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 2013

DEXUS Diversified Trust	**Note 1**			
		31 Dec 2013	**31 Dec 2012**	**%**
		$m	**$m**	**Change**
Revenue from ordinary activities		309.0	309.8	-0.3 %
Net profit attributable to security holders after tax		277.2	267.0	3.8 %
Funds from operations (FFO)[1]		189.8	182.2	4.2 %
Distribution to security holders		142.1	135.9	4.6 %
		CPS	**CPS**	
Funds from operations per security		4.08	3.85	6.0 %
Distributions per security for the period	**Note 2**	3.07	2.89	6.2 %
		$m	**$m**	
Total assets		7,941.8	7,545.1	5.3 %
Total borrowings		2,335.5	2,089.4	11.8 %
Security holders equity		5,251.6	5,063.4	3.7 %
Market capitalisation		4,651.4	4,772.5	-2.5 %
		$ per unit	**$ per unit**	
Net tangible assets (excluding non-controlling interests)		1.08	1.03	4.9 %
Securities price		1.005	1.015	-1.0 %
Securities on issue ('000)		4,628,228	4,701,957	
Record date		31 Dec 2013	31 Dec 2012	
Payment date		28 Feb 2014	28 Feb 2013	

1. FFO is often used as a measure of real estate operating performance after finance costs and taxes. DEXUS's 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 certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

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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

	Ownership Interest		Share of net profit after tax	
	31 December 2013	31 December 2012	For the 6 months ended 31 December 2013	For the 6 months ended 31 December 2012
Name of entity	**%**	**%**	**$m**	**$m**
Bent Street Trust	**33.3**	33.3	**6.7**	9.4
DEXUS Creek Street Trust	**50.0**	50.0	**3.9**	1.7
DEXUS Martin Place Trust	**50.0**	50.0	**2.5**	-
Grosvenor Place Holding Trust	**50.0**	-	**8.7**	-
Site 6 Homebush Bay Trust	**50.0**	-	**1.3**	-
Site 7 Homebush Bay Trust	**50.0**	-	**1.9**	-
DEXUS 480 Q Holding Trust	**50.0**	-	**-**	-
DEXUS Kings Square Trust	**50.0**	-	**2.0**	-
DEXUS Office Trust Australia	**50.0**	-	**-**	-

Distribution Reinvestment Plan (DRP)

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

Notes

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

2. The distribution for the period 1 July 2013 to 31 December 2013 is the aggregate of the distributions from DEXUS Diversified Trust and DEXUS Office Trust (DEXUS Operations Trust and DEXUS Industrial Trust did not pay a distribution during the period). The Annual Tax Statement, issued as at 30 June 2014, will provide details of the components of DXS’s distributions.

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PROPERTY GROUP

DEXUS Property Group

(ARSN 089 324 541)

Interim Report
31 December 2013

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Contents **Page**

DEXUS Property Group (DXS or the Group) (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.

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Diversified Trust (DDF or the Trust) present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2013. The consolidated Financial Statements represents DDF and its consolidated entities, DEXUS Property Group (DXS or the Group).

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

1 Directors

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

Directors	Appointed	Resigned
Christopher T Beare	4 August 2004	
Elizabeth A Alexander, AM	1 January 2005	
Barry R Brownjohn	1 January 2005	29 October 2013
John C Conde, AO	29 April 2009	
Tonianne Dwyer	24 August 2011	
Stewart F Ewen, OAM	4 August 2004	29 October 2013
Craig D Mitchell	12 February 2013	
W Richard Sheppard	1 January 2012	
Darren J Steinberg	1 March 2012	
Peter B St George	29 April 2009	

2 Review of results and operations

Financial summary

DEXUS Property Group's financial performance for the six months to 31 December 2013 is detailed below. To fully understand our results, please refer to the full Financial Statements in this Interim Report.

In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. Funds from Operations (FFO) is a global financial measure of real estate operating performance after finance costs and taxes, and is adjusted for certain non-cash items.

The Directors consider FFO to be a measure that reflects the underlying performance of the Group. The table on the following page reconciles between profit attributable to stapled security holders, FFO and distributions paid to stapled security holders.

2 Review of results and operations (continued)

Financial summary (continued)

	31 Dec 2013 ($m)	31 Dec 2012 ($m)
Net profit for the year attributable to stapled security holders	277.2	267.0
Net fair value gain of investment properties[2]	(106.6)	(120.4)
Net fair value movements of derivatives	15.1	11.9
Net fair value movements of interest bearing liabilities	(20.9)	-
Net loss on sale of investment properties[3]	3.0	13.9
Incentive amortisation and rent straight-line[2,4]	14.4	14.3
Coupon income and other	7.6	(4.5)
Funds from Operations (FFO)[1]	**189.8**	**182.2**
Retained earnings[5]	**(47.7)**	**(46.3)**
Distributions	**142.1**	**135.9**
FFO per security (cents)	4.08	3.85
Distribution per security (cents)	3.07	2.89
Net tangible asset backing per security ($)	$1.08	$1.03

1. DEXUS's 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 certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.
2. Including DXS's share of equity accounted investments.
3. Including finance costs attributable to sales transactions.
4. Including cash and fit out incentives amortisation.
5. Based on payout ratio of 75%. DXS's current policy is to distribute 70-80% of FFO, in line with free cash flow.

DEXUS had a strong six months, increasing FY14 market guidance and delivering an increase in net profit, Funds from Operations (FFO) and distribution per security.

Net profit attributable to stapled security holders was $277.2 million or 5.96 cents per security, an increase of $10.2 million from the prior corresponding period (2012: $267.0 million).

The key drivers include:

- Office net property income (NOI) increased by 15.5% to $175.3 million (2012: $151.8 million).
- Industrial portfolio NOI increased by 2.9% to $59.5 million (2012: $57.8 million).
- Net profit from management operations increased by $0.9 million to $12.4 million.
- Net losses from sale of investment property reduced by $10.9 million to $3.0 million (2012: $13.9 million).

Offset by:

- Finance costs of $61.4 million were $7.0 million higher (2012: $54.4 million) following recent office property acquisitions and the on-market securities buy-back.
- Net profit from discontinued operations reduced by $17.6 million following the complete sale of the US and Europe portfolios.
- Strong net fair value gains on investment property of $106.6 million were $13.8 million lower than the prior corresponding period (2012: $120.4 million).

Distributions per security for the six months to 31 December 2013 were 3.07 cents per security, presenting a 6.2% increase (2012: 2.89 cents). The payout ratio for the period was 75.2% in accordance with DEXUS's payout policy to distribute 70-80% of FFO, in line with free cash flow.

2 Review of results and operations (continued)

Operational result

FFO for the six months to 31 December 2013 was $189.8 million, an increase of 4.2% on the prior corresponding period and in line with upgraded guidance. FFO per security was 4.08 cents (2012: 3.85 cents) an increase of 6.0%. The key drivers impacting FFO were:

- The office portfolio's NOI of $175.3 million increased by $23.5 million driven by solid like-for-like growth of 3.8%, and additional rental income from the recently acquired properties at 50 Carrington Street in Sydney, 12 Creek Street in Brisbane and a portfolio of three Sydney office buildings including a 25% interest in Grosvenor Place. Occupancy by income for the office portfolio remained stable at 94.6% (June 2013: 94.6%) and the retention rate for the rolling 12 months to 31 December 2013 was 69%. The combination of leasing success and securing strong tenant covenants contributed to a $98.7 million or 1.7% uplift on prior book values and the office portfolio's weighted average capitalisation rate tightened by 10 basis points to 7.07%.
- The industrial portfolio's NOI of $59.5 million increased by $1.7 million driven by solid like-for-like growth of 2.1%. Occupancy by income decreased to 94.2% (June 2013: 96.1%) while the rolling 12 month tenant retention rate was 63%. Industrial portfolio valuations increased by 0.6% or $7.9 million, also driven by leasing. The portfolio's weighted average capitalisation rate tightened by 15 basis points to 8.40%.
- NOI from discontinued operations (US and Europe) reduced from $18.4 million in 2012 to zero for the six months ended 31 December 2013 following the sale of the remaining Europe property during the period and the sale of the US portfolio during FY13.
- DEXUS continued to actively manage its capital markets debt, reducing the average cost of debt by 20bps to 5.7% and increasing debt duration by 0.7 years to 6.1 years during the six month period. Finance costs were $61.4 million, an increase of $7.0 million (2012: $54.4 million) following recent office property acquisitions and the on-market securities buy-back.
- Group corporate and administration expenses of $18.4 million were $0.6 million higher due to the accounting impact of performance plans offset by continued cost saving initiatives.

CPA transaction

On 11 December 2013 DEXUS Property Group and Canada Pension Plan Investment Board ("CPPIB") (together "the Consortium") made a cash and scrip off-market takeover offer (the "DEXUS Offer") to acquire all of the issued units in Commonwealth Property Office Fund ("CPA"). The DEXUS Offer provides the following cash and DXS scrip consideration (expressed per CPA unit):

$0.7745 cash ($0.0407 of which is paid by DXS); and

0.4516 DXS stapled securities

("Option A")

On 6 January 2014, the Consortium announced that it had determined to vary the DEXUS Offer to give CPA unitholders the opportunity to elect to receive an alternative cash/scrip consideration mix option comprised of a larger proportion of cash per CPA unit. Under the alternative cash/scrip consideration mix option, CPA unitholders would receive (expressed per CPA unit):

$0.8496 cash ($0.1158 of which is paid by DXS); and

0.3801 DXS stapled securities

("Option B")

Under the DEXUS Offer, CPA unitholders may elect to receive either Option A or Option B. The DEXUS Offer closes on 14 February 2014 (unless extended or withdrawn) and as at the date of this report, 30.25% of CPA unitholders had accepted the offer for which the Group has a maximum commitment of $71.8 million cash and 279.8 million DXS stapled securities. The Group also has a relevant interest in 350 million units of CPA. As at the date of this report, the Group has $1,300.0 million of new bank facilities that may be utilised to fund the Group's share of:

- acquisition costs for CPA units under the takeover offer for CPA; and
- refinancing and other transaction costs arising as a result of that takeover offer (as described in the bidder's statement dated 19 December 2013). Refer to note 8 for further details.

The Group is issuing new DXS stapled securities, which rank equally with existing DXS stapled securities, for the acceptances received and paying its portion of the cash offered for each CPA unit. The Group and CPPIB will jointly own and control the investment in CPA and the Group will equity account its share of the investment.

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 5 and forms part of this Directors' Report.

4 Rounding of amounts and currency

The Group is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest tenth of a million dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

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 11 February 2014. The Directors have the power to amend and reissue the Financial Statements.

Christopher T Beare	**Darren J Steinberg**
Chair	Chief Executive Officer
11 February 2014	11 February 2014

Auditor's Independence Declaration

As lead auditor for the review of DEXUS Diversified Trust for the half-year ended 31 December 2013, 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.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
11 February 2014

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Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2013

	Note	31 Dec 2013 $m	31 Dec 2012 $m
Revenue from ordinary activities			
Property revenue		280.4	269.7
Proceeds from sale of inventory		3.3	15.7
Interest revenue		0.1	0.8
Management fee revenue		25.2	23.6
Total revenue from ordinary activities		309.0	309.8
Net fair value gain of investment properties		104.6	94.5
Share of net profit of investments accounted for using the equity method	6	27.0	11.1
Net fair value gain of interest bearing liabilities		20.9	-
Total income		461.5	415.4
Expenses			
Property expenses		(68.3)	(65.3)
Cost of sale of inventory		(3.3)	(14.8)
Finance costs	2	(65.5)	(51.8)
Net fair value loss of derivatives		(13.5)	(0.6)
Net loss on sale of investment properties		(0.5)	(2.7)
Corporate and administration expenses		(33.3)	(31.7)
Total expenses		(184.4)	(166.9)
Profit before tax		277.1	248.5
Tax (expense)/benefit			
Income tax (expense)/benefit		(0.7)	0.1
Total tax (expense)/benefit		(0.7)	0.1
Profit after tax from continuing operations		276.4	248.6
Profit from discontinued operations		0.8	18.4
Net profit for the period		277.2	267.0
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		5.2	1.4
Foreign currency translation reserve transfer on disposal of foreign operations		(0.8)	-
Changes in the fair value of cash flow hedges		(2.9)	-
Total comprehensive income for the period		278.7	268.4
Profit for the period attributable to:			
Unitholders of the parent entity		67.1	89.1
Unitholders of other stapled entities (non-controlling interests)		210.1	177.9
Total profit for the period		277.2	267.0
Total comprehensive income for the period attributable to:			
Unitholders of the parent entity		64.2	86.7
Unitholders of other stapled entities (non-controlling interests)		214.5	181.7
Total comprehensive income for the period		278.7	268.4

	Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity		
Earnings per unit - profit from continuing operations	1.44	1.73
Earnings per unit - profit from discontinued operations	-	0.15
Earnings per unit - total	1.44	1.89
Basic and diluted earnings per stapled security attributable to stapled security holders		
Earnings per security - profit from continuing operations	5.94	5.26
Earnings per security - profit from discontinued operations	0.02	0.39
Earnings per security - total	5.96	5.65

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

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	31 Dec 2013 $m	30 Jun 2013 $m
Current assets			
Cash and cash equivalents	3	**10.3**	14.5
Receivables		**68.1**	40.2
Inventories	4	**68.5**	10.9
Derivative financial instruments		**47.8**	25.4
Other		**7.2**	10.9
		201.9	101.9
Discontinued operations and assets classified as held for sale		**97.2**	8.8
Total current assets		**299.1**	110.7
Non-current assets			
Investment properties	5	**6,003.8**	6,085.0
Plant and equipment		**9.3**	8.8
Inventories	4	**295.2**	242.0
Investments accounted for using the equity method	6	**951.5**	906.8
Derivative financial instruments		**98.4**	114.8
Deferred tax assets		**39.4**	39.4
Intangible assets	7	**243.5**	243.7
Other		**1.6**	1.4
Total non-current assets		**7,642.7**	7,641.9
Total assets		**7,941.8**	7,752.6
Current liabilities			
Payables		**105.9**	95.1
Interest bearing liabilities	8	**142.1**	-
Provisions		**158.6**	169.5
Derivative financial instruments		**6.7**	1.8
		413.3	266.4
Discontinued operations classified as held for sale		**-**	0.1
Total current liabilities		**413.3**	266.5
Non-current liabilities			
Interest bearing liabilities	8	**2,193.4**	2,167.1
Derivative financial instruments		**61.0**	99.4
Deferred tax liabilities		**12.4**	12.1
Provisions		**5.8**	11.2
Other		**4.3**	4.6
Total non-current liabilities		**2,276.9**	2,294.4
Total liabilities		**2,690.2**	2,560.9
Net assets		**5,251.6**	5,191.7
Equity			
Equity attributable to unitholders of the parent entity			
Contributed equity	9	**1,552.2**	1,577.7
Reserves		**(2.9)**	-
Retained profits		**185.3**	181.2
Parent entity unitholders' interest		**1,734.6**	1,758.9
Equity attributable to unitholders of other stapled entities			
Contributed equity	9	**3,056.5**	3,106.3
Reserves		**39.6**	36.6
Retained profits		**420.9**	289.9
Other stapled unitholders' interest		**3,517.0**	3,432.8
Total equity		**5,251.6**	5,191.7

