

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 2012

DEXUS Diversified Trust	Note 1		
	31 Dec 2012	31 Dec 2011	%
	\$m	\$m	Change
Revenue from ordinary activities	309.8	310.5	-0.2%
Net profit attributable to security holders after tax	267.0	145.7	83.3%
Funds from operations (FFO) ¹	182.2	184.3	-1.1%
Distribution to security holders	135.9	129.2	5.2%
	CPS	CPS	
Funds from operations per security	3.85	3.81	1.0%
Distributions per security for the period	2.89	2.67	8.2%
	\$m	\$m	
Total assets	7,545.1	8,139.3	-7.3%
Total borrowings	2,089.4	2,294.9	-9.0%
Security holders equity	5,063.4	5,111.7	-0.9%
Market capitalisation	4,772.5	4,016.4	18.8%
	\$ per unit	\$ per unit	
Net tangible assets (excluding non-controlling interests)	1.03	1.01	2.0%
Securities price	1.015	0.83	22.3%
Securities on issue ('000)	4,701,957	4,839,024	
Record date	31 Dec 2012	30 Dec 2011	
Payment date	28 Feb 2013	29 Feb 2012	

- FFO is often used as a measure of real estate operating performance after finance costs and taxes. DXS's FFO comprises profit/loss after tax attributable to stapled security holders measured under Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit and DEXUS RENTS Trust capital distribution.

DEXUS Property Group (ASX: DXS) Appendix 4D

Results for announcement to the market

Results commentary

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

Details of joint ventures and associates

	Ownership Interest		Share of net profit after tax	
	31 Dec 2012	31 Dec 2011	For the 6 months ended 31 Dec 2012	For the 6 months ended 31 Dec 2011
Name of entity	%	%	\$m	\$m
Bent Street Trust	33.3	33.3	9.4	3.1
DEXUS Creek Street Trust	50.0	-	1.7	-
DEXUS Martin Place Trust	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 2012 to 31 December 2012 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 2013, will provide details of the components of DXS's distributions.



DEXUS Property Group

(ARSN 089 324 541)

Interim Report
31 December 2012



DEXUS
PROPERTY GROUP

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

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 press 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 2012. 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
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Barry R Brownjohn	1 January 2005
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Stewart F Ewen, OAM	4 August 2004
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

DEXUS Property Group's financial performance for the six months to 31 December 2012 is detailed below. Refer to the Half Year Report for further information.

Total revenue from ordinary activities for the six months to 31 December 2012 decreased by \$0.7 million to \$309.8 million (2011: \$310.5 million).

The key drivers include:

- A 2.6% increase in like-for-like net operating income (NOI) from the Australian office portfolio and a 1.1% increase from the Australian industrial portfolio
- Rental income commencing at recently completed office and industrial developments offset by a reduction in rental income following the commencement of the NPS partnership
- Lower gross proceeds from the sale of inventory

Net profit attributable to stapled security holders is \$267.0 million or 5.65 cents per security, an increase of \$121.3 million from the prior corresponding period (2011: \$145.7 million).

The key drivers include:

- Increased net fair value gain on investment property
- A reduction in NOI offset by lower finance costs and lower fair value losses on derivatives from discontinued operations (US and Europe), following the sale of the US central portfolio in June 2012
- Reduced corporate and administration expenses
- A 2.6% increase in like-for-like NOI from the Australian office portfolio and a 1.1% increase from the Australian industrial portfolio
- Rental income commencing at recently completed office and industrial developments offset by a reduction in rental income following the commencement of the NPS partnership

2 Review of results and operations (continued)

Operational result

DEXUS Property Group focuses on Funds from Operations (FFO¹) which is often used as a measure of real estate operating performance after finance costs and taxes.

