On 19 January 2017, The Mill, located at 41-13 Bourke Road, Alexandria, was acquired for \$110.2 million excluding acquisition costs.

On 31 January 2017, 79-99 St Hilliers Rd, Auburn was disposed of for gross proceeds of \$65.0 million.

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

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 2016 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



W Richard Sheppard

Chair

14 February 2017



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 2016, 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 the DEXUS Property Group (the consolidated entity). The 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 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 2016 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
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



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 2016 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*.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'E A Barron', with a star symbol above the letter 'A'.

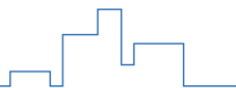
E A Barron
Partner

Sydney
14 February 2017

DEXUS Industrial Trust

(ARSN 090 879 137)

Interim Report
31 December 2016



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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 2016. 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
W Richard Sheppard	1 January 2012
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
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009
Mark Ford	1 November 2016

2 Review of results and operations

The results for the half year ended 31 December 2016 were:

- profit attributable to unitholders was \$40.7 million (December 2015: \$41.8 million);
- total assets were \$1,064.2 million (June 2016: \$1,050.7 million); and
- net assets were \$965.5 million (June 2016: \$947.2 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.

3 Auditor's Independence Declaration

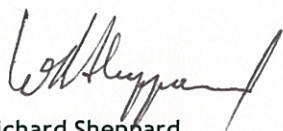
A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 Instrument 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 14 February 2017. The Directors have the power to amend and reissue the Financial Statements.



W Richard Sheppard
Chair
14 February 2017



Darren J Steinberg
Chief Executive Officer
14 February 2017



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Industrial Trust for the half-year ended 31 December 2016, 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', with a stylized flourish at the end.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
14 February 2017

DEXUS Industrial Trust
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue from ordinary activities			
Property revenue		28,934	32,373
Interest revenue		4,730	2,975
Total revenue from ordinary activities		33,664	35,348
Net fair value gain of investment properties		14,713	19,991
Net fair value gain of derivatives		1,207	53
Total income		49,584	55,392
Expenses			
Property expenses		(5,818)	(7,664)
Management fee expense		(1,018)	(1,088)
Finance costs	2	(235)	(1,433)
Net loss on sale of investment properties		-	(263)
Net foreign exchange loss		(1,537)	(2,791)
Management operations, corporate and administration expenses		(270)	(400)
Total expenses		(8,878)	(13,639)
Profit/(loss) for the period		40,706	41,753
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the period		40,706	41,753
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity			
Basic earnings per unit		4.21	4.31
Diluted earnings per unit		4.21	4.31

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 2016

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Current assets			
Cash and cash equivalents		1,914	2,441
Receivables		2,343	2,786
Loans with related parties	5	138,948	138,948
Derivative financial instruments		4,881	8,675
Other		2,373	1,070
Total current assets		150,459	153,920
Non-current assets			
Investment properties	3	688,700	674,321
Loans with related parties	5	224,716	221,243
Derivative financial instruments		317	1,243
Total non-current assets		913,733	896,807
Total assets		1,064,192	1,050,727
Current liabilities			
Payables		60,969	61,785
Provisions		24,424	25,621
Derivative financial instruments		151	153
Total current liabilities		85,544	87,559
Non-current liabilities			
Derivative financial instruments		13,118	15,993
Other		2	2
Total non-current liabilities		13,120	15,995
Total liabilities		98,664	103,554
Net assets		965,528	947,173
Equity			
Contributed equity	4	1,255,798	1,255,798
Retained profits/(accumulated losses)		(290,270)	(308,625)
Total equity		965,528	947,173

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

DEXUS Industrial Trust
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2016

	Contributed equity \$'000	Retained profits/ (losses) \$'000	Total equity \$'000
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	(2,789)	-	(2,789)
Distributions paid or provided for	-	(24,226)	(24,226)
Total transactions with owners in their capacity as owners	(2,789)	(24,226)	(27,015)
Closing balance as at 31 December 2015	1,255,798	(316,182)	939,616
Opening balance as at 1 July 2016	1,255,798	(308,625)	947,173
Profit/(loss) for the period	-	40,706	40,706
Other comprehensive income/(loss) for the period	-	-	-
Total comprehensive income for the period	-	40,706	40,706
Transactions with owners in their capacity as unitholders:			
Distributions paid or provided for	-	(22,351)	(22,351)
Total transactions with owners in their capacity as owners	-	(22,351)	(22,351)
Closing balance as at 31 December 2016	1,255,798	(290,270)	965,528