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

	Note	Contributed equity $m	Retained profits $m	Foreign currency translation reserve $m	Asset revaluation reserve $m	Cash flow hedge reserve $m	Security-based payments reserve $m	Treasury securities reserve $m	Total equity $m
Opening balance as at 1 July 2012		4,761.5	238.7	(36.0)	42.7	-	0.4	-	5,007.3
Profit for the period attributable to:									
Unitholders of the parent entity		-	89.1	-	-	-	-	-	89.1
Other stapled entities (non-controlling interests)		-	177.9	-	-	-	-	-	177.9
Profit for the period		-	267.0	-	-	-	-	-	267.0
Other comprehensive income/(loss) for the period attributable to:									
Unitholders of the parent entity		-	-	(2.4)	-	-	-	-	(2.4)
Other stapled entities (non-controlling interests)		-	-	3.8	-	-	-	-	3.8
Total other comprehensive income for the period		-	-	1.4	-	-	-	-	1.4
Transactions with owners in their capacity as owners:									
Buy-back of contributed equity, net of transaction costs	9	(77.5)	-	-	-	-	-	-	(77.5)
Security-based payments expense		-	-	-	-	-	1.1	-	1.1
Distributions paid or provided for	10	-	(135.9)	-	-	-	-	-	(135.9)
Total transactions with owners in their capacity as owners		(77.5)	(135.9)	-	-	-	1.1	-	(212.3)
Closing balance as at 31 December 2012		4,684.0	369.8	(34.6)	42.7	-	1.5	-	5,063.4

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

	Note	Contributed equity $m	Retained profits $m	Foreign currency translation reserve $m	Asset revaluation reserve $m	Cash flow hedge reserve $m	Security-based payments reserve $m	Treasury securities reserve $m	Total equity $m
Opening balance as at 1 July 2013		4,684.0	471.1	(6.3)	42.7	-	2.4	(2.2)	5,191.7
Profit for the period attributable to:									
Unitholders of the parent entity		-	67.1	-	-	-	-	-	67.1
Other stapled entities (non-controlling interests)		-	210.1	-	-	-	-	-	210.1
Profit for the period		-	277.2	-	-	-	-	-	277.2
Other comprehensive income for the period attributable to:									
Unitholders of the parent entity		-	-	-	-	(2.9)	-	-	(2.9)
Other stapled entities (non-controlling interests)		-	-	4.4	-	-	-	-	4.4
Total other comprehensive income for the period		-	-	4.4	-	(2.9)	-	-	1.5
Transactions with owners in their capacity as owners:									
Buy-back of contributed equity, net of transaction costs	9	(75.3)	-	-	-	-	-	-	(75.3)
Purchase of securities, net of transaction costs		-	-	-	-	-	-	(3.1)	(3.1)
Security-based payments expense		-	-	-	-	-	1.7	-	1.7
Distributions paid or provided for	10	-	(142.1)	-	-	-	-	-	(142.1)
Total transactions with owners in their capacity as owners		(75.3)	(142.1)	-	-	-	1.7	(3.1)	(218.8)
Closing balance as at 31 December 2013		4,608.7	606.2	(1.9)	42.7	(2.9)	4.1	(5.3)	5,251.6

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

	Note	31 Dec 2013 $m	31 Dec 2012 $m
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**336.3**	353.8
Payments in the course of operations (inclusive of GST)		**(140.6)**	(143.5)
Interest received		**0.1**	0.8
Finance costs paid to financial institutions		**(61.6)**	(55.7)
Distributions received from investments accounted for using the equity method		**26.6**	5.4
Income and withholding taxes paid		**-**	(0.8)
Proceeds from sale of property classified as inventory		**3.3**	15.7
Payments for property classified as inventory		**(9.8)**	(86.6)
Net cash inflow from operating activities		**154.3**	89.1
Cash flows from investing activities			
Proceeds from sale of investment properties		**40.4**	168.6
Proceeds from sale of subsidiaries		**-**	24.1
Payments for capital expenditure on investment properties		**(53.8)**	(71.2)
Payments for investments accounted for using the equity method		**(45.1)**	(137.3)
Payments for plant and equipment		**(1.4)**	(0.8)
Net cash outflow from investing activities		**(59.9)**	(16.6)
Cash flows from financing activities			
Proceeds from borrowings		**1,753.7**	1,909.6
Repayment of borrowings		**(1,628.2)**	(1,779.7)
Payments for buy-back of contributed equity		**(75.3)**	(77.5)
Purchase of securities for security-based payments plans		**(3.1)**	-
Distributions paid to security holders		**(146.2)**	(128.2)
Net cash outflow from financing activities		**(99.1)**	(75.8)
Net decrease in cash and cash equivalents		**(4.7)**	(3.3)
Cash and cash equivalents at the beginning of the period		**14.9**	59.2
Effects of exchange rate changes on cash and cash equivalents		**0.1**	(0.5)
Cash and cash equivalents at the end of the period	3	**10.3**	55.4

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

In accordance with Australian Accounting Standards, the entities within the Group must be consolidated. The parent entity and deemed acquirer of DIT, DOT and DXO is DDF. These Financial Statements represent the consolidated results of DDF, which comprises DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities. Consolidated Financial Statements have been presented in accordance with Class Order 13/1050.

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.

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 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 2013 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 2013 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 interim reporting period, unless otherwise stated.

The Group has unutilised facilities of $238.1 million (refer note 8) and sufficient working capital and cash flows in order to fund all requirements arising from the net current asset deficiency of $114.2 million as at 31 December 2013.

Following the end of the period, the Group has entered into new facilities totaling $1,300.0 million with a weighted average maturity of December 2017. The facilities may be utilised to fund the Group's share of:

- acquisition costs for CPA units under the takeover offer for CPA; and
- refinancing and other transaction costs arising as a result of that takeover offer (as described in the bidder's statement dated 19 December 2013). Refer to note 8 for further details.

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.

Note 1

Summary of significant accounting policies (continued)

(b) Principles of consolidation

On 1 July 2013, the Group adopted AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*. The implementation of these new standards has not impacted any of the amounts recognised in the Financial Statements.

(i) Controlled entities

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the Group. All inter-entity transactions, balances and unrealised gains and losses on transactions between Group entities have been eliminated in full.

(ii) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

Where assets are held directly as tenants in common, the Group's proportionate share of revenues, expenses, assets and liabilities are included in their respective items of the Statement of Financial Position and Statement of Comprehensive Income.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Group's share of the joint ventures' post-acquisition net profits is recognised in the Statement of Comprehensive Income and its share of post-acquisition movements in reserves is recognised in reserves in the Statement of Financial Position. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions and dividends received from joint ventures are recognised in the Statement of Financial Position as a reduction of the carrying amount of the investment.

Where the Group's share of losses in a joint venture equal or exceeds its interest in the joint venture (including any unsecured long term receivables), the Group does not recognise any further losses unless it has incurred obligations or made payments on behalf of the joint venture.

(c) Fair value measurement

On 1 July 2013 the Group adopted AASB 13 *Fair Value Measurement*. AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

As a result of the adoption of AASB 13, the fair value of financial liabilities now includes an adjustment for the credit worthiness of counterparties and the Group. The standard is applied prospectively.

Note 1

Summary of significant accounting policies (continued)

(d) Hedging activities

On 1 July 2013 the Group adopted hedge accounting for certain foreign currency bonds. At inception the Group formally designates and documents the relationship between the hedge derivative instruments (cross currency interest rate swaps only) and the hedged items (foreign currency bonds only). The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk and could affect the Statement of Comprehensive Income. Changes in the fair value of derivatives (hedging instruments) that are designated as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (hedged item).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk to a highly probable forecast transaction pertaining to an asset or liability. The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income in equity via the cash flow hedge reserve. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. Any gain or loss related to ineffectiveness is recognised in profit or loss immediately.

Hedge accounting is discontinued when the hedging instrument expires, is terminated, is no longer in an effective hedge relationship, is de-designated, or the forecast transaction is no longer expected to occur. The fair value gain or loss of derivatives recorded in equity is recognised in profit or loss over the period that the forecast transaction is recorded in profit or loss. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognised in profit or loss immediately.

Interest bearing liabilities

Borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method or at their fair value at the time of acquisition in the case of assumed liabilities in a business combination. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in profit or loss over the expected life of the borrowings unless there is an effective fair value hedge of the borrowings, in which case the borrowings are carried at fair value and any changes in the fair value are recognised in profit or loss. All borrowings with maturities greater than twelve months after reporting date are classified as non-current liabilities.

Note 2

Finance costs

	31 Dec 2013 **$m**	31 Dec 2012 $m
Interest paid/payable	**62.8**	45.2
Amount capitalised	**(4.2)**	(6.1)
Other finance costs	**1.9**	1.5
Net fair value loss of interest rate swaps	**2.5**	11.2
	63.0	51.8
Finance costs attributable to sales transactions	**2.5**	-
Total finance costs	**65.5**	51.8

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2012: 7.00%).

Note 3

Current assets - cash and cash equivalents

	31 Dec 2013 **$m**	30 Jun 2013 $m
Cash at bank	**10.3**	11.2
Short-term deposits	**-**	0.4
Cash held in escrow[1]	**-**	2.9
Total current assets - cash and cash equivalents	**10.3**	14.5

1 As at 30 June 2013, the Group held US$2.7 million (A$2.9 million) in escrow in relation to the US asset disposal in April 2013. These funds were released from escrow during the period ended 31 December 2013.

Note 4
Inventories

(a) Inventories - land and properties held for resale

	31 Dec 2013 $m	30 Jun 2013 $m
Current assets		
Land and properties held for resale	**68.5**	10.9
Total current assets - inventories	**68.5**	10.9
Non-current assets		
Land and properties held for resale	**295.2**	242.0
Total non-current assets - inventories	**295.2**	242.0
Total assets - inventories	**363.7**	252.9

(b) Reconciliation

	Note	For the 6 months to 31 Dec 2013 $m	For the 12 months to 30 Jun 2013 $m
Opening balance at the beginning of the period		**252.9**	97.8
Transfer from investment properties[1]	5	**101.4**	14.5
Disposals		**(3.3)**	(22.9)
Impairment		**-**	(2.2)
Acquisitions, additions and other		**12.7**	165.7
Closing balance at the end of the period		**363.7**	252.9

1 During the half year ended 31 December 2013, $101.4m of investment property was transferred to inventory with an intention to develop and sell.

Disposals

- On 26 July 2013, a land parcel located at Boundary Road, Laverton, VIC was disposed of for gross proceeds of $3.3 million.

Note 5

Non-current assets – investment properties

(a) Properties	Ownership %	Acquisition date	Independent valuation date	Independent valuation amount $m	Independent valuer	Book value 31 Dec 2013 $m	Book value 30 Jun 2013 $m
Kings Park Industrial Estate, Bowmans Road, Marayong, NSW	100	May 1990	Dec 2012	90.5	(d)	**93.0**	91.9
Target Distribution Centre, Lot 1, Tara Avenue, Altona North, VIC	50	Oct 1995	Jun 2013	16.3	(c)	**16.3**	16.3
Axxess Corporate Park, Mount Waverley, VIC	100	Oct 1996	Dec 2012	187.2	(b)	**188.4**	187.6
Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC	100	Aug 1996	Sep 2013	37.7	(b)	**37.6**	37.6
12 Frederick Street, St Leonards, NSW	100	Jul 2000	Sep 2013	37.0	(b)	**37.5**	34.6
2 Alspec Place, Eastern Creek, NSW	100	Mar 2004	Dec 2011	24.9	(d)	**24.9**	24.9
108-120 Silverwater Road, Silverwater, NSW	100	May 2010	Jun 2013	23.4	(a)	**23.6**	23.4
40 Talavera Road, Macquarie Park, NSW	100	Oct 2002	Dec 2011	31.5	(g)	**-**	29.5
44 Market Street, Sydney, NSW	100	Sep 1987	Jun 2013	241.0	(d)	**243.6**	241.0
8 Nicholson Street, Melbourne, VIC	100	Nov 1993	Dec 2013	105.0	(g)	**105.0**	99.0
130 George Street, Parramatta, NSW	100	May 1997	Dec 2010	77.0	(f)	**77.3**	77.2
Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane, Melbourne, VIC	100	Mar 1999	Jun 2011	28.5	(e)	**31.1**	30.6
383-395 Kent Street, Sydney, NSW	100	Sep 1987	Sep 2013	137.0	(c)	**141.9**	136.9
383-395 Kent Street Car Park, Sydney, NSW	100	Sep 1987	Sep 2013	65.0	(c)	**64.0**	64.0
14 Moore Street, Canberra, ACT[1]	100	May 2002	Jun 2013	24.0	(e)	**-**	24.0
Sydney CBD Floor Space[2]	100	Jul 2000	Dec 2011	0.1	(a)	**0.1**	0.1
34-60 Little Collins Street, Melbourne, VIC**	100	Nov 1984	Jun 2011	39.2	(c)	**36.1**	36.1
32-44 Flinders Street, Melbourne, VIC	100	Jun 1998	Jun 2011	29.5	(e)	**29.9**	29.9
Flinders Gate Carpark, 172-189 Flinders Street, Melbourne, VIC	100	Mar 1999	Jun 2011	54.0	(e)	**54.4**	54.3
123 Albert St, Brisbane, QLD	100	Oct 1984	Mar 2013	400.0	(e)	**402.0**	401.4
2 - 4 Military Rd, Matraville, NSW	100	Dec 2009	Jun 2012	52.9	(c)	**56.0**	55.7
79-99 St Hilliers Road, Auburn, NSW	100	Sep 1997	Dec 2011	37.5	(g)	**35.6**	35.4
3 Brookhollow Avenue, Baulkham Hills, NSW	100	Dec 2002	Jun 2012	42.0	(f)	**43.2**	42.9
1 Garigal Road, Belrose, NSW	100	Dec 1998	Jun 2012	16.3	(a)	**16.9**	16.3
2 Minna Close, Belrose, NSW	100	Dec 1998	Jun 2012	24.0	(a)	**22.6**	22.5
145 - 151 Arthur Street, Flemington, NSW	100	Sep 1997	Jun 2011	28.0	(f)	**27.6**	27.6
436 - 484 Victoria Road, Gladesville, NSW	100	Sep 1997	Dec 2011	41.5	(e)	**39.7**	40.8
1 Foundation Place, Greystanes, NSW	100	Feb 2003	Dec 2013	47.5	(d)	**47.5**	44.8

1 Classified as non-current asset held for sale at 31 December 2013.

2 Heritage floor space retained following the disposal of 1 Chifley Square, Sydney.

The title to all properties is freehold, with the exception of the properties marked ** which are leasehold.