FFO for the six months to 31 December 2012 is \$182.2 million, a decrease of 1.1% on the prior corresponding period and in line with guidance. In April 2012 we announced a \$200 million on-market buy-back of DEXUS securities. To date we have bought back 64% of the total commitment which has contributed to a 1.0% increase in FFO per security to 3.85 cents (2011: 3.81 cents). The key drivers impacting FFO are:

- The Australian office portfolio's NOI of \$151.8 million increased by \$10.5 million or 7.4% (2011: \$141.3 million) driven by solid like-for-like growth of 2.6%, the commencement of new leases following the completion of 123 Albert Street, Brisbane and additional rental income from the recently acquired properties at 12 Creek Street Brisbane and 50 Carrington Street, Sydney. Occupancy² for the Australian office portfolio remains high at 95.2% (2011: 97.2%). The retention rate for the rolling 12 months to 31 December 2012 is 62%.
- The Australian industrial portfolio's NOI of \$57.8 million decreased by \$0.6 million largely as a result of the formation of the NPS partnership which resulted in the sale of a 50% interest in 13 properties. On a like-for-like basis, property NOI increased 1.1% following strong leasing at Silverwater, NSW and Gillman, SA. The industrial portfolio ended the period with occupancy² at 94.4%, up 2.7% since June 2012. The rolling 12 month tenant retention rate of 63%.
- Income from discontinued operations (US and Europe) of \$17.0 million decreased by \$23.8 million, predominantly as a result of the sale of the US\$770 million central portfolio in June 2012. As announced on 20 December 2012, 26 of the remaining 27 US properties have also now been sold, with settlement of that transaction estimated to occur on 14 February 2013.
- Financing costs for distributable earnings decreased by \$10.1 million³ to \$53.6 million primarily driven by transactions including the sale of the US central portfolio in June 2012 and the NPS partnership, partially offset by the acquisition of office properties and the buy-back of securities.
- Group corporate and administration expenses are down \$4.7 million to \$17.8 million following the management restructure undertaken in June 2012 and business efficiencies.
- Based on our current distribution payout ratio of 75% of Funds from Operations, the distribution payable for the six months to 31 December 2012 is 2.89 cents per security (2011: 2.67 cents per security) an increase of 8.2%.

2 Review of results and operations (continued)

Set out below is a reconciliation of profit attributable to stapled security holders to FFO and how the Group's distribution has been calculated.

	31 Dec 2012	31 Dec 2011
	(\$m)	(\$m)
Net profit for the year attributable to stapled security holders	267.0	145.7
Net fair value gain of investment properties ⁴	(120.4)	(60.0)
Net loss/(gain) on sale of investment properties	1.5	(2.9)
Impairment of inventories	-	2.0
Finance break costs attributable to the US sales transaction	12.4	-
Net fair value loss of derivatives	11.9	74.6
Incentive amortisation and rent straight-line ^{4,5}	14.3	16.7
Deferred tax (benefit)/expense	(4.5)	12.3
RENTS capital distribution	-	(5.3)
Impairment of goodwill and other	-	1.2
Funds from Operations (FFO)¹	182.2	184.3
Retained earnings⁶	(46.3)	(55.1)
Distributions	135.9	129.2
FFO per security (cents)	3.85	3.81
Distribution per security (cents)	2.89	2.67

1 DEXUS Property Group's FFO comprises profit/loss after tax attributable to stapled security holders measured under Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight-line rent adjustments, deferred tax expense/ benefit and DEXUS RENTS Trust capital distribution. Refer note 14.

2 Occupancy by area.

3 31 Dec 2011 includes RENTS distribution of \$6.3 million (31 Dec 2012: nil).

4 Including DXS's share of equity accounted investments.

5 Includes cash and fitout incentives amortisation.

6 31 Dec ember 2012 is based on the current distribution policy of 75% of FFO. 31 December 2011 is based on the previous distribution policy of 70% of FFO.