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

DEXUS Industrial Trust
Consolidated Statement of Cash Flows
For the half year ended 31 December 2016

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	33,771	37,288
Payments in the course of operations (inclusive of GST)	(9,750)	(11,223)
Interest received	8	8
Finance costs paid to financial institutions	(1,143)	(8,696)
Net cash inflow/(outflow) from operating activities	22,886	17,377
Cash flows from investing activities		
Proceeds from sale of investment properties	-	79,270
Payments for capital expenditure on investment properties	(2,575)	(5,950)
Net cash inflow/(outflow) from investing activities	(2,575)	73,320
Cash flows from financing activities		
Borrowings provided to related parties	(56,846)	(122,703)
Borrowings received from related parties	61,648	102,377
Payments for buy-back of contributed equity	-	(2,789)
Distributions paid to security holders	(25,621)	(67,356)
Net cash inflow/(outflow) from financing activities	(20,819)	(90,471)
Net increase/(decrease) in cash and cash equivalents	(508)	226
Cash and cash equivalents at the beginning of the year	2,441	1,979
Effects of exchange rate changes on cash and cash equivalents	(19)	(1)
Cash and cash equivalents at the end of the period	1,914	2,204

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 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 unstack 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 2016 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 2016 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 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 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 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.

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 Report.

Note 2

Finance costs

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Interest paid/payable	69	184
Net fair value loss of interest rate swaps	-	1,133
Other finance costs	166	116
Total finance costs	235	1,433

Note 3**Investment properties**

	For the 6 months to 31 Dec 2016	For the 12 months to 30 Jun 2016
	\$'000	\$'000
Opening balance at the beginning of the period	674,321	655,646
Additions	922	6,111
Lease incentives	2,035	5,755
Amortisation of lease incentives	(3,206)	(6,819)
Rent straightlining	(85)	361
Disposals	-	(35,950)
Transfer from non-current assets classified as held for sale	-	22,300
Net fair value gain/(loss) of investment properties	14,713	26,917
Closing balance at the end of the period	688,700	674,321

Note 4**Contributed equity****(a) Contributed equity**

	For the 6 months to 31 Dec 2016	For the 12 months to 30 Jun 2016
	\$'000	\$'000
Opening balance at the beginning of the period	1,255,798	1,258,587
Buy-back of contributed equity, net of transaction costs	-	(2,789)
Closing balance at the end of the period	1,255,798	1,255,798

(b) Number of units on issue

	For the 6 months to 31 Dec 2016	For the 12 months to 30 Jun 2016
	No. of securities	No. of securities
Opening balance at the beginning of the period	967,947,692	970,806,349
Buy-back of contributed equity	-	(2,858,657)
Closing balance at the end of the period	967,947,692	967,947,692

Note 5

Fair value of financial instruments

As at 31 December 2016 and 30 June 2016, the carrying amounts of financial assets and liabilities are held at fair value. The Trust uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

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

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.

Current loans with related parties are non-interest bearing loans with entities within DXS which were created to effect the stapling of the Trust, DDF, DOT and DXO. Non-current loans with related parties are interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

Note 6

Contingencies

The Trust together with DDF, DXO and DOT is a guarantor of A\$3,790.4 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 above 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 7

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.

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 11 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 2016 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

14 February 2017



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 2016, 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 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 2016 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*.

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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 2016 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*.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'E A Barron', with a star-like mark above the 'A'.

E A Barron
Partner

Sydney
14 February 2017

DEXUS Office Trust

(ARSN 090 768 531)

Interim Report
31 December 2016



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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 Office Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2016. 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
W Richard Sheppard	1 January 2012
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
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009
Mark Ford	1 November 2016

2 Review of results and operations

The results for the half year ended 31 December 2016 were:

- profit attributable to unitholders was \$555.3 million (December 2015: \$535.4 million);
- total assets were \$7,678.9 million (June 2016: \$7,606.7 million); and
- net assets were \$4,402.0 million (June 2016: \$3,966.7 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.