Note 5

Non-current assets – investment properties (continued)

(a) Properties (continued)	**Ownership**	**Acquisition date**	**Independent valuation date**	**Independent valuation amount**	**Independent valuer**	**Book value 31 Dec 2013**	Book value 30 Jun 2013
	%			**$m**		**$m**	$m
5 - 15 Roseberry Avenue & 25 - 55 Rothschild Avenue, Rosebery, NSW[1]	100	Apr 1998	Dec 2012	90.5	(a)	**-**	93.0
10 - 16 South Street, Rydalmere, NSW[2]	100	Sep 1997	Jun 2011	39.3	(g)	**-**	41.5
Pound Road West, Dandenong, VIC	100	Jan 2004	Dec 2012	71.4	(f)	**70.0**	70.7
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Visy	50	Jul 2002	Jun 2013	9.6	(c)	**9.6**	9.6
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Wrightson	50	Jul 2002	Jun 2013	3.6	(c)	**3.6**	3.6
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Fosters	50	Jul 2002	Jun 2013	18.7	(c)	**18.7**	18.7
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - BestBar	50	Jul 2002	Jun 2013	6.0	(c)	**6.0**	6.0
12-18 Distribution Drive, Laverton North, VIC	50	Jul 2002	Jun 2013	51.0	(c)	**53.4**	51.0
250 Forest Road, South Lara, VIC	100	Dec 2002	Jun 2012	52.3	(e)	**54.7**	54.5
15 - 23 Whicker Road, Gillman, SA	100	Dec 2002	Sep 2012	28.8	(c)	**29.2**	29.1
25 Donkin Street, Brisbane, QLD[2]	100	Dec 1998	Dec 2010	27.0	(f)	**-**	28.5
52 Holbeche Road, Arndell Park, NSW	100	Jul 1998	Jun 2012	12.5	(f)	**12.4**	12.5
30 - 32 Bessemer Street, Blacktown, NSW	100	May 1997	Jun 2011	16.3	(e)	**16.4**	15.7
27 - 29 Liberty Road, Huntingwood, NSW	100	Jul 1998	Sep 2012	8.8	(d)	**9.3**	8.9
11 Talavera Road, Macquarie Park, NSW	100	Jun 2002	Mar 2013	145.0	(a)	**147.8**	146.6
131 Mica Road, Carole Park, NSW	100	Jan 2013	n/a	n/a	n/a	**22.4**	22.3
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	100	May 1997	Jun 2012	35.0	(g)	**29.2**	36.6
114 Fairbank Road, Clayton, VIC	100	Jul 1997	Mar 2013	15.4	(b)	**15.4**	15.4
30 Bellrick Street, Acacia Ridge, QLD	100	Jun 1997	Sep 2012	20.6	(a)	**21.0**	20.9
Quarry Greystanes, NSW - Solaris	50	Dec 2007	Jun 2013	13.4	(c)	**13.9**	13.4
Quarry Greystanes, NSW - Symbion	50	Dec 2007	Jun 2013	17.0	(c)	**17.7**	17.0
Quarry Greystanes, NSW - Fujitsu	50	Dec 2007	Jun 2013	21.0	(c)	**22.5**	21.0
Quarry Greystanes, NSW - Camerons Transport	50	Dec 2007	Jun 2013	15.9	(c)	**15.9**	15.9
Quarry Greystanes, NSW - UPS	50	Dec 2007	Jun 2013	4.4	(c)	**4.4**	4.4
Quarry Greystanes, NSW - WH9	50	Dec 2007	Jun 2013	13.7	(c)	**14.3**	13.7
Quarry Greystanes, NSW - Brady	50	Dec 2007	Jun 2013	11.1	(c)	**11.8**	11.1
Quarry Greystanes, NSW - Roche[3]	50	Dec 2007	n/a	n/a	n/a	**7.5**	-
Quarry Greystanes, NSW - Blackwoods[3]	50	Dec 2007	n/a	n/a	n/a	**15.4**	-

1 Classified as inventory at 31 December 2013.
2 Classified as non-current asset held for sale at 31 December 2013.
3 Classified as development property held as investment property at 30 June 2013.

Note 5

Non-current assets – investment properties (continued)

(a) Properties (continued)	Ownership	Acquisition date	Independent valuation date	Independent valuation amount	Independent valuer	Book value 31 Dec 2013	Book value 30 Jun 2013
	%			$m		$m	$m
2-10 Distribution Drive, Laverton – Fastline	50	Jun 2010	Jun 2013	8.0	(c)	**8.0**	8.0
27 Distribution Drive, Laverton – Toll	50	Jun 2010	Jun 2013	6.4	(c)	**6.5**	6.4
28 Distribution Drive, Laverton – ACFS	100	Jun 2010	n/a	n/a	n/a	**6.5**	6.5
30 Distribution Drive, Laverton - Toll 2[1]	100	Jun 2010	n/a	n/a	n/a	**9.2**	-
25 Distribution Drive, Laverton - Spec 4[1]	100	Jun 2010	n/a	n/a	n/a	**5.2**	-
45 Clarence Street, Sydney, NSW	100	Dec 1998	Sep 2013	270.0	(e)	**270.6**	256.7
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW	50	Dec 1998	Dec 2012	670.0	(a)	**674.1**	671.8
309-321 Kent Street, Sydney, NSW	50	Dec 1998	Jun 2012	191.0	(d)	**196.5**	194.0
1 Margaret Street, Sydney, NSW	100	Dec 1998	Sep 2012	186.0	(d)	**196.0**	192.8
Victoria Cross 60 Miller Street, North Sydney, NSW	100	Dec 1998	Sep 2012	146.0	(c)	**148.3**	147.8
The Zenith, 821-843 Pacific Highway, Chatswood, NSW	50	Dec 1998	Dec 2013	125.0	(e)	**125.0**	120.3
Woodside Plaza, 240 St Georges Terrace, Perth, WA	100	Jan 2001	Dec 2013	500.0	(f)	**500.0**	480.2
30 The Bond, 30-34 Hickson Road, Sydney, NSW	100	May 2002	Jun 2013	179.0	(c)	**179.0**	179.0
Southgate Complex, 3 Southgate Avenue, Southbank, VIC	100	Aug 2000	Dec 2013	460.0	(a)	**460.0**	425.2
201-217 Elizabeth Street, Sydney, NSW	50	Aug 2000	Jun 2011	144.0	(d)	**146.0**	144.0
Garema Court, 140-180 City Walk, Civic, ACT **	100	Aug 2000	Dec 2011	29.5	(a)	**56.6**	55.1
Australia Square Complex, 264-278 George Street, Sydney, NSW	50	Aug 2000	Jun 2013	305.0	(e)	**310.7**	305.0
Lumley Centre, 88 Shortland Street, Auckland	100	Sep 2005	Jun 2013	107.4	n/a	**121.8**	107.4
Total investment properties excluding development properties						**5,958.3**	6,008.1
Total development properties held as investment property						**45.5**	76.9
Total investment properties						**6,003.8**	6,085.0

1 Classified as development property held as investment property at 30 June 2013.

The title to all properties is freehold, with the exception of the properties marked ** which are leasehold.

(a) Colliers International
(b) Urbis
(c) CB Richard Ellis
(d) Jones Lang LaSalle
(e) Knight Frank
(f) FPD Savills
(g) m3property

Note 5

Non-current assets - investment properties (continued)

(a) Properties (continued)

Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In relation to development properties under construction for future use as investment property, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date less costs still required to complete the project, including an appropriate adjustment for profit and risk. Properties independently valued in the last 12 months were based on independent assessments by a member of the Australian Property Institute or the New Zealand Institute of Valuers.

Disposals

- On 23 August 2013, 40 Talavera Road, Macquarie Park, NSW was disposed of for gross proceeds of $28.2 million.
- On 22 October 2013, 50% of Quarry Greystanes, NSW – Warehouse 10 was disposed of for gross proceeds of $4.7 million.

(b) Reconciliation

	Note	**For the 6 months to 31 Dec 2013 $m**	For the 12 months to 30 Jun 2013 $m
Opening balance at the beginning of the period		**6,085.0**	6,391.5
Additions		**35.3**	82.1
Acquisitions		**-**	22.2
Lease incentives		**28.6**	52.0
Amortisation of lease incentives		**(28.4)**	(52.1)
Rent straightlining		**0.4**	(0.6)
Disposals		**(32.8)**	(24.9)
Transfer to assets classified as held for sale[1]		**(97.2)**	(7.2)
Transfer to discontinued operations		**-**	(559.6)
Transfer to inventories[2]	4	**(101.4)**	(14.5)
Net fair value gain of investment properties		**104.6**	188.8
Foreign exchange differences on foreign currency translation		**9.7**	7.3
Closing balance at the end of the period		**6,003.8**	6,085.0

1 During the half year ended 31 December 2013, $97.2 million of investment property was transferred to assets held for sale with an intention to sell.

2 During the half year ended 31 December 2013, $101.4 million of investment property was transferred to inventories with an intention to develop and sell.

(c) Investment properties pledged as security

Refer to note 8 for information on investment properties pledged as security.

Note 6

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

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

Information relating to these entities is set out below:

	Ownership interest			
	31 Dec 2013	30 Jun 2013	**31 Dec 2013**	30 Jun 2013
Name of entity	**%**	%	**$m**	$m
Bent Street Trust	**33.3**	33.3	**251.8**	248.3
DEXUS Creek Street Trust	**50.0**	50.0	**128.0**	127.6
DEXUS Martin Place Trust	**50.0**	50.0	**80.3**	79.8
Grosvenor Place Holding Trust	**50.0**	50.0	**291.5**	289.1
Site 6 Homebush Bay Trust	**50.0**	50.0	**37.5**	37.1
Site 7 Homebush Bay Trust	**50.0**	50.0	**50.9**	50.3
DEXUS 480 Q Holding Trust	**50.0**	50.0	**58.2**	44.5
DEXUS Kings Square Trust	**50.0**	50.0	**53.3**	30.1
DEXUS Office Trust Australia	**50.0**	-	**-**	-
Total non-current assets - investments accounted for using the equity method			**951.5**	906.8

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

Movements in carrying amounts of investments accounted for using the equity method

	For the 6 months to 31 Dec 2013	For the 12 months to 30 Jun 2013
	$m	$m
Opening balance at the beginning of the period	**906.8**	217.0
Additions	**45.1**	674.3
Share of net profit after tax[1]	**27.0**	37.9
Fair value adjustment on acquisition of investments	**-**	(0.1)
Distributions received/receivable	**(27.4)**	(22.3)
Closing balance at the end of the period	**951.5**	906.8

1 Share of net profit after tax includes a fair value gain of investment properties of $2.0 million (June 2013: $12.9 million).

Note 7

Non-current assets - intangible assets

	For the 6 months to 31 Dec 2013 $m	For the 12 months to 30 Jun 2013 $m
Management rights		
Opening balance at the beginning of the period	**242.1**	221.9
Amortisation charge	**(0.2)**	(0.3)
Reversal of previous impairment	**-**	20.5
Closing balance at the end of the period	**241.9**	242.1
Cost	**252.4**	252.4
Accumulated amortisation	**(3.2)**	(3.0)
Accumulated impairment	**(7.3)**	(7.3)
Total management rights	**241.9**	242.1
Goodwill		
Opening balance at the beginning of the period	**1.6**	1.7
Impairment	**-**	(0.1)
Closing balance at the end of the period	**1.6**	1.6
Cost	**3.0**	3.0
Accumulated impairment	**(1.4)**	(1.4)
Total goodwill	**1.6**	1.6
Total non-current assets - intangible assets	**243.5**	243.7

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 $5.2 million (June 2013: $5.4 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 19 years. Management rights that are deemed to have an indefinite life are held at a value of $236.7 million (June 2013: $236.7 million).

As at 31 December 2013, 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 8

Interest bearing liabilities

	Note	31 Dec 2013 $m	30 Jun 2013 $m
Current			
Unsecured			
US senior notes	(b)	**87.2**	-
Medium term notes	(e)	**55.0**	-
Total unsecured		**142.2**	-
Deferred borrowing costs		**(0.1)**	-
Total current liabilities - interest bearing liabilities		**142.1**	-
Non-current			
Unsecured			
US senior notes	(a), (b)	**625.8**	409.0
Bank loans	(c)	**1,061.4**	1,189.6
Commercial paper	(d)	**100.0**	-
Medium term notes	(e)	**419.5**	580.0
Total unsecured		**2,206.7**	2,178.6
Deferred borrowing costs		**(13.3)**	(11.5)
Total non-current liabilities - interest bearing liabilities		**2,193.4**	2,167.1
Total interest bearing liabilities		**2,335.5**	2,167.1

Note 8

Interest bearing liabilities (continued)

Financing arrangements

Type of Facility	Note	Currency	Security	Maturity Date	31 Dec 2013 $m Utilised[1]	31 Dec 2013 $m Facility Limit
US senior notes (144A)	(a)	US$	Unsecured	Mar-21	**278.6**	**278.6**
US senior notes (USPP)	(b)	US$	Unsecured	Dec-14 to Jul-28	**480.6**	**480.6**
Medium term notes	(e)	A$	Unsecured	Jul-14 to Sep-18	**474.5**	**474.5**
Commerical paper	(d)	A$	Unsecured	Aug-15	**100.0**	**100.0**
Multi-option revolving credit facilities	(c)	Multi Currency	Unsecured	Aug-15 to Nov-19	**1,061.4**	**1,329.4**
Total					**2,395.1**	**2,663.1**
Bank guarantee utilised					**29.9**	
Unused at balance date					**238.1**	

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

Each of the Group's unsecured borrowing facilities are supported by guarantee arrangements, and have negative pledge provisions which limit the amount and type of encumbrances that the Group can have over 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$278.6 million) of US senior notes with a maturity of March 2021.