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 13 February 2013. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
13 February 2013



Darren J Steinberg
Chief Executive Officer
13 February 2013



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Diversified Trust for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'EA Barron', with a star symbol integrated into the middle of the signature.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
13 February 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

DEXUS Diversified Trust
Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2012

	Note	31 Dec 2012 \$m	31 Dec 2011 \$m
Revenue from ordinary activities			
Property revenue		269.7	262.4
Proceeds from sale of inventory		15.7	21.8
Interest revenue		0.8	0.8
Management fee revenue		23.6	25.5
Total revenue from ordinary activities		309.8	310.5
Net fair value gain of investment properties		94.5	39.5
Share of net profit of associates accounted for using the equity method	7	11.1	3.1
Total income		415.4	353.1
Expenses			
Property expenses		(65.3)	(66.7)
Cost of sale of inventory		(14.8)	(19.1)
Finance costs	2	(51.8)	(57.6)
Impairment of inventories		-	(2.0)
Impairment of goodwill		-	(0.6)
Net fair value loss of derivatives		(0.6)	-
Net loss on sale of investment properties		(2.7)	-
Corporate and administration expenses		(31.7)	(36.6)
Total expenses		(166.9)	(182.6)
Profit before tax		248.5	170.5
Tax benefit			
Income tax benefit		0.1	-
Total tax benefit		0.1	-
Profit after tax from continuing operations		248.6	170.5
Profit/(loss) from discontinued operations	5	18.4	(23.8)
Net profit for the period		267.0	146.7
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations		1.4	(1.9)
Total comprehensive income for the period		268.4	144.8
Profit for the period attributable to:			
Unitholders of the parent entity		89.1	110.7
Unitholders of other stapled entities (non-controlling interests)		177.9	35.0
Stapled security holders		267.0	145.7
Other non-controlling interest		-	1.0
Total profit for the period		267.0	146.7
Total comprehensive income for the period attributable to:			
Unitholders of the parent entity		86.7	116.6
Unitholders of other stapled entities (non-controlling interests)		181.7	27.2
Stapled security holders		268.4	143.8
Other non-controlling interest		-	1.0
Total comprehensive income for the period		268.4	144.8
		Cents	Cents
Earnings per unit			
Basic earnings per unit on profit attributable to unitholders of the parent entity		1.89	2.29
Diluted earnings per unit on profit attributable to unitholders of the parent entity		1.89	2.29
Earnings per stapled security			
Basic earnings per unit on profit attributable to stapled security holders		5.65	3.01
Diluted earnings per unit on profit attributable to stapled security holders		5.65	3.01

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

DEXUS Diversified Trust
Consolidated Statement of Financial Position
As at 31 December 2012

	Note	31 Dec 2012 \$m	30 Jun 2012 \$m
Current assets			
Cash and cash equivalents	3	46.0	59.2
Receivables		25.1	30.8
Inventories	4	10.1	26.8
Derivative financial instruments		7.8	3.6
Other		8.2	10.9
		<u>97.2</u>	<u>131.3</u>
Discontinued operations and assets classified as held for sale	5	649.8	212.3
Total current assets		<u>747.0</u>	<u>343.6</u>
Non-current assets			
Investment properties	6	5,952.7	6,391.5
Plant and equipment		4.4	4.7
Inventories	4	161.3	71.0
Investments accounted for using the equity method	7	360.0	217.0
Derivative financial instruments		59.1	74.7
Deferred tax assets		36.0	36.7
Intangible assets	8	223.4	223.6
Other		1.2	1.3
		<u>6,798.1</u>	<u>7,020.5</u>
Total non-current assets		<u>6,798.1</u>	<u>7,020.5</u>
Total assets		<u>7,545.1</u>	<u>7,364.1</u>
Current liabilities			
Payables		110.1	108.5
Interest bearing liabilities	9	71.7	-
Current tax liabilities		1.0	2.1
Provisions		151.5	152.0
Derivative financial instruments		12.2	8.2
		<u>346.5</u>	<u>270.8</u>
Discontinued operations classified as held for sale	5	86.5	-
Total current liabilities		<u>433.0</u>	<u>270.8</u>
Non-current liabilities			
Interest bearing liabilities	9	1,943.6	1,940.8
Derivative financial instruments		86.7	112.7
Deferred tax liabilities		7.1	12.4
Provisions		10.2	16.5
Other		1.1	3.6
		<u>2,048.7</u>	<u>2,086.0</u>
Total non-current liabilities		<u>2,048.7</u>	<u>2,086.0</u>
Total liabilities		<u>2,481.7</u>	<u>2,356.8</u>
Net assets		<u>5,063.4</u>	<u>5,007.3</u>
Equity			
Equity attributable to unitholders of the parent entity			
Contributed equity	10	1,577.7	1,605.0
Reserves		(48.4)	(46.1)
Retained profits		225.3	197.4
		<u>1,754.6</u>	<u>1,756.3</u>
Parent entity unitholders' interest		<u>1,754.6</u>	<u>1,756.3</u>
Equity attributable to unitholders of other stapled entities			
Contributed equity	10	3,106.3	3,156.5
Reserves		58.0	53.2
Retained profits		144.5	41.3
		<u>3,308.8</u>	<u>3,251.0</u>
Other stapled unitholders' interest		<u>3,308.8</u>	<u>3,251.0</u>
Total equity		<u>5,063.4</u>	<u>5,007.3</u>