3 Auditor's Independence Declaration

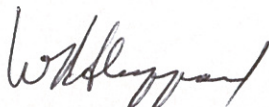
A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 Instrument 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.

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 14 February 2017. The Directors have the power to amend and reissue the Financial Statements.



W Richard Sheppard
Chair
14 February 2017



Darren J Steinberg
Chief Executive Officer
14 February 2017



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Office Trust for the half-year ended 31 December 2016, 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', with a circular mark around the 'A' and a flourish extending to the right.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
14 February 2017

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2016

	Note	31 Dec 2016 \$m	31 Dec 2015 \$m
Revenue from ordinary activities			
Property revenue		150.0	143.2
Interest revenue		0.1	0.1
Total revenue from ordinary activities		150.1	143.3
Net fair value gain of investment properties		226.8	178.8
Share of net profit of investments accounted for using the equity method		260.1	339.6
Net gain on sale of investment properties		24.2	-
Net foreign exchange gain		-	0.2
Total income		661.2	661.9
Expenses			
Property expenses		(39.3)	(40.4)
Management fee expense		(6.1)	(6.5)
Finance costs	2	(60.3)	(78.6)
Management operations, corporate and administration expenses		(0.2)	(0.7)
Total expenses		(105.9)	(126.2)
Profit before tax		555.3	535.7
Income tax expense		-	(0.3)
Profit for the period		555.3	535.4
Other comprehensive income/(loss)		-	-
Total comprehensive income for the period		555.3	535.4
		Cents	Cents
Earnings per unit on profit attributable to unitholders of the parent entity			
Basic earnings per unit		57.37	55.23
Diluted earnings per unit		57.37	55.23

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

DEXUS Office Trust
Consolidated Statement of Financial Position
As at 31 December 2016

	Note	31 Dec 2016 \$m	30 Jun 2016 \$m
Current assets			
Cash and cash equivalents		11.5	7.2
Receivables		47.8	39.6
Non-current assets classified as held for sale	5	281.1	651.2
Derivative financial instruments	7	-	0.1
Other		11.4	4.7
Total current assets		351.8	702.8
Non-current assets			
Investment properties	3	3,760.5	3,482.8
Investments accounted for using the equity method	4	3,557.2	3,418.5
Derivative financial instruments	7	7.5	1.4
Other		1.9	1.2
Total non-current assets		7,327.1	6,903.9
Total assets		7,678.9	7,606.7
Current liabilities			
Payables		71.6	53.1
Loans with related parties	7	216.8	55.7
Provisions		127.7	91.0
Derivative financial instruments	7	3.0	4.1
Total current liabilities		419.1	203.9
Non-current liabilities			
Loans with related parties	7	2,830.2	3,345.7
Derivative financial instruments	7	27.5	90.3
Other		0.1	0.1
Total non-current liabilities		2,857.8	3,436.1
Total liabilities		3,276.9	3,640.0
Net assets		4,402.0	3,966.7
Equity			
Contributed equity	6	2,432.4	2,432.4
Retained profits/(accumulated losses)		1,969.6	1,534.3
Total equity		4,402.0	3,966.7

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 2016

	Contributed equity	Retained profits/ (losses)	Reserves	Total equity
	\$m	\$m	\$m	\$m
Opening balance as at 1 July 2015	2,442.6	936.0	-	3,378.6
Profit/(loss) for the period	-	535.4	-	535.4
Other comprehensive income/(loss) for the period	-	-	-	-
Total comprehensive income for the period	-	535.4	-	535.4
Transactions with owners in their capacity as unitholders:				
Buy-back of contributed equity, net of transaction costs	(10.2)	-	-	(10.2)
Distributions paid or provided for	-	(127.2)	-	(127.2)
Total transactions with owners in their capacity as owners	(10.2)	(127.2)	-	(137.4)
Closing balance as at 31 December 2015	2,432.4	1,344.2	-	3,776.6
Opening balance as at 1 July 2016	2,432.4	1,534.3	-	3,966.7
Profit/(loss) for the period	-	555.3	-	555.3
Other comprehensive income/(loss) for the period	-	-	-	-
Total comprehensive income for the period	-	555.3	-	555.3
Transactions with owners in their capacity as unitholders:				
Distributions paid or provided for	-	(120.0)	-	(120.0)
Total transactions with owners in their capacity as owners	-	(120.0)	-	(120.0)
Closing balance as at 31 December 2016	2,432.4	1,969.6	-	4,402.0