(b) US senior notes (USPP)

This includes a total of US$430.0 million (A$480.6 million) of US senior notes with a weighted average maturity of May 2023.

(c) Multi-option revolving credit facilities

This includes 17 facilities maturing between August 2015 and November 2019 with a weighted average maturity of July 2017. The total facility limit comprises A$1,273.5 million and US$50.0 million (A$55.9 million). A$29.9 million is utilised as bank guarantees for developments, AFSL requirements and in relation to the sale of the US industrial portfolio.

(d) Commercial paper

This includes a total of A$100.0 million of commercial paper which is supported by a standby facility of A$100.0m with a weighted average maturity of August 2015. The standby facility has same day availability.

(e) Medium term notes

This includes a total of A$474.5 million of medium term notes with a weighted average maturity of August 2017.

Additional information

The Group has commitments with delayed starts for US$200.0 million (A$223.5 million) of US senior notes with a weighted average maturity of January 2026 and A$100.0 million of new revolving credit facilities with a weighted average maturity of March 2019.

In addition, the Group has commitments totaling A$70.0m that are available for 3 months out of every 6 months.

Following the end of the period, the Group has entered into new facilities totaling A$1,300.0 million with a weighted average maturity of December 2017. The facilities will be utilised in the event that the Group is successful in its takeover offer for CPA (refer note 13).

Note 9
Contributed equity

(a) Contributed equity of unitholders of the parent entity

	For the 6 months to 31 Dec 2013 $m	For the 12 months to 30 Jun 2013 $m
Opening balance at the beginning of the period	**1,577.7**	1,605.0
Buy-back of contributed equity	**(25.5)**	(27.3)
Closing balance at the end of the period	**1,552.2**	1,577.7

(b) Contributed equity of unitholders of other stapled entities

	For the 6 months to 31 Dec 2013 $m	For the 12 months to 30 Jun 2013 $m
Opening balance at the beginning of the period	**3,106.3**	3,156.5
Buy-back of contributed equity	**(49.8)**	(50.2)
Closing balance at the end of the period	**3,056.5**	3,106.3

(c) Number of securities on issue

	For the 6 months to 31 Dec 2013 No. of securities	For the 12 months to 30 Jun 2013 No. of securities
Opening balance at the beginning of the period	**4,701,957,390**	4,783,817,657
Buy-back of contributed equity	**(73,728,964)**	(81,860,267)
Closing balance at the end of the period	**4,628,228,426**	4,701,957,390

The number of securities on issue includes 5,086,949 securities (June 2013: 2,108,728) held by the Group to fulfill the obligations of the security-based payments plans.

Note 10
Distributions paid and payable

(a) Distribution to security holders

	31 Dec 2013 $m	31 Dec 2012 $m
31 December (payable 28 February 2014)	**142.1**	135.9
	142.1	135.9

(b) Distribution rate

	31 Dec 2013 Cents per security	31 Dec 2012 Cents per security
31 December (payable 28 February 2014)	**3.07**	2.89
Total distributions	**3.07**	2.89

Note 11

Fair value of financial instruments

As at 31 December 2013 and 30 June 2013, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2013 Carrying amount[1] $m	31 Dec 2013 Fair value[2] $m	30 Jun 2013 Carrying amount[1] $m	30 Jun 2013 Fair value[2] $m
Financial assets				
Cash and cash equivalents	10.3	10.3	14.9	14.9
Loans and receivables (current)	68.1	68.1	40.6	40.6
Derivative assets[3]	146.2	146.2	140.2	140.2
Total financial assets	224.6	224.6	195.7	195.7
Financial liabilities				
Trade payables	105.9	105.9	95.2	95.2
Derivative liabilities	67.7	67.7	101.2	101.2
Interest bearing liabilities				
Fixed interest bearing liabilities	1,228.7	1,249.2	878.9	934.7
Floating interest bearing liabilities	1,166.4	1,166.4	1,299.6	1,299.6
Total financial liabilities	2,568.7	2,589.2	2,374.9	2,430.7

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.
2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.
3 Includes the fair value of the forward contract and collar in respect of the CPA takeover offer. The fair value is determined with reference to the CPA unit price as at 31 December 2013 and is therefore subject to change in value.

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

Note 11

Fair value of financial instruments (continued)

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

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

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

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

The following tables present the assets and liabilities measured and recognised as at fair value at 31 December 2013 and 30 June 2013.

	Level 1 $m	Level 2 $m	Level 3 $m	31 Dec 2013 $m
Financial assets				
Derivative assets				
Interest rate derivatives	-	37.2	-	37.2
Cross currency swaps	-	76.0	-	76.0
Forward and collar derivatives	-	33.0	-	33.0
	-	146.2	-	146.2
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	-	1,249.2	-	1,249.2
Floating interest bearing liabilities	-	1,166.4	-	1,166.4
	-	2,415.6	-	2,415.6
Derivative liabilities				
Interest rate derivatives	-	61.4	-	61.4
Cross currency swaps	-	6.3	-	6.3
	-	67.7	-	67.7

	Level 1 $m	Level 2 $m	Level 3 $m	30 Jun 2013 $m
Financial assets				
Derivative assets				
Interest rate derivatives	-	48.2	-	48.2
Cross currency swaps	-	89.3	-	89.3
Other	-	2.7	-	2.7
	-	140.2	-	140.2
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	-	934.7	-	934.7
Floating interest bearing liabilities	-	1,299.6	-	1,299.6
	-	2,234.3	-	2,234.3
Derivative liabilities				
Interest rate derivatives	-	74.8	-	74.8
Cross currency swaps	-	26.4	-	26.4
	-	101.2	-	101.2

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

Note 12

Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

	31 Dec 2013 $m	30 Jun 2013 $m
Bank guarantees by the Group in respect of variations and other financial risks associated with the development of:		
Boundary Road, Laverton , VIC	**0.5**	0.5
123 Albert Street, Brisbane, QLD	**0.1**	0.1
1 Foundation Place, Greystanes, NSW	**0.4**	0.4
Contingent liabilities in respect of developments	**1.0**	1.0

DDF together with DIT, DOT and DXO is also a guarantor of a total of A$1,273.5 million and US$50.0 million (A$55.9 million) of bank bilateral facilities, a total of A$470.0 million of medium term notes, a total of US$430.0 million (A$480.6 million) of privately placed notes, and a total of US$250.0 million (A$278.5 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. 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.

On settlement of the US sales transaction in the year ended 30 June 2013, a letter of credit was issued in relation to the sale of 25 properties located in the United States. The letter of credit was issued for US$15.2 million (A$17.0 million) and is expected to remain on issue until September 2014.

The Group has bank guarantees of $12.0 million held on behalf of DEXUS Funds Management Limited and DEXUS Wholesale Property Limited to comply with the terms of their Australian Financial Services Licences (AFSL).

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.

Certain amounts will become due and payable in the event that the Group is successful in its takeover offer for CPA (refer note 13), including facilitation fees of $41 million as well as stamp duty and professional and advisor fees. The total of these amounts, including facilitation fees, is not expected to exceed $75 million.

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 13

Events occurring after reporting date

On 11 December 2013 DEXUS Property Group and Canada Pension Plan Investment Board (“CPPIB”) (together “the Consortium”) made a cash and scrip off-market takeover offer (the “DEXUS Offer”) to acquire all of the issued units in Commonwealth Property Office Fund (“CPA”). The DEXUS Offer provides the following cash and DXS scrip consideration (expressed per CPA unit):

$0.7745 cash ($0.0407 of which is paid by DXS); and
0.4516 DXS stapled securities
(“Option A”)

On 6 January 2014, the Consortium announced that it had determined to vary the DEXUS Offer to give CPA unitholders the opportunity to elect to receive an alternative cash/scrip consideration mix option comprised of a larger proportion of cash per CPA unit. Under the alternative cash/scrip consideration mix option, CPA unitholders would receive (expressed per CPA unit):

$0.8496 cash ($0.1158 of which is paid by DXS); and
0.3801 DXS stapled securities
(“Option B”)

Note 13

Events occurring after reporting date (continued)

Under the DEXUS Offer, CPA unitholders may elect to receive either Option A or Option B. The DEXUS Offer closes on 14 February 2014 (unless extended or withdrawn) and as at the date of this report, 30.25% of CPA unitholders had accepted the offer for which the Group has a maximum commitment of $71.8 million cash and 279.8 million DXS stapled securities. The Group also has a relevant interest in 350 million units of CPA. As at the date of this report, the Group has $1,300.0 million of new bank facilities that may be utilised to fund the Group's share of:

- acquisition costs for CPA units under the takeover offer for CPA; and
- refinancing and other transaction costs arising as a result of that takeover offer (as described in the bidder's statement dated 19 December 2013). Refer to note 8 for further details.

The Group is issuing new DXS stapled securities, which rank equally with existing DXS stapled securities, for the acceptances received and paying its portion of the cash offered for each CPA unit. The Group and CPPIB will jointly own and control the investment in CPA and the Group will equity account its share of the investment.

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.

Note 14

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.

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third part clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
DXS asset management	This comprises asset management of assets owned by the Group.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.
Discontinued operations	This comprises industrial properties, industrial estates and industrial developments in the United States, as well as the European industrial portfolio.

Note 14

Operating segments (continued)

(b) Segment information provided to the CODM

31 December 2013	Office $m	Industrial $m	Property management $m	Development and trading $m	Funds management $m	DXS asset management $m	All other segments $m	Eliminations $m	Continuing operations $m	Discontinued operations $m	Total $m
Segment performance measures											
Property revenue and property management fees	232.9	72.5	6.7	-	-	-	-	(0.3)	**311.8**	**-**	**311.8**
Proceeds from sale of inventory	-	-	-	3.3	-	-	-	-	**3.3**	**-**	**3.3**
Management fee revenue	-	-	9.9	0.8	14.5	-	-	-	**25.2**	**-**	**25.2**
Total operating segment revenue	**232.9**	**72.5**	**16.6**	**4.1**	**14.5**	**-**	**-**	**(0.3)**	**340.3**	**-**	**340.3**
Property expenses	(57.6)	(13.0)	-	-	-	-	-	-	**(70.6)**	**-**	**(70.6)**
Property management salaries	-	-	(4.3)	-	-	-	-	-	**(4.3)**	**-**	**(4.3)**
Corporate and administration expenses	-	-	(7.8)	(1.1)	(6.3)	(5.5)	(12.9)	0.3	**(33.3)**	**-**	**(33.3)**
Cost of sale of inventory	-	-	-	(3.3)	-	-	-	-	**(3.3)**	**-**	**(3.3)**
Net operating EBIT	**175.3**	**59.5**	**4.5**	**(0.3)**	**8.2**	**(5.5)**	**(12.9)**	**-**	**228.8**	**-**	**228.8**
Interest revenue	-	-	-	-	-	-	0.1	-	**0.1**	-	**0.1**
Finance costs	-	-	-	-	-	-	(61.4)	-	**(61.4)**	**-**	**(61.4)**
Incentive amortisation and rent straight-line	14.0	0.4	-	-	-	-	-	-	**14.4**	**-**	**14.4**
Tax expense	-	-	-	-	-	-	(0.8)	-	**(0.8)**	**-**	**(0.8)**
Coupon income and net CPA distribution income	3.3	-	-	-	-	-	5.4	-	**8.7**	**-**	**8.7**
Funds From Operations (FFO)	**192.6**	**59.9**	**4.5**	**(0.3)**	**8.2**	**(5.5)**	**(69.6)**	**-**	**189.8**	**-**	**189.8**
Net fair value gain of investment properties	98.7	7.9	-	-	-	-	-	-	**106.6**	**-**	**106.6**
Net fair value loss of derivatives	-	-	-	-	-	-	(15.1)	-	**(15.1)**	**-**	**(15.1)**
Finance costs attributable to sales transactions	-	-	-	-	-	-	(2.5)	-	**(2.5)**	**-**	**(2.5)**
Foreign currency translation reserve transfer on disposal of foreign operations	-	-	-	-	-	-	-	-	**-**	**0.8**	**0.8**
Net (loss)/gain on sale of investment properties	(2.3)	1.8	-	-	-	-	-	-	**(0.5)**	**-**	**(0.5)**
Net fair value gain of interest bearing liabilities	-	-	-	-	-	-	20.9	-	**20.9**	**-**	**20.9**
Incentive amortisation and rent straight-line	(14.0)	(0.4)	-	-	-	-	-	-	**(14.4)**	**-**	**(14.4)**
Deferred tax benefit	-	-	-	-	-	-	0.1	-	**0.1**	**-**	**0.1**
Coupon income and net CPA distribution income	(3.3)	-	-	-	-	-	(5.2)	-	**(8.5)**	**-**	**(8.5)**
Net profit/(loss) attributable to stapled security holders	**271.7**	**69.2**	**4.5**	**(0.3)**	**8.2**	**(5.5)**	**(71.4)**	**-**	**276.4**	**0.8**	**277.2**
31 December 2013											
Segment asset measures											
Investment properties	4,717.7	1,286.1	-	-	-	-	-	-	**6,003.8**	**-**	**6,003.8**
Non-current assets held for sale	22.7	74.5	-	-	-	-	-	-	**97.2**	**-**	**97.2**
Inventories	-	-	-	363.7	-	-	-	-	**363.7**	**-**	**363.7**
Equity accounted investment properties	953.7	-	-	-	-	-	-	-	**953.7**	**-**	**953.7**
Direct property portfolio	**5,694.1**	**1,360.6**	**-**	**363.7**	**-**	**-**	**-**	**-**	**7,418.4**	**-**	**7,418.4**

Note 14

Operating segments (continued)

(b) Segment information provided to the CODM (continued)

31 December 2012	Office $m	Industrial $m	Property management $m	Development and trading $m	Funds management $m	DXS asset management $m	All other segments $m	Continuing operations $m	Discontinued operations $m	Total $m
Segment performance measures										
Property revenue and property management fees	201.4	70.1	6.1	-	-	-	-	**277.6**	24.0	**301.6**
Proceeds from sale of inventory	-	-	-	15.7	-	-	-	**15.7**	-	**15.7**
Management fee revenue	-	-	9.8	0.4	13.4	-	-	**23.6**	0.3	**23.9**
Total operating segment revenue	**201.4**	**70.1**	**15.9**	**16.1**	**13.4**	**-**	**-**	**316.9**	**24.3**	**341.2**
Property expenses	(49.6)	(12.3)	-	-	-	-	-	**(61.9)**	(5.6)	**(67.5)**
Property management salaries	-	-	(5.2)	-	-	-	-	**(5.2)**	-	**(5.2)**
Corporate and administration expenses	-	-	(7.4)	-	(6.5)	(6.7)	(11.1)	**(31.7)**	(2.9)	**(34.6)**
Cost of sale of inventory	-	-	-	(14.8)	-	-	-	**(14.8)**	-	**(14.8)**
Net foreign exchange gain	-	-	-	-	-	-	-	**-**	1.2	**1.2**
Net operating EBIT	**151.8**	**57.8**	**3.3**	**1.3**	**6.9**	**(6.7)**	**(11.1)**	**203.3**	**17.0**	**220.3**
Interest revenue	-	-	-	-	-	-	0.8	**0.8**	-	**0.8**
Finance costs	-	-	-	-	-	-	(41.5)	**(41.5)**	(12.9)	**(54.4)**
Incentive amortisation and rent straight-line	13.3	-	-	-	-	-	-	**13.3**	1.0	**14.3**
Tax benefit	-	-	-	-	-	-	0.1	**0.1**	0.8	**0.9**
Other	-	-	-	-	-	-	0.3	**0.3**	-	**0.3**
Funds From Operations (FFO)	**165.1**	**57.8**	**3.3**	**1.3**	**6.9**	**(6.7)**	**(51.4)**	**176.3**	**5.9**	**182.2**
Net fair value gain of investment properties	92.8	6.4	-	-	-	-	-	**99.2**	21.2	**120.4**
Net fair value loss of derivatives	-	-	-	-	-	-	(10.9)	**(10.9)**	(1.0)	**(11.9)**
Finance costs attributable to US sales transaction	-	-	-	-	-	-	-	**-**	(12.4)	**(12.4)**
Net (loss)/gain on sale of investment properties	-	(2.7)	-	-	-	-	-	**(2.7)**	1.2	**(1.5)**
Incentive amortisation and rent straight-line	(13.3)	-	-	-	-	-	-	**(13.3)**	(1.0)	**(14.3)**
Deferred tax benefit	-	-	-	-	-	-	-	**-**	4.5	**4.5**
Net profit/(loss) attributable to stapled security holders	**244.6**	**61.5**	**3.3**	**1.3**	**6.9**	**(6.7)**	**(62.3)**	**248.6**	**18.4**	**267.0**
30 June 2013										
Segment asset measures										
Investment properties	4,657.9	1,427.1	-	-	-	-	-	**6,085.0**	-	**6,085.0**
Non-current assets held for sale	-	-	-	-	-	-	-	**-**	7.7	**7.7**
Inventories	-	-	-	252.9	-	-	-	**252.9**	-	**252.9**
Equity accounted investment properties	912.8	-	-	-	-	-	-	**912.8**	-	**912.8**
Direct property portfolio	**5,570.7**	**1,427.1**	**-**	**252.9**	**-**	**-**	**-**	**7,250.7**	**7.7**	**7,258.4**

Note 14

Operating segments (continued)

(c) Other segment information

(i) Funds From Operations (FFO)

The Board assesses the performance of each operating sector based on FFO. FFO is a global financial measure of real estate operating performance after finance costs and taxes, and is adjusted for certain non-cash items. The Directors consider FFO to be a measure that reflects the underlying performance of the Group. DEXUS's 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 certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

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

	31 Dec 2013 $m	31 Dec 2012 $m
Gross operating segment revenue	340.3	341.2
Revenue from discontinued operations	-	(24.3)
Share of property revenue from associates	(31.4)	(7.9)
Interest revenue	0.1	0.8
Total revenue from ordinary activities	**309.0**	**309.8**

(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 2013 $m	30 Jun 2013 $m
Investment properties	6,003.8	6,085.0
Investment properties classified as held for sale	97.2	7.7
Inventories	363.7	252.9
Investment properties accounted for using the equity method[1]	953.7	912.8
Direct property portfolio	**7,418.4**	**7,258.4**
Cash and cash equivalents	10.3	14.5
Receivables	68.1	40.2
Intangible assets	243.5	243.7
Derivative financial instruments	146.2	140.2
Deferred tax assets	39.4	39.4
Plant and equipment	9.3	8.8
Prepayments and other assets[2]	6.6	6.3
Other assets classified as discontinued operations	-	1.1
Total assets	**7,941.8**	**7,752.6**

1 This represents 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.

In the Directors' opinion:

(a) the Financial Statements and notes set out on pages 6 to 31 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 2013 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.

Christopher T Beare
Chair
11 February 2014

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, which comprises the balance sheet as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and 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 group or the consolidated stapled entity). The consolidated stapled entity comprises both DEXUS Diversified Trust (the trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 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 2013 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*.

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 2013 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

EA Barron
Partner

Sydney
11 February 2014

DEXUS Industrial Trust

(ARSN 090 879 137)

Interim Report
31 December 2013

Contents

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

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Industrial Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2013. The consolidated Financial Statements represents DEXUS Industrial Trust and its consolidated entities (DIT or the Trust).

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

1 Directors

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

Directors	Appointed	Resigned
Christopher T Beare	4 August 2004	
Elizabeth A Alexander, AM	1 January 2005	
Barry R Brownjohn	1 January 2005	29 October 2013
John C Conde, AO	29 April 2009	
Tonianne Dwyer	24 August 2011	
Stewart F Ewen, OAM	4 August 2004	29 October 2013
Craig D Mitchell	12 February 2013	
W Richard Sheppard	1 January 2012	
Darren J Steinberg	1 March 2012	
Peter B St George	29 April 2009	

2 Review and results of operations

The results for the half year ended 31 December 2013 were:

- profit attributable to unitholders was $24.5 million (December 2012: $35.1 million);
- total assets were $1,000.5 million (June 2013: $1,095.8 million); and
- net assets were $733.6 million (June 2013: $720.2 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 Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 11 February 2014. The Directors have the power to amend and reissue the Financial Statements.

Christopher T Beare	**Darren J Steinberg**
Chair	Chief Executive Officer
11 February 2014	11 February 2014

Auditor's Independence Declaration

As lead auditor for the review of DEXUS Industrial Trust for the half-year ended 31 December 2013, 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.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
11 February 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue from ordinary activities			
Property revenue		**46,592**	45,222
Interest revenue		**11**	72
Total revenue from ordinary activities		**46,603**	45,294
Net fair value gain of investment properties		**1,508**	1,517
Net fair value gain of derivatives		**7**	-
Other income		**26**	-
Total income		**48,144**	46,811
Expenses			
Property expenses		**(10,781)**	(10,362)
Responsible Entity fees		**(1,389)**	(1,419)
Finance costs	2	**(10,412)**	(13,030)
Net fair value loss of derivatives		**-**	(239)
Net loss on sale of investment properties		**(30)**	(1,115)
Net foreign exchange loss		**(1,512)**	-
Other expenses		**(282)**	(371)
Total expenses		**(24,406)**	(26,536)
Profit before tax		**23,738**	20,275
Tax benefit			
Income tax (loss)/benefit		**(10)**	356
Total tax (loss)/benefit		**(10)**	356
Profit after tax from continuing operations		**23,728**	20,631
Profit from discontinued operations		**812**	14,499
Net profit for the period		**24,540**	35,130
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve transfer on disposal of foreign operations		**(812)**	-
Exchange differences on translating foreign operations		**132**	2,476
Total comprehensive income for the period		**23,860**	37,606

Earnings per Unit	Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity		
Earnings per unit - profit from continuing operations	**0.35**	0.35
Earnings per unit - profit from discontinued operations	**-**	0.88
Earnings per unit - total	**0.35**	1.23

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

	Note	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets			
Cash and cash equivalents		**2,185**	2,452
Receivables		**5,803**	3,763
Loan with related parties	3	**138,948**	138,948
Derivative financial instruments		**7,391**	29
Other		**412**	1,887
		154,739	147,079
Discontinued operations and assets classified as held for sale		**74,550**	8,741
Total current assets		**229,289**	155,820
Non-current assets			
Investment properties	4	**762,453**	925,526
Derivative financial instruments		**8,612**	14,341
Other		**180**	143
Total non-current assets		**771,245**	940,010
Total assets		**1,000,534**	1,095,830
Current liabilities			
Payables		**57,890**	57,321
Current tax liabilities		**973**	973
Provisions		**-**	10,000
Derivative financial instruments		**-**	972
		58,863	69,266
Discontinued operations classified as held for sale		**-**	80
Total current liabilities		**58,863**	69,346
Non-current liabilities			
Loans with related parties	3	**190,289**	286,473
Derivative financial instruments		**17,732**	19,742
Other		**96**	111
Total non-current liabilities		**208,117**	306,326
Total liabilities		**266,980**	375,672
Net assets		**733,554**	720,158
Equity			
Contributed equity	5	**1,072,000**	1,082,464
Reserves		**-**	680
Accumulated losses		**(338,446)**	(362,986)
Total equity		**733,554**	720,158

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

	Note	Contributed equity $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Total equity $'000
Opening balance as at 1 July 2012		1,092,787	(453,076)	24,530	664,241
Net Profit for the period		-	35,130	-	35,130
Other comprehensive income for the period		-	-	2,476	2,476
Transactions with owners in their capacity as owners:					
Buy-back of contributed equity	5	(10,323)	-	-	(10,323)
Closing balance as at 31 December 2012		1,082,464	(417,946)	27,006	691,524
Opening balance as at 1 July 2013		**1,082,464**	**(362,986)**	**680**	**720,158**
Net Profit for the period		**-**	**24,540**	**-**	**24,540**
Other comprehensive income for the period		**-**	**-**	**(680)**	**(680)**
Transactions with owners in their capacity as owners:					
Buy-back of contributed equity	**5**	**(10,464)**	**-**	**-**	**(10,464)**
Closing balance as at 31 December 2013		**1,072,000**	**(338,446)**	**-**	**733,554**

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

	31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**50,995**	54,998
Payments in the course of operations (inclusive of GST)	**(21,943)**	(14,900)
Interest received	**11**	1,093
Finance costs paid	**(3,051)**	(11,990)
Income and withholding taxes paid	**-**	(16)
Net cash inflow from operating activities	**26,012**	29,185
Cash flows from investing activities		
Proceeds from sale of investment properties	**101,233**	79,287
Payments for capital expenditure on investment properties	**(2,929)**	(5,362)
Proceeds from investments accounted for using the equity method	**-**	10,849
Proceeds from sale of investments	**-**	15,256
Net cash inflow from investing activities	**98,304**	100,030
Cash flows from financing activities		
Borrowings provided by entities within DXS	**50,699**	15,440
Borrowings provided to entities within DXS	**(155,309)**	(153,900)
Repayment of loans with related parties	**-**	36,847
Payments for buy-back of contributed equity	**(10,464)**	(10,323)
Distributions paid to unitholders	**(10,000)**	(10,000)
Net cash outflow from financing activities	**(125,074)**	(121,936)
Net (decrease)/increase in cash and cash equivalents	**(758)**	7,279
Cash and cash equivalents at the beginning of the period	**2,836**	11,862
Effects of exchange rate changes on cash and cash equivalents	**107**	85
Cash and cash equivalents at the end of the period	**2,185**	19,226

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

DEXUS Property Group stapled securities are quoted on the Australian Securities Exchange under the “DXS” code and comprise one unit in each of DDF, DIT, DOT and DXO. Each entity forming part of DXS continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

DEXUS Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These interim Financial Statements for the half year ended 31 December 2013 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 2013 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The Trust is a for-profit entity for the purpose of preparing Financial Statements.

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

Critical accounting estimates

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

Note 1

Summary of significant accounting policies (continued)

(b) Principles of consolidation

On 1 July 2013, the Trust adopted AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*. The implementation of these new standards has not impacted any of the amounts recognised in the Financial Statements.

(i) Controlled entities

Subsidiaries are all entities (including special purpose entities) over which the Trust has control. The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the Trust. All inter-entity transactions, balances and unrealised gains and losses on transactions between Trust entities have been eliminated in full.

(ii) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

Where assets are held directly as tenants in common, the Trust's proportionate share of revenues, expenses, assets and liabilities are included in their respective items of the Statement of Financial Position and Statement of Comprehensive Income.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Trust's share of the joint ventures' post-acquisition net profits is recognised in the Statement of Comprehensive Income and its share of post-acquisition movements in reserves is recognised in reserves in the Statement of Financial Position. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions and dividends received from joint ventures are recognised in the Statement of Financial Position as a reduction of the carrying amount of the investment.

Where the Trust's share of losses in a joint venture equal or exceeds its interest in the joint venture (including any unsecured long term receivables), the Trust does not recognise any further losses unless it has incurred obligations or made payments on behalf of the joint venture.

(c) Fair value measurement

On 1 July 2013 the Trust adopted AASB 13 *Fair Value Measurement*. AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

As a result of the adoption of AASB 13, the fair value of financial liabilities now includes an adjustment for the credit worthiness of counterparties and the Trust. The standard is applied prospectively.

Note 2

Finance costs

	31 Dec 2013 $'000	31 Dec 2012 $'000
Interest paid to related parties	**9,459**	7,309
Net fair value loss of interest rate swaps	**656**	5,719
Other finance costs	**297**	2
Total finance costs	**10,412**	13,030

Note 3

Loans with related parties

	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets - loans with related parties		
Non-interest bearing loans with entities within DXS[1]	**138,948**	138,948
Total current assets - loans with related parties	**138,948**	138,948
Non-current liabilities - loans with related parties		
Interest bearing loans with related parties[2]	**190,289**	286,473
Total non-current liabilities - loans with related parties	**190,289**	286,473

1 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DDF, DOT and DXO. These loan balances eliminate on consolidation within DXS.
2 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

Note 4

Non-current assets - investment properties

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 Jun 2013 $'000
Opening balance at the beginning of the period	**925,526**	1,058,533
Additions	**3,237**	8,472
Acquisitions	**-**	22,248
Lease incentives	**3,422**	6,015
Amortisation of lease incentives	**(3,523)**	(6,661)
Net fair value gain/(loss) of investment properties	**1,508**	(5,417)
Rent straightlining	**234**	974
Disposals	**(93,401)**	(18,500)
Transfer to assets classified as held for sale[1]	**(74,550)**	(140,138)
Closing balance at the end of the period	**762,453**	925,526

1 During the half year ended 31 December 2013, $74.6 million of investment property was transferred to assets held for sale with an intention to sell.