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

DEXUS Office Trust
Consolidated Statement of Cash Flows
For the half year ended 31 December 2016

	31 Dec 2016	31 Dec 2015
	\$m	\$m
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	173.0	171.6
Payments in the course of operations (inclusive of GST)	(51.4)	(61.9)
Interest received	0.1	0.1
Finance costs paid to financial institutions	(61.6)	(10.7)
Distributions received from investments accounted for using the equity method	120.7	122.5
Income and withholding taxes paid	-	(4.6)
Net cash inflow/(outflow) from operating activities	180.8	217.0
Cash flows from investing activities		
Net proceeds from sale of investment properties	422.7	-
Payments for capital expenditure on investment properties	(49.3)	(32.4)
Payments for acquisition of investment properties	(18.1)	(307.3)
Payments for investments accounted for using the equity method	(17.6)	(172.1)
Net cash inflow/(outflow) from investing activities	337.7	(511.8)
Cash flows from financing activities		
Borrowings provided to related parties	(1,078.8)	(170.3)
Borrowings received from related parties	655.6	514.6
Payments for buy-back of contributed equity	-	(10.2)
Distributions paid to security holders	(91.0)	(29.5)
Net cash inflow/(outflow) from financing activities	(514.2)	304.6
Net increase/(decrease) in cash and cash equivalents	4.3	9.8
Cash and cash equivalents at the beginning of the period	7.2	7.0
Cash and cash equivalents at the end of the period	11.5	16.8

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 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 the Australian Accounting Standards. DEXUS Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstack 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 2016 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 2016 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 2016, the Trust had a net current asset deficiency of \$67.3 million (June 2016: \$498.9 million surplus). 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 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.

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 2016	31 Dec 2015
	\$m	\$m
Interest paid to related parties	68.7	62.7
Net fair value (gain)/loss of interest rate swaps	(6.6)	15.9
Amount capitalised	(1.8)	-
Total finance costs	60.3	78.6

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

	For the 6 months to 31 Dec 2016	For the 12 months to 30 Jun 2016
	\$m	\$m
Opening balance at the beginning of the period	3,482.8	3,417.5
Additions	28.9	68.6
Acquisitions	18.1	344.5
Lease incentives	24.7	64.8
Amortisation of lease incentives	(18.6)	(42.9)
Rent straightlining	1.1	2.1
Transfer to non-current assets classified as held for sale	-	(651.2)
Net fair value gain/(loss) of investment properties	223.5	279.4
Closing balance at the end of the period	3,760.5	3,482.8

Note 4

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 2016 \$m	30 Jun 2016 \$m
	31 Dec 2016 %	30 Jun 2016 %		
Bent Street Trust	33.3	33.3	316.4	308.1
DEXUS Creek Street Trust	50.0	50.0	139.2	137.9
DEXUS Martin Place Trust ¹	50.0	50.0	160.9	111.2
Grosvenor Place Holding Trust ^{2,3}	50.0	50.0	361.4	352.9
Site 6 Homebush Bay Trust ²	50.0	50.0	30.6	30.7
Site 7 Homebush Bay Trust ²	50.0	50.0	42.9	43.1
DEXUS 480 Q Holding Trust	50.0	50.0	355.8	344.1
DEXUS Kings Square Trust	50.0	50.0	214.9	216.1
DEXUS Office Trust Australia	50.0	50.0	1,903.6	1,844.8
DEXUS Eagle Street Pier Trust	50.0	50.0	31.5	29.6
Total assets - investments accounted for using the equity method⁴			3,557.2	3,418.5

- 1 The Group has exchanged and settled on the sale of its 50% interest in the office tower at 39 Martin Place, Sydney NSW on 11 November 2016 for gross proceeds of \$320.0 million. These proceeds were provided to the co-owners as a non-interest bearing loan payable on demand.
- 2 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.
- 3 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%.
- 4 The Group's share of investment properties in the investments accounted for using the equity method were \$3,525.4 million (June 2016: \$3,539.5 million).

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

Note 5

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. Non-current assets classified as held for sale relate to investment properties and are measured at fair value.

As at 31 December 2016, the balance relates to the Group's remaining 50% share of Southgate Complex at 3 Southgate Avenue, Melbourne. The balance represents the cash price equivalent at 31 December of the deferred gross proceeds of \$289.0 million.

Disposals

On 29 July 2016, settlement occurred on the sale of The Zenith, 821 Pacific Highway, Chatswood, NSW for gross proceeds of \$139.5 million.

On 4 November 2016, the Group sold 50% of its interest in Southgate Complex at 3 Southgate Avenue, Melbourne for gross proceeds of \$289.0 million.

Note 6**Contributed equity****(a) Contributed equity**

	For the 6 months to 31 Dec 2016	For the 12 months to 30 Jun 2016
	\$m	\$m
Opening balance at the beginning of the period	2,432.4	2,442.6
Buy-back of contributed equity, net of transaction costs	-	(10.2)
Closing balance at the end of the period	2,432.4	2,432.4

(b) Number of units on issue

	For the 6 months to 31 Dec 2016	For the 12 months to 30 Jun 2016
	No. of units	No. of units
Opening balance at the beginning of the period	967,947,692	970,806,349
Buy-back of contributed equity	-	(2,858,657)
Closing balance at the end of the period	967,947,692	967,947,692

Note 7

Fair value of financial instruments

As at 31 December 2016 and 30 June 2016, the carrying amounts of financial assets and liabilities are held at fair value excluding interest bearing liabilities which have a carrying amount of \$3,170.4 million and a fair value of \$3,249.2 million. 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 8

Contingencies

The Trust together with DDF, DIT and DXO, is a guarantor of A\$3,790.4 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 above 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 unit holders as at the date of completion of this report.

Note 9

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.

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 13 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 2016 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

14 February 2017



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 2016, 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 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 2016 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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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 2016 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*.

PricewaterhouseCoopers

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

E A Barron
Partner

Sydney
14 February 2017

DEXUS Operations Trust

(ARSN 110 521 223)

Interim Report
31 December 2016



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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 Operations Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2016. 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
W Richard Sheppard	1 January 2012
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
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009
Mark Ford	1 November 2016

2 Review of results and operations

The results for the half year ended 31 December 2016 were:

- net profit for the half year was \$ 23.6 million (December 2015: \$84.5 million);
- total assets were \$ 811.3 million (June 2016: \$814.6 million); and
- net assets were \$ 389.5 million (June 2016: \$366.1 million).

A review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out in the Directors' Report of the DEXUS Property Group Interim Report.

3 Auditor's Independence Declaration

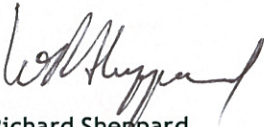
A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Directors' Report.

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, 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 Instrument 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 14 February 2017. The Directors have the power to amend and reissue the Financial Statements.



W Richard Sheppard
Chair
14 February 2017



Darren J Steinberg
Chief Executive Officer
14 February 2017



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Operations Trust for the half-year ended 31 December 2016, 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 read 'E A Barron', with a star symbol integrated into the signature.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
14 February 2017

DEXUS Operations Trust
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2016

	Note	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue from ordinary activities			
Property revenue		13,302	23,140
Proceeds from sale of inventory		50,000	204,727
Distribution revenue		-	261
Interest revenue		57	108
Management fee revenue	2	77,969	69,160
Total revenue from ordinary activities		141,328	297,396
Net fair value gain of investment properties	5	668	7,350
Net gain on sale of investment properties		-	1,004
Total income		141,996	305,750
Expenses			
Property expenses		(4,854)	(6,536)
Cost of sale of inventory		(38,147)	(114,282)
Finance costs	3	(4,812)	(9,597)
Impairment of goodwill		(49)	(49)
Management operations, corporate and administration expenses		(62,790)	(55,795)
Total expenses		(110,652)	(186,259)
Profit/(loss) before tax		31,344	119,491
Income tax expense		(7,761)	(35,011)
Profit/(loss) for the period		23,583	84,480
Other comprehensive income/(loss):			
Changes in fair value of available-for-sale financial assets		36	(522)
Total comprehensive income/(loss) for the period		23,619	83,958
Earnings per unit			
		Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity			
Basic earnings per unit		2.44	8.72
Diluted earnings per unit		2.44	8.72