Disposals

- On 31 December 2013, 25-55 Rothschild Ave, Rosebery, NSW was disposed of for gross proceeds of $34.5 million.
- On 31 December 2013, 5-13 Rosebery Ave, Rosebery, NSW was disposed of for gross proceeds of $58.9 million.

Note 5

Contributed equity

(a) Contributed equity

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 Jun 2013 $'000
Opening balance at the beginning of the period	1,082,464	1,092,787
Buy-back of contributed equity	(10,464)	(10,323)
Closing balance at the end of the period	1,072,000	1,082,464

(b) Number of units on issue

	For the 6 months to 31 Dec 2013 No. of units	For the 12 months to 30 Jun 2013 No. of units
Opening balance at the beginning of the period	4,701,957,390	4,783,817,657
Buy-back of contributed equity	(73,728,964)	(81,860,267)
Closing balance at the end of the period	4,628,228,426	4,701,957,390

Note 6

Fair value of financial instruments

As at 31 December 2013 and 30 June 2013, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2013 Carrying amount[1] $'000	31 Dec 2013 Fair value[2] $'000	30 Jun 2013 Carrying amount[1] $'000	30 Jun 2013 Fair value[2] $'000
Financial assets				
Cash and cash equivalents	**2,185**	**2,185**	2,836	2,836
Loans and receivables (current)	**5,803**	**5,803**	4,158	4,158
Derivative assets	**16,003**	**16,003**	14,370	14,370
Non-interest bearing loans with related parties	**138,948**	**138,948**	138,948	138,948
Total financial assets	**162,939**	**162,939**	160,312	160,312
Financial liabilities				
Trade payables	**57,890**	**57,890**	58,159	58,159
Derivative liabilities	**17,732**	**17,732**	20,714	20,714
Interest bearing loans with related parties	**190,289**	**190,289**	286,473	286,473
Total financial liabilities	**265,911**	**265,911**	365,346	365,346

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

2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

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

Note 6

Fair Value of Financial Instruments (continued)

Determination of fair value

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

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

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

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

The following tables present the assets and liabilities measured and recognised as at fair value at 31 December 2013 and 30 June 2013.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	31 Dec 2013 $'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	6,818	-	6,818
Cross currency swaps	-	9,185	-	9,185
	-	16,003	-	16,003
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	17,732	-	17,732
	-	17,732	-	17,732

	Level 1 $'000	Level 2 $'000	Level 3 $'000	30 Jun 2013 $'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	7,760	-	7,760
Cross currency swaps	-	6,610	-	6,610
	-	14,370	-	14,370
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	20,714	-	20,714
	-	20,714	-	20,714

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

Note 7

Contingent liabilities

The Trust together with DDF, DXO and DOT is a guarantor of a total of A$1,273.5 million and US$50.0 million (A$55.9 million) of bank bilateral facilities, a total of A$470.0 million of medium term notes, a total of US$430.0 million (A$480.6 million) of privately placed notes, and a total of US$250.0 million (A$278.5 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

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

Note 8

Events occurring after reporting date

On 11 December 2013 DEXUS Property Group and Canada Pension Plan Investment Board (“CPPIB”) (together “the Consortium”) made a cash and scrip off-market takeover offer (the “DEXUS Offer”) to acquire all of the issued units in Commonwealth Property Office Fund (“CPA”). The DEXUS Offer provides the following cash and DXS scrip consideration (expressed per CPA unit):

$0.7745 cash ($0.0407 of which is paid by DXS); and
0.4516 DEXUS stapled securities
(“Option A”)

On 6 January 2014, the Consortium announced that it had determined to vary the DEXUS Offer to give CPA unitholders the opportunity to elect to receive an alternative cash/scrip consideration mix option comprised of a larger proportion of cash per CPA unit. Under the alternative cash/scrip consideration mix option, CPA unitholders would receive (expressed per CPA unit):

$0.8496 cash ($0.1158 of which is paid by DXS); and
0.3801 DEXUS stapled securities
(“Option B”)

Under the DEXUS Offer, CPA unitholders may elect to receive either Option A or Option B. The DEXUS Offer closes on 14 February 2014 (unless extended or withdrawn) and as at the date of this report, 30.25% of CPA unitholders had accepted the offer for which the Group has a maximum commitment of $71.8 million cash and 279.8 million DXS stapled securities. The Group also has a relevant interest in 350 million units of CPA. As at the date of this report, the Group has $1,300.0 million of new bank facilities that may be utilised to fund the Group’s share of:

- acquisition costs for CPA units under the takeover offer for CPA; and
- refinancing and other transaction costs arising as a result of that takeover offer (as described in the bidder’s statement dated 19 December 2013).

The Group is issuing new DXS stapled securities, which rank equally with existing DXS stapled securities, for the acceptances received and pay its portion of the cash offered for each CPA unit. The Group and CPPIB will jointly own and control the investment in CPA and the Group will equity account its share of the investment.

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 Trust, the results of those operations, or state of the Trust’s affairs in future financial periods.

Note 9

Operating segments

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

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
DXS asset management	This comprises asset management of assets owned by the Group.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.
Discontinued operations	This comprises industrial properties, industrial estates and industrial developments in the United States, as well as the European industrial portfolio.

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.

In the Directors' opinion:

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

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

 (ii) giving a true and fair view of the Trust's financial position as at 31 December 2013 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.

Christopher T Beare
Chair
11 February 2014

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, which comprises the balance sheet as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Industrial Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Industrial Trust (the trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 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 2013 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*.

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 2013 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

EA Barron
Partner

Sydney
11 February 2014

DEXUS Office Trust

(ARSN 090 768 531)

Interim Report
31 December 2013

DEXUS
PROPERTY GROUP

Contents

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

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Office Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2013. The consolidated Financial Statements represents DEXUS Office Trust and its consolidated entities (DOT or the Trust).

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

1 Directors

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

Directors	Appointed	Resigned
Christopher T Beare	4 August 2004	
Elizabeth A Alexander, AM	1 January 2005	
Barry R Brownjohn	1 January 2005	29 October 2013
John C Conde, AO	29 April 2009	
Tonianne Dwyer	24 August 2011	
Stewart F Ewen, OAM	4 August 2004	29 October 2013
Craig D Mitchell	12 February 2013	
W Richard Sheppard	1 January 2012	
Darren J Steinberg	1 March 2012	
Peter B St George	29 April 2009	

2 Review of results and operations

The results for the half year ended 31 December 2013 were:

- profit attributable to unitholders was $171.6 million (December 2012: $144.7 million);
- total assets were $4,412.6 million (June 2013: $4,216.6 million); and
- net assets were $2,615.5 million (June 2013: $2,554.9 million).

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

3 Auditor's Independence Declaration

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

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 11 February 2014. The Directors have the power to amend and reissue the Financial Statements.

Christopher T Beare	**Darren J Steinberg**
Chair	Chief Executive Officer
11 February 2014	11 February 2014

Auditor's Independence Declaration

As lead auditor for the review of DEXUS Office Trust for the half-year ended 31 December 2013, 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.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
11 February 2014

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Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2013

	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue from ordinary activities			
Property revenue		**139,734**	135,855
Interest revenue		**51**	207
Total revenue from ordinary activities		**139,785**	136,062
Net fair value gain of investment properties	3	**85,747**	70,118
Share of net profit of investments accounted for using the equity method	4	**26,952**	11,073
Net fair value gain of derivatives		**13,833**	-
Total income		**266,317**	217,253
Expenses			
Property expenses		**(37,745)**	(35,949)
Responsible Entity fees		**(6,369)**	(5,213)
Finance costs	2	**(48,981)**	(30,695)
Other expenses		**(673)**	(661)
Total expenses		**(93,768)**	(72,518)
Profit before tax		**172,549**	144,735
Income tax expense		(952)	-
Profit after tax		**171,597**	144,735
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**5,126**	1,276
Total comprehensive income for the period		**176,723**	146,011

Earnings per unit		**Cents**	Cents
Basic earnings per unit on profit attributable to unitholders of the parent entity		**2.00**	2.28
Diluted earnings per unit on profit attributable to unitholders of the parent entity		**2.00**	2.28

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

	Note	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets			
Cash and cash equivalents		**6,588**	5,007
Receivables		**28,057**	11,883
Derivative financial instruments		**32,969**	3,468
Other		**3,950**	3,708
Total current assets		**71,564**	24,066
Non-current assets			
Investment properties	3	**3,384,418**	3,279,378
Derivative financial instruments		**4,155**	5,483
Investments accounted for using the equity method	4	**951,522**	906,768
Other		**894**	894
Total non-current assets		**4,340,989**	4,192,523
Total assets		**4,412,553**	4,216,589
Current liabilities			
Payables		**48,030**	39,170
Loans with related parties	5	**55,684**	55,684
Provisions		**79,043**	78,547
Derivative financial instruments		**3,575**	770
Total current liabilities		**186,332**	174,171
Non-current liabilities			
Loans with related parties	5	**1,573,128**	1,441,551
Derivative financial instruments		**30,630**	39,759
Deferred tax liabilities		**6,346**	5,599
Other		**573**	574
Total non-current liabilities		**1,610,677**	1,487,483
Total liabilities		**1,797,009**	1,661,654
Net assets		**2,615,544**	2,554,935
Equity			
Contributed equity	6	**1,788,913**	1,825,984
Reserves		**(1,871)**	(6,997)
Retained profits		**828,502**	735,948
Total equity		**2,615,544**	2,554,935

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

	Note	Contributed equity $'000	Retained profits $'000	Foreign currency translation reserve $'000	Total equity $'000
Opening balance as at 1 July 2012		1,863,965	601,688	(14,509)	2,451,144
Profit after tax		-	144,735	-	144,735
Other comprehensive income for the period		-	-	1,276	1,276
Transactions with owners in their capacity as owners:					
Buy-back of contributed equity, net of transaction costs	6	(37,981)	-	-	(37,981)
Distributions paid or provided for	7	-	(74,172)	-	(74,172)
Closing balance as at 31 December 2012		1,825,984	672,251	(13,233)	2,485,002
Opening balance as at 1 July 2013		**1,825,984**	**735,948**	**(6,997)**	**2,554,935**
Profit after tax		**-**	**171,597**	**-**	**171,597**
Other comprehensive income for the period		**-**	**-**	**5,126**	**5,126**
Transactions with owners in their capacity as owners:					
Buy-back of contributed equity, net of transaction costs	6	**(37,071)**	**-**	**-**	**(37,071)**
Distributions paid or provided for	7	**-**	**(79,043)**	**-**	**(79,043)**
Closing balance as at 31 December 2013		**1,788,913**	**828,502**	**(1,871)**	**2,615,544**

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

	31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**156,766**	146,493
Payments in the course of operations (inclusive of GST)	**(54,163)**	(43,947)
Interest received	**51**	207
Finance costs paid to financial institutions	**(3,757)**	(9,453)
Distributions received from investments accounted for using the equity method	**26,638**	5,428
Net cash inflow from operating activities	**125,535**	98,728
Cash flows from investing activities		
Payments for capital expenditure on investment properties	**(23,943)**	(30,083)
Payments for investments accounted for using the equity method	**(45,146)**	(137,295)
Net cash outflow from investing activities	**(69,089)**	(167,378)
Cash flows from financing activities		
Borrowings provided to entities within DXS	**(264,551)**	(107,350)
Borrowings provided by entities within DXS	**343,000**	283,732
Repayment of borrowings	**(17,703)**	-
Payments for buy-back of contributed equity	**(37,071)**	(37,981)
Distributions paid to unitholders	**(78,547)**	(67,672)
Net cash (outflow)/inflow from financing activities	**(54,872)**	70,729
Net increase in cash and cash equivalents	**1,574**	2,079
Cash and cash equivalents at the beginning of the period	**5,007**	3,091
Effects of exchange rate changes on cash and cash equivalents	**7**	11
Cash and cash equivalents at the end of the period	**6,588**	5,181

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

Note 1

Summary of significant accounting policies

(a) 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 2013 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 2013 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 2013, the Trust had a net current asset deficiency of $114.8 million (June 2013: $150.1 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

Summary of significant accounting policies (continued)

(b) Principles of consolidation

On 1 July 2013, the Trust adopted AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*. The implementation of these new standards has not impacted any of the amounts recognised in the Financial Statements.

(i) Controlled entities

Subsidiaries are all entities (including special purpose entities) over which the Trust has control. The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the Trust. All inter-entity transactions, balances and unrealised gains and losses on transactions between Trust entities have been eliminated in full.

(ii) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

Where assets are held directly as tenants in common, the Trust's proportionate share of revenues, expenses, assets and liabilities are included in their respective items of the Statement of Financial Position and Statement of Comprehensive Income.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Trust's share of the joint ventures' post-acquisition net profits is recognised in the Statement of Comprehensive Income and its share of post-acquisition movements in reserves is recognised in reserves in the Statement of Financial Position. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions and dividends received from joint ventures are recognised in the Statement of Financial Position as a reduction of the carrying amount of the investment.

Where the Trust's share of losses in a joint venture equal or exceeds its interest in the joint venture (including any unsecured long term receivables), the Trust does not recognise any further losses unless it has incurred obligations or made payments on behalf of the joint venture.

(c) Fair value measurement

On 1 July 2013 the Trust adopted AASB 13 *Fair Value Measurement*. AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

As a result of the adoption of AASB 13, the fair value of financial liabilities now includes an adjustment for the credit worthiness of counterparties and the Trust. The standard is applied prospectively.