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 2016

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Current assets			
Cash and cash equivalents		1,190	6,061
Receivables		38,852	39,892
Inventories	4	37,198	74,296
Other		4,165	1,797
Total current assets		81,405	122,046
Non-current assets			
Investment properties	5	159,289	155,456
Plant and equipment		17,266	16,481
Inventories	4	229,614	201,788
Intangible assets	6	308,147	307,076
Available-for-sale financial assets		13,640	9,767
Other		1,979	1,997
Total non-current assets		729,935	692,565
Total assets		811,340	814,611
Current liabilities			
Payables		21,685	19,663
Loans with related parties	8	48,932	48,932
Provisions		22,546	50,858
Current tax liabilities		42,340	40,100
Total current liabilities		135,503	159,553
Non-current liabilities			
Loans with related parties	8	269,045	272,368
Deferred tax liabilities		5,997	6,077
Provisions		5,825	7,477
Other non-current liabilities		5,428	3,027
Total non-current liabilities		286,295	288,949
Total liabilities		421,798	448,502
Net assets		389,542	366,109
Equity			
Contributed equity	7	237,985	237,985
Reserves		44,275	44,425
Retained profits/(accumulated losses)		107,282	83,699
Total equity		389,542	366,109

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

DEXUS Operations Trust
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2016

	Note	Contributed equity \$'000	Retained profits/ (losses) \$'000	Reserves \$'000	Total equity \$'000
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
Opening balance as at 1 July 2016		237,985	83,699	44,425	366,109
Profit/(loss) for the period		-	23,583	-	23,583
Other comprehensive income/(loss) for the period		-	-	36	36
Total comprehensive income for the period		-	23,583	36	23,619
Transactions with owners in their capacity as unitholders:					
Purchase of securities, net of transaction costs		-	-	(202)	(202)
Security-based payments expense		-	-	16	16
Total transactions with owners in their capacity as owners		-	-	(186)	(186)
Closing balance as at 31 December 2016		237,985	107,282	44,275	389,542

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 2016

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	103,040	94,663
Payments in the course of operations (inclusive of GST)	(76,155)	(77,001)
Interest received	57	108
Finance costs paid to financial institutions	(97)	(129)
Income and withholding taxes paid	(5,601)	-
Proceeds from sale of property classified as inventory	50,000	198,027
Payments for property classified as inventory	(27,212)	(30,323)
Net cash inflow/(outflow) from operating activities	44,032	185,345
Cash flows from investing activities		
Payments for capital expenditure on investment properties	(2,146)	(10,965)
Payments for intangible assets	(3,265)	(3,631)
Payments for plant and equipment	(2,282)	(3,962)
Net cash inflow/(outflow) from investing activities	(7,693)	(18,558)
Cash flows from financing activities		
Borrowings provided to related parties	(61,667)	(418,560)
Borrowings received from related parties	52,826	258,749
Proceeds from issue of additional equity	-	(844)
Purchase of securities for security-based payments plans	(7,369)	(4,653)
Distributions received	-	251
Distributions paid to security holders	(25,000)	-
Net cash inflow/(outflow) from financing activities	(41,210)	(165,057)
Net increase/(decrease) in cash and cash equivalents	(4,871)	1,730
Cash and cash equivalents at the beginning of the period	6,061	1,389
Cash and cash equivalents at the end of the period	1,190	3,119

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 interim Financial Statements for the half year ended 31 December 2016 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 2016 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 2016, the Trust had a net current asset deficiency of \$54.1 million (June 2016: \$37.5 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 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.

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 2016	31 Dec 2015
	\$'000	\$'000
Investment management & responsible entity fees	42,085	35,460
Property management fees	24,750	21,828
Capital works and development fees	3,505	5,606
Wages recovery and other fees	7,629	6,266
Total management fee revenue	77,969	69,160

Note 3

Finance costs

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Interest paid to related parties	5,849	11,356
Net fair value (gain)/loss of interest rate swaps	-	(43)
Amount capitalised	(1,134)	(1,753)
Other finance costs	97	37
Total finance costs	4,812	9,597

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

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Current assets		
Land and properties held for resale	37,198	74,296
Total current assets - inventories	37,198	74,296
Non-current assets		
Land and properties held for resale	229,614	201,788
Total non-current assets - inventories	229,614	201,788
Total assets - inventories	266,812	276,084

(b) Reconciliation

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Opening balance at the beginning of the period	276,084	274,792
Disposals	(37,717)	(114,285)
Acquisitions and additions	28,445	115,577
Closing balance at the end of the period	266,812	276,084

Disposals

- On 1 July 2016, settlement occurred on the sale of 57 - 65 Templar Rd, Erskine Park, NSW for gross proceeds of \$50.0 million (carrying value of \$37.7 million)

Note 5**Investment properties**

	For the 6 months to 31 Dec 2016 \$'000	For the 12 months to 30 Jun 2016 \$'000
Opening balance at the beginning of the period	155,456	407,731
Additions	1,309	24,713
Lease incentives	2,856	4,147
Amortisation of lease incentives	(1,124)	(2,511)
Rent straightlining	124	701
Disposals	-	(299,461)
Net fair value gain/(loss) of investment properties	668	20,136
Closing balance at the end of the period	159,289	155,456

Note 6**Intangible assets**

Management rights represent the asset management rights owned by DXH, 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 \$ 4.2 million (Jun 2016: \$4.4 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 16 years. Management rights that are deemed to have an indefinite life are held at a value of \$ 286.0 million (Jun 2016: \$286.0 million).

Software is measured at cost and amortised using the straight-line method over its estimated useful life expected to be 3-5 year useful lives of the assets.

	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Management rights		
Opening balance at the beginning of the period	290,418	290,748
Amortisation charge	(165)	(330)
Closing balance at the end of the period	290,253	290,418
Cost	294,382	294,382
Accumulated amortisation	(4,129)	(3,964)
Total management rights	290,253	290,418
Goodwill		
Opening balance at the beginning of the period	1,310	1,409
Impairment	(49)	(99)
Closing balance at the end of the period	1,261	1,310
Cost	2,998	2,998
Accumulated impairment	(1,737)	(1,688)
Total goodwill	1,261	1,310
Other Intangible Assets - Software		
Opening balance at the beginning of the period	15,348	9,243
Acquisition of other intangible assets	3,265	9,158
Amortisation charge	(1,980)	(3,053)
Closing balance at the end of the period	16,633	15,348
Cost	32,863	29,598
Accumulated amortisation	(16,230)	(14,250)
Total other intangible assets	16,633	15,348
Total non-current assets - intangible assets	308,147	307,076

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

	For the 6 months to 31 Dec 2016 \$'000	For the 12 months to 30 Jun 2016 \$'000
Opening balance at the beginning of the period	237,985	238,829
Buy-back of contributed equity, net of transaction costs	-	(844)
Closing balance at the end of the period	237,985	237,985

(b) Number of units on issue

	For the 6 months to 31 Dec 2016 No. of units	For the 12 months to 30 Jun 2016 No. of units
Opening balance at the beginning of the period	967,947,692	970,806,349
Buy-back of contributed equity	-	(2,858,657)
Closing balance at the end of the period	967,947,692	967,947,692

Note 8**Fair value of financial instruments**

As at 31 December 2016 and 30 June 2016, the carrying amounts of financial assets and liabilities are held at fair value excluding interest bearing liabilities which have a carrying amount of \$3,170.4 million and a fair value of \$3,249.2 million. The group uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

Level 3: the fair value is estimated using inputs for the asset or liability that are 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 9

Contingencies

The Trust, together with DIT, DOT and DDF, is a guarantor of A\$3,790.4 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 \$33.5 million, comprising \$32.1 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and \$1.4 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

Subsequent Events

On 31 January 2017, settlement occurred on the sale of 79-99 St Hilliers Road, Auburn, NSW for gross proceeds of \$65.0 million.

Since the end of the period, other than the matter disclosed above, 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

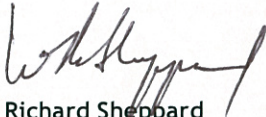
Directors' Declaration

For the half year ended 31 December 2016

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 13 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 2016 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

14 February 2017



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 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 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 2016 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
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



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 2016 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*.

PricewaterhouseCoopers

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

E A Barron
Partner

Sydney
14 February 2017