Note 2

Finance costs

	31 Dec 2013 $'000	31 Dec 2012 $'000
Interest paid to related parties	**49,131**	29,520
Net fair value (gain)/loss of interest rate swaps	**(150)**	1,175
Total finance costs	**48,981**	30,695

Note 3

Non-current assets - investment properties

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 June 2013 $'000
Opening balance at the beginning of the period	**3,279,378**	3,132,600
Additions	**10,952**	21,471
Disposals	**-**	(14,176)
Lease incentives	**16,542**	35,605
Amortisation of lease incentives	**(17,340)**	(30,735)
Net fair value gain of investment properties	**85,747**	131,301
Rent straightlining	**(584)**	(3,999)
Foreign exchange differences on foreign currency translation	**9,723**	7,311
Closing balance at the end of the period	**3,384,418**	3,279,378

Note 4

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

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

Information relating to these entities is set out below:

	Ownership Interest			
	31 Dec 2013	30 Jun 2013	**31 Dec 2013**	30 Jun 2013
Name of entity	**%**	%	**$'000**	$'000
Bent Street Trust	**33.3**	33.3	**251,790**	248,291
DEXUS Creek Street Trust	**50.0**	50.0	**128,044**	127,620
DEXUS Martin Place Trust	**50.0**	50.0	**80,276**	79,787
Grosvenor Place Holding Trust	**50.0**	50.0	**291,507**	289,086
Site 6 Homebush Bay Trust	**50.0**	50.0	**37,546**	37,093
Site 7 Homebush Bay Trust	**50.0**	50.0	**50,859**	50,266
DEXUS 480 Q Holding Trust	**50.0**	50.0	**58,213**	44,502
DEXUS Kings Square Trust	**50.0**	50.0	**53,287**	30,123
DEXUS Office Trust Australia	**50.0**	-	**-**	-
Total non-current assets - investments accounted for using the equity method			**951,522**	906,768

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

Movements in carrying amounts of investments accounted for using the equity method

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 Jun 2013 $'000
Opening balance at the beginning of the period	**906,768**	217,043
Additions	**45,146**	674,290
Share of net profit after tax[1]	**26,952**	37,905
Fair value adjustment on acquisition	**-**	(164)
Distributions received/receivable	**(27,344)**	(22,306)
Closing balance at the end of the period	**951,522**	906,768

1 Share of net profit after tax includes a fair value gain of investment properties of $2.0 million (June 2013: $12.9 million).

Note 5

Loans with related parties

	31 Dec 2013 $'000	30 Jun 2013 $'000
Current liabilities - loans with related parties		
Non-interest bearing loans with entities within DXS[1]	**55,684**	55,684
Total current liabilities - loans with related parties	**55,684**	55,684
Non-current liabilities - loans with related parties		
Interest bearing loans with related parties[2]	**1,573,128**	1,441,551
Total non-current liabilities - loans with related parties	**1,573,128**	1,441,551

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

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

Note 6

Contributed equity

(a) Contributed equity

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 Jun 2013 $'000
Opening balance at the beginning of the period	**1,825,984**	1,863,965
Buy-back of contributed equity	**(37,071)**	(37,981)
Closing balance at the end of the period	**1,788,913**	1,825,984

(b) Number of units on issue

	For the 6 months to 31 Dec 2013 No. of units	For the 12 months to 30 Jun 2013 No. of units
Opening balance at the beginning of the period	**4,701,957,390**	4,783,817,657
Buy-back of contributed equity	**(73,728,964)**	(81,860,267)
Closing balance at the end of the period	**4,628,228,426**	4,701,957,390

Note 7

Distributions paid and payable

(a) Distribution to unitholders

	31 Dec 2013 $'000	31 Dec 2012 $'000
31 December (payable 28 February 2014)	**79,043**	74,172
	79,043	74,172

(b) Distribution rate

	31 Dec 2013 Cents per unit	31 Dec 2012 Cents per unit
31 December (payable 28 February 2014)	**1.71**	1.58
Total distributions	**1.71**	1.58

Note 8

Fair value of financial instruments

At 31 December 2013 and 30 June 2013, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2013 Carrying amount[1] $'000	31 Dec 2013 Fair value[2] $'000	30 Jun 2013 Carrying amount[1] $'000	30 Jun 2013 Fair value[2] $'000
Financial assets				
Cash and cash equivalents	**6,588**	**6,588**	5,007	5,007
Loans and receivables (current)	**28,057**	**28,057**	11,883	11,883
Derivative assets[3]	**37,124**	**37,124**	8,951	8,951
Total financial assets	**71,769**	**71,769**	25,841	25,841
Financial liabilities				
Trade payables	**48,030**	**48,030**	39,170	39,170
Derivative liabilities	**34,205**	**34,205**	40,529	40,529
Non-interest bearing loans with the entities within DXS	**55,684**	**55,684**	55,684	55,684
Interest bearing liabilities				
Interest bearing loans with related parties	**1,573,128**	**1,573,128**	1,441,551	1,441,551
Total financial liabilities	**1,711,047**	**1,711,047**	1,576,934	1,576,934

1 Carrying value is equal to the value of the financial instruments in the Statement of Financial Position.
2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.
3 Includes the fair value of the forward contract and collar in respect of the CPA takeover offer. The fair value is determined with reference to the CPA unit price as at 31 December 2013 and is therefore subject to change in value.

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

Note 8

Fair value of financial instruments (continued)

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

Level 1: the fair value is calculated using quoted prices in active markets.
Level 2: the fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable data.

The following tables present the assets and liabilities measured and recognised as at fair value at 31 December 2013 and 30 June 2013.

	Level 1	**Level 2**	**Level 3**	**31 Dec 2013**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Derivative assets				
Interest rate derivatives	**-**	**4,155**	**-**	**4,155**
Forward and collar derivatives	**-**	**32,969**	**-**	**32,969**
	-	**37,124**	**-**	**37,124**
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	**-**	**34,205**	**-**	**34,205**
	-	**34,205**	**-**	**34,205**

	Level 1	Level 2	Level 3	30 Jun 2013
	$'000	$'000	$'000	$'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	6,268	-	6,268
Other	-	2,683	-	2,683
	-	8,951	-	8,951
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	40,529	-	40,529
	-	40,529	-	40,529

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

Note 9

Contingent liabilities

The Trust together with DIT, DDF and DXO is a guarantor of a total of A$1,273.5 million and US$50.0 million (A$55.9 million) of bank bilateral facilities, a total of A$470.0 million of medium term notes, a total of US$430.0 million (A$480.6 million) of privately placed notes, and a total of US$250.0 million (A$278.5 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

Certain amounts will become due and payable in the event that the Trust is successful in its takeover offer for CPA (refer note 10), including facilitation fees of $41 million as well as stamp duty and professional and advisor fees. The total of these amounts, including facilitation fees, is not expected to exceed $75 million.

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 10

Events occurring after reporting date

On 11 December 2013 DEXUS Property Group and Canada Pension Plan Investment Board (“CPPIB”) (together “the Consortium”) made a cash and scrip off-market takeover offer (the “DEXUS Offer”) to acquire all of the issued units in Commonwealth Property Office Fund (“CPA”). The DEXUS Offer provides the following cash and DXS scrip consideration (expressed per CPA unit):

$0.7745 cash ($0.0407 of which is paid by DXS); and
0.4516 DEXUS stapled securities
(“Option A”)

On 6 January 2014, the Consortium announced that it had determined to vary the DEXUS Offer to give CPA unitholders the opportunity to elect to receive an alternative cash/scrip consideration mix option comprised of a larger proportion of cash per CPA unit. Under the alternative cash/scrip consideration mix option, CPA unitholders would receive (expressed per CPA unit):

$0.8496 cash ($0.1158 of which is paid by DXS); and
0.3801 DEXUS stapled securities
(“Option B”)

Under the DEXUS Offer, CPA unitholders may elect to receive either Option A or Option B. The DEXUS Offer closes on 14 February 2014 (unless extended or withdrawn) and as at the date of this report, 30.25% of CPA unitholders had accepted the offer for which the Group has a maximum commitment of $71.8 million cash and 279.8 million DXS stapled securities. The Group also has a relevant interest in 350 million units of CPA. As at the date of this report, the Group has $1,300.0 million of new bank facilities that may be utilised to fund the Group’s share of:

- acquisition costs for CPA units under the takeover offer for CPA; and
- refinancing and other transaction costs arising as a result of that takeover offer (as described in the bidder’s statement dated 19 December 2013).

The Group is issuing new DXS stapled securities, which rank equally with existing DXS stapled securities, for the acceptances received and pay its portion of the cash offered for each CPA unit. The Group and CPPIB will jointly own and control the investment in CPA and the Group will equity account its share of the investment.

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 Trust, the results of those operations, or state of the Trust’s affairs in future financial periods.

Note 11

Operating segments

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

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
DXS asset management	This comprises asset management of assets owned by the Group.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.
Discontinued operations	This comprises industrial properties, industrial estates and industrial developments in the United States, as well as the European industrial portfolio.

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.

In the Directors' opinion:

(a) the Financial Statements and notes set out on pages 4 to 16 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the Trust's financial position as at 31 December 2013 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.

Christopher T Beare
Chair
11 February 2014

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, which comprises the balance sheet as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Office Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Office Trust (the trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 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 2013 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 2013 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

EA Barron
Partner

Sydney
11 February 2014

DEXUS Operations Trust

(ARSN 110 521 223)

Interim Report
31 December 2013

DEXUS
PROPERTY GROUP

Contents Page

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

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Operations Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2013. The consolidated Financial Statements represents DEXUS Operations Trust and its consolidated entities (DXO or the Trust).

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

1 Directors

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

Directors	Appointed	Resigned
Christopher T Beare	4 August 2004	
Elizabeth A Alexander, AM	1 January 2005	
Barry R Brownjohn	1 January 2005	29 October 2013
John C Conde, AO	29 April 2009	
Tonianne Dwyer	24 August 2011	
Stewart F Ewen, OAM	4 August 2004	29 October 2013
Craig D Mitchell	12 February 2013	
W Richard Sheppard	1 January 2012	
Darren J Steinberg	1 March 2012	
Peter B St George	29 April 2009	

2 Review of results and operations

The results for the half year ended 31 December 2013 were:

- profit attributable to unitholders was $13.5 million (December 2012: $3.6 million);
- total assets were $974.5 million (June 2013: $759.9 million); and
- net assets were $162.4 million (June 2013: $151.4 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 Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in this Directors' Report and the Financial Statements. Amounts in this Directors' Report and the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Financial Statements, except where otherwise stated, are expressed in Australian dollars.

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 11 February 2014. The Directors have the power to amend and reissue the Financial Statements.

Christopher T Beare
Chair
11 February 2014

Darren J Steinberg
Chief Executive Officer
11 February 2014

Auditor's Independence Declaration

As lead auditor for the review of DEXUS Operations Trust for the half-year ended 31 December 2013, 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.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
11 February 2014

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	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue from ordinary activities			
Management fee revenue	2	**42,662**	39,728
Property revenue		**20,341**	10,721
Proceeds from sale of inventory		**3,297**	15,664
Interest revenue		**18**	391
Total revenue from ordinary activities		**66,318**	66,504
Net gain on sale of investment properties		**1,839**	-
Net fair value gain of investment properties	6	**4,502**	1,924
Distribution income		**152**	-
Other income		**2**	11
Total income		**72,813**	68,439
Expenses			
Property expenses		**(5,307)**	(3,085)
Cost of sale of inventory		**(3,311)**	(14,792)
Finance costs	3	**(13,868)**	(7,909)
Net loss on sale of investment properties		**-**	(728)
Depreciation and amortisation		**(1,106)**	(1,284)
Impairment of goodwill		**(49)**	(50)
Net foreign exchange loss		**(16)**	(3)
Employee benefits expense		**(30,318)**	(30,274)
Other expenses		**(5,360)**	(5,122)
Total expenses		**(59,335)**	(63,247)
Profit before tax		**13,478**	5,192
Tax (expense)/benefit			
Income tax (expense)/benefit		**(13)**	12
Total tax (expense)/benefit		**(13)**	12
Profit after tax from continuing operations		**13,465**	5,204
Loss from discontinued operations		**-**	(1,575)
Net profit for the period		**13,465**	3,629
Other Comprehensive Income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**-**	(32)
Changes in fair value of available-for-sale financial assets		**(198)**	-
Total comprehensive income for the period		**13,267**	3,597

Earnings per unit	Cents	Cents
Basic and diluted earnings per unit attributable to unitholders of the parent entity		
Earnings per unit - profit from continuing operations	**0.14**	**0.06**
Earnings per unit - profit from discontinued operations	**-**	**-**
Earnings per unit - total	**0.14**	**0.06**

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

	Note	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets			
Cash and cash equivalents	4	**706**	4,748
Receivables		**40,584**	30,416
Inventories	5	**68,458**	10,853
Other		**941**	1,467
Total current assets		**110,689**	47,484
Non-current assets			
Investment properties	6	**271,317**	176,279
Plant and equipment		**9,262**	8,781
Inventories	5	**295,192**	242,057
Deferred tax assets		**39,414**	39,414
Intangible assets	7	**243,493**	243,707
Available for sale financial assets		**4,985**	2,200
Other		**141**	7
Total non-current assets		**863,804**	712,445
Total assets		**974,493**	759,929
Current liabilities			
Payables		**18,382**	12,754
Loans with related parties	8	**48,932**	48,932
Provisions		**16,022**	22,834
Derivative financial instruments		**1,526**	-
Other		**720**	719
Total current liabilities		**85,582**	85,239
Non-current liabilities			
Loans with related parties	8	**710,017**	500,369
Provisions		**9,819**	13,639
Deferred tax liabilities		**3,215**	3,215
Derivative financial instruments		**157**	2,442
Other		**3,302**	3,639
Total non-current liabilities		**726,510**	523,304
Total liabilities		**812,092**	608,543
Net assets		**162,401**	151,386
Equity			
Contributed equity	9	**195,554**	197,775
Reserves		**42,503**	42,732
Accumulated losses		**(75,656)**	(89,121)
Total equity		**162,401**	151,386

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

	Note	Contributed equity $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Treasury securities reserve $'000	Security-based payments reserve $'000	Available-for-sale financial assets $'000	Accumulated losses $'000	Total equity $'000
Opening balance as at 1 July 2012		199,712	42,738	-	-	13	-	(119,769)	122,694
Net profit for the period		-	-	-	-	-	-	3,629	3,629
Other comprehensive loss for the period		-	-	(32)	-	-	-	-	(32)
Transactions with owners in their capacity as owners:									
Buy-back of contributed equity, net of transaction costs	9	(1,937)	-	-	-	-	-	-	(1,937)
Purchase of securities, net of transaction costs		-	-	-	-	-	-	-	-
Security-based payments expense		-	-	-	-	24	-	-	24
Closing balance as at 31 December 2012		197,775	42,738	(32)	-	37	-	(116,140)	124,378
Opening balance as at 1 July 2013		**197,775**	**42,738**	**-**	**(56)**	**37**	**13**	**(89,121)**	**151,386**
Net profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**13,465**	**13,465**
Other comprehensive loss for the period		**-**	**-**	**-**	**-**	**-**	**(198)**	**-**	**(198)**
Transactions with owners in their capacity as owners:									
Buy-back of contributed equity, net of transaction costs	9	**(2,221)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,221)**
Purchase of securities, net of transaction costs		**-**	**-**	**-**	**(76)**	**-**	**-**	**-**	**(76)**
Security-based payments expense		**-**	**-**	**-**	**-**	**45**	**-**	**-**	**45**
Closing balance as at 31 December 2013		**195,554**	**42,738**	**-**	**(132)**	**82**	**(185)**	**(75,656)**	**162,401**

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2013

	31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	**55,663**	42,852
Payments in the course of operations (inclusive of GST)	**(51,435)**	(51,304)
Proceeds from sale of property classified as inventory	**3,297**	15,664
Payments for property classified as inventory	**(111,232)**	(86,606)
Interest received	**18**	399
Finance costs paid	**(1,316)**	(722)
Income tax paid	**(13)**	-
Net cash outflow from operating activities	**(105,018)**	(79,717)
Cash flows from investing activities		
Proceeds from the sale of investment properties	**4,737**	57,353
Payments for the acquisition of investment properties	**(77,405)**	(55,855)
Payments for capital expenditure on investment properties	**(12,977)**	(21,125)
Acquisition of subsidiaries net of cash acquired	**-**	5,239
Payments for plant and equipment	**(1,422)**	(796)
Net cash outflow from investing activities	**(87,067)**	(15,184)
Cash flows from financing activities		
Borrowings provided to entities within DXS	**(135,538)**	(110,921)
Borrowings provided by entities within DXS	**328,861**	213,463
Purchase of securities for security-based payments plans	**(3,059)**	-
Payments for buy-back of contributed equity	**(2,221)**	(1,937)
Net cash inflow from financing activities	**188,043**	100,605
Net (decrease)/increase in cash and cash equivalents	**(4,042)**	5,704
Cash and cash equivalents at the beginning of the period	**4,748**	13,082
Effects of exchange rate changes on cash and cash equivalents	**-**	(25)
Cash and cash equivalents at the end of the period	**706**	18,761

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

DEXUS Property Group stapled securities are quoted on the Australian Securities Exchange under the "DXS" code and comprise one unit in each of DDF, DIT, DOT and DXO. Each entity forming part of DXS continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

DEXUS Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These interim Financial Statements for the half year ended 31 December 2013 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 2013 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 reporting financial statements.

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

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its 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, 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.

Note 1

Summary of significant accounting policies (continued)

(b) Principles of consolidation

On 1 July 2013, the Trust adopted AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*. The implementation of these new standards has not impacted any of the amounts recognised in the Financial Statements.

(i) Controlled entities

Subsidiaries are all entities (including special purpose entities) over which the Trust has control. The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the Trust. All inter-entity transactions, balances and unrealised gains and losses on transactions between Trust entities have been eliminated in full.

(ii) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

Where assets are held directly as tenants in common, the Trust's proportionate share of revenues, expenses, assets and liabilities are included in their respective items of the Statement of Financial Position and Statement of Comprehensive Income.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Trust's share of the joint ventures' post-acquisition net profits is recognised in the Statement of Comprehensive Income and its share of post-acquisition movements in reserves is recognised in reserves in the Statement of Financial Position. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions and dividends received from joint ventures are recognised in the Statement of Financial Position as a reduction of the carrying amount of the investment.

Where the Trust's share of losses in a joint venture equal or exceeds its interest in the joint venture (including any unsecured long term receivables), the Trust does not recognise any further losses unless it has incurred obligations or made payments on behalf of the joint venture.

(c) Fair value measurement

On 1 July 2013 the Group adopted AASB 13 *Fair Value Measurement*. AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

As a result of the adoption of AASB 13, the fair value of financial liabilities now includes an adjustment for the credit worthiness of counterparties and the Trust. The standard is applied prospectively.

Note 2

Management Fee Revenue

	31 Dec 2013 $'000	31 Dec 2012 $'000
Responsible Entity fees	**21,898**	19,613
Asset management fees	**2,817**	3,025
Property management fees	**13,110**	12,654
Capital works and development fees	**1,121**	391
Wages recovery and other fees	**3,716**	4,045
Total management fee revenue	**42,662**	39,728

Note 3

Finance costs

	31 Dec 2013 $'000	31 Dec 2012 $'000
Interest paid to related parties	**(17,465)**	(13,547)
Amount capitalised	**4,153**	5,930
Net fair value loss of interest rate swaps	**(548)**	(281)
Other finance costs	**(8)**	(11)
Total finance costs	**(13,868)**	(7,909)

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2012: 7.00%)

Note 4

Current assets - cash and cash equivalents

	31 Dec 2013 $'000	30 Jun 2013 $'000
Cash at bank	**706**	1,472
Short-term deposits	**-**	320
Cash held in escrow[1]	**-**	2,956
Total current assets - cash and cash equivalents	**706**	4,748

1 As at 30 June 2013, the Trust held US$2.7 million (A$3.0 million) in escrow in relation to the US asset disposal in April 2013. These funds were released from escrow during the period ended 31 December 2013.

Note 5

Inventories

(a) Inventories - land and properties held for resale

	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets		
Land and properties held for resale	**68,458**	10,853
Total current assets - inventories	**68,458**	10,853
Non-current assets		
Land and properties held for resale	**295,192**	242,057
Total non-current assets - inventories	**295,192**	242,057
Total assets - inventories	**363,650**	252,910

(b) Reconciliation

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 Jun 2013 $'000
Opening balance at the beginning of the period	**252,910**	97,831
Disposals	**(3,311)**	(23,924)
Impairment	**-**	(1,209)
Acquisitions, additions and other	**114,051**	180,212
Closing balance at the end of the period	**363,650**	252,910

Disposals

On 26 July 2013, a land parcel located at Boundary Road, Laverton, VIC was disposed of for gross proceeds of $3.3 million.

Note 6

Non-current assets - investment properties

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 Jun 2013 $'000
Opening balance at the beginning of the period	**176,279**	141,151
Acquisitions	**77,405**	-
Additions	**15,910**	39,712
Lease incentives	**842**	1,881
Lease incentives amortisation	**(658)**	(647)
Rent straightlining	**391**	1,290
Disposals	**(3,354)**	(6,761)
Transfer to assets held for sale	**-**	(7,202)
Net fair value gain of investment properties	**4,502**	6,855
Closing balance at the end of the period	**271,317**	176,279

Disposals
On 22 October 2013, 50% of Quarry Greystanes, NSW – Warehouse 10 was disposed of for gross proceeds of $4.7 million.

Note 7

Non-current assets - intangible assets

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 Jun 2013 $'000
Management rights		
Opening balance at the beginning of the period	**242,100**	221,935
Reversal of previous impairment	**-**	20,494
Amortisation charge	**(165)**	(329)
Closing balance at the end of the period	**241,935**	242,100
Cost	**252,382**	252,382
Accumulated amortisation	**(3,138)**	(2,973)
Accumulated impairment	**(7,309)**	(7,309)
Total management rights	**241,935**	242,100
Goodwill		
Opening balance at the beginning of the period	**1,607**	1,706
Impairment	**(49)**	(99)
Closing balance at the end of the period	**1,558**	1,607
Cost	**2,998**	2,998
Accumulated impairment	**(1,440)**	(1,391)
Total goodwill	**1,558**	1,607
Total intangible assets	**243,493**	243,707

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited (DXH), a wholly owned subsidiary of the Trust, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of $5,192,165) are measured at cost and amortised using the straight-line method over their estimated useful lives of 19 years. Management rights that are deemed to have an indefinite life are held at a value of $236,743,004.

As at 31 December 2013, management had not identified any events or circumstances that would indicate an impairment of the carrying value of management rights associated with indefinite life trusts.

Note 8

Loans with related parties

	31 Dec 2013 $'000	30 Jun 2013 $'000
Current liabilities - loans with related parties		
Non-interest bearing loans with entities within DXS[1]	**48,932**	48,932
Total current liabilities - loans with related parties	**48,932**	48,932
Non-current liabilities - loans with related parties		
Interest bearing loans with related parties[2]	**710,017**	500,369
Total non-current liabilities - loans with related parties	**710,017**	500,369

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

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

Note 9

Contributed equity

(a) Contributed equity

	For the 6 months to 31 Dec 2013 $'000	For the 12 months to 30 Jun 2013 $'000
Opening balance at the beginning of the period	**197,775**	199,712
Buy-back of contributed equity	**(2,221)**	(1,937)
Closing balance at the end of the period	**195,554**	197,775

(b) Number of units on issue

	For the 6 months to 31 Dec 2013 No. of units	For the 12 months to 30 Jun 2013 No. of units
Opening balance at the beginning of the period	**4,701,957,390**	4,783,817,657
Buy-back of contributed equity	**(73,728,964)**	(81,860,267)
Closing balance at the end of the period	**4,628,228,426**	4,701,957,390

The number of securities on issue includes 5,086,949 securities (June 2013: 2,108,728) held by the Trust to fulfil the obligations of the security-based payments plans.

Note 10

Distributions paid and payable

Dividends paid or payable by the Trust for the half year ended 31 December 2013 were nil (31 December 2012: nil).

Note 11

Fair value of financial instruments

As at 31 December 2013 and 30 June 2013, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	31 Dec 2013 Carrying amount [1] $'000	31 Dec 2013 Fair value [2] $'000	30 Jun 2013 Carrying amount [1] $'000	30 Jun 2013 Fair value [2] $'000
Financial assets				
Cash and cash equivalents	**706**	**706**	4,748	4,748
Receivables	**40,584**	**40,584**	30,416	30,416
Available-for-sale financial assets	**4,985**	**4,985**	2,200	2,200
Total financial assets	**46,275**	**46,275**	37,364	37,364
Financial liabilities				
Trade payables	**18,382**	**18,382**	12,754	12,754
Derivative liabilities	**1,683**	**1,683**	2,442	2,442
Non-interest bearing loans with entities within DXS	**48,932**	**48,932**	48,932	48,932
Interest bearing liabilities				
Interest bearing loans with related parties	**710,017**	**710,017**	500,369	500,369
Total financial liabilities	**779,014**	**779,014**	564,497	564,497

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.
2 Fair value is the amount for which the financial instrument could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.

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

Note 11

Fair value of financial instruments (continued)

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

Level 1: the fair value is calculated using quoted prices in active markets.
Level 2: the fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable data.

The following tables present the assets and liabilities measured and recognised as at fair value at 31 December 2013 and 30 June 2013.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	31 Dec 2013 $'000
Financial assets				
Available-for-sale financial assets	**4,985**	**-**	**-**	**4,985**
Financial liabilities				
Derivative Liabilities				
Interest rate derivatives	**-**	**1,683**	**-**	**1,683**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	30 Jun 2013 $'000
Financial assets				
Available-for-sale financial assets	2,200	-	-	2,200
Financial liabilities				
Derivative Liabilities				
Interest rate derivatives	-	2,442	-	2,442

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

Note 12

Contingent liabilities

	31-Dec-13 $'000	30 Jun 2013 $'000
Bank guarantees by the Trust in respect of variations and other financial risks associated with the development of:		
Boundary Road, Laverton , VIC - Stage 2	**532**	532
Quarry, Greystanes NSW	**413**	413
Contingent liabilities in respect of developments	**945**	945

The Trust together with DDF, DIT and DOT is also a guarantor of a total of A$1,273.5 million and US$50.0 million (A$55.9 million) of bank bilateral facilities, a total of A$470.0 million of medium term notes, a total of US$430.0 million (A$480.6 million) of privately placed notes, and a total of US$250.0 million (A$278.5 million) public 144A senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust has bank guarantees of $12.0 million held on behalf of DEXUS Funds Management Limited and DEXUS Wholesale Property Limited to comply with the terms of their Australian Financial Services Licences (AFSL).

The guarantees are issued in respect of the Trust and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

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

Note 13

Events occurring after the reporting date

On 11 December 2013 DEXUS Property Group and Canada Pension Plan Investment Board (“CPPIB”) (together “the Consortium”) made a cash and scrip off-market takeover offer (the “DEXUS Offer”) to acquire all of the issued units in Commonwealth Property Office Fund (“CPA”). The DEXUS Offer provides the following cash and DXS scrip consideration (expressed per CPA unit):

$0.7745 cash ($0.0407 of which is paid by DXS); and
0.4516 DEXUS stapled securities
(“Option A”)

On 6 January 2014, the Consortium announced that it had determined to vary the DEXUS Offer to give CPA unitholders the opportunity to elect to receive an alternative cash/scrip consideration mix option comprised of a larger proportion of cash per CPA unit. Under the alternative cash/scrip consideration mix option, CPA unitholders would receive (expressed per CPA unit):

$0.8496 cash ($0.1158 of which is paid by DXS); and
0.3801 DEXUS stapled securities
(“Option B”)

Note 13

Events occurring after reporting date (continued)

Under the DEXUS Offer, CPA unitholders may elect to receive either Option A or Option B. The DEXUS Offer closes on 14 February 2014 (unless extended or withdrawn) and as at the date of this report, 30.25% of CPA unitholders had accepted the offer for which the Group has a maximum commitment of $71.8 million cash and 279.8 million DXS stapled securities. The Group also has a relevant interest in 350 million units of CPA. As at the date of this report, the Group has $1,300.0 million of new bank facilities that may be utilised to fund the Group's share of:

- acquisition costs for CPA units under the takeover offer for CPA; and
- refinancing and other transaction costs arising as a result of that takeover offer (as described in the bidder's statement dated 19 December 2013).

The Group is issuing new DXS stapled securities, which rank equally with existing DXS stapled securities, for the acceptances received and pay its portion of the cash offered for each CPA unit. The Group and CPPIB will jointly own and control the investment in CPA and the Group will equity account its share of the investment.

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 Trust, the results of those operations, or state of the Trust's affairs in future financial periods.

Note 14

Operating segments

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

Office	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial	This comprises domestic industrial properties, industrial estates and industrial developments.
Property management	This comprises property management services for third party clients and owned assets.
Development and trading	This comprises revenue earned and costs incurred by the Group on developments and inventory.
Funds management	This comprises funds management of third party client assets.
DXS asset management	This comprises asset management of assets owned by the Group.
All other segments	This comprises corporate expenses associated with maintaining and operating the Group. This segment also includes the treasury function of the Group which is managed through a centralised treasury department.
Discontinued operations	This comprises industrial properties, industrial estates and industrial developments in the United States, as well as the European industrial portfolio.

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.

In the Directors' opinion:

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

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

   (ii) giving a true and fair view of the Trust's financial position as at 31 December 2013 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.

Christopher T Beare
Chair
11 February 2014

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, which comprises the balance sheet as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Operations Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Operations Trust (the trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with 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 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 2013 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*.

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Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

EA Barron
Partner

Sydney
11 February 2014