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

DEXUS Diversified Trust

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2012

	Note	Stapled security holders equity						Other non-controlling interest	Total equity
		Contributed equity	Retained profits	Foreign currency translation reserve	Asset revaluation reserve	Security-based payments reserve	Stapled security-holders' equity		
		\$m	\$m	\$m	\$m	\$m	\$m		
Opening balance as at 1 July 2011		4,812.8	325.2	(77.9)	42.7	-	5,102.8	204.0	5,306.8
Profit for the period attributable to:									
Unitholders of the parent entity		-	110.7	-	-	-	110.7	-	110.7
Other stapled entities (non-controlling interests)		-	35.0	-	-	-	35.0	-	35.0
Other non-controlling interest		-	-	-	-	-	-	1.0	1.0
Profit for the period		-	145.7	-	-	-	145.7	1.0	146.7
Other comprehensive income/(loss) for the period attributable to:									
Unitholders of the parent entity		-	-	5.9	-	-	5.9	-	5.9
Other stapled entities (non-controlling interests)		-	-	(7.8)	-	-	(7.8)	-	(7.8)
Total other comprehensive loss for the period		-	-	(1.9)	-	-	(1.9)	-	(1.9)
Transactions with owners in their capacity as owners									
Capital payments and capital contributions, net of transaction costs		(0.3)	-	-	-	-	(0.3)	-	(0.3)
Distributions paid or provided for	11	-	(129.2)	-	-	-	(129.2)	(6.3)	(135.5)
Total transactions with owners in their capacity as owners		(0.3)	(129.2)	-	-	-	(129.5)	(6.3)	(135.8)
Transfer (from)/to retained profits		-	(5.4)	-	-	-	(5.4)	5.4	-
Closing balance as at 31 December 2011		4,812.5	336.3	(79.8)	42.7	-	5,111.7	204.1	5,315.8

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

DEXUS Diversified Trust

Consolidated Statement of Changes in Equity (continued)

For the half year ended 31 December 2012

	Note	Stapled security holders equity						Other non-controlling interest	Total equity
		Contributed equity	Retained profits	Foreign currency translation reserve	Asset revaluation reserve	Security-based payments reserve	Stapled security-holders' equity		
		\$m	\$m	\$m	\$m	\$m	\$m		
Opening balance as at 1 July 2012		4,761.5	238.7	(36.0)	42.7	0.4	5,007.3	-	5,007.3
Profit for the period attributable to:									
Unitholders of the parent entity		-	89.1	-	-	-	89.1	-	89.1
Other stapled entities (non-controlling interests)		-	177.9	-	-	-	177.9	-	177.9
Profit for the period		-	267.0	-	-	-	267.0	-	267.0
Other comprehensive (loss)/income for the period attributable to:									
Unitholders of the parent entity		-	-	(2.4)	-	-	(2.4)	-	(2.4)
Other stapled entities (non-controlling interests)		-	-	3.8	-	-	3.8	-	3.8
Total other comprehensive income		-	-	1.4	-	-	1.4	-	1.4
Transactions with owners in their capacity as owners									
Buy-back of contributed equity, net of transaction costs	10	(77.5)	-	-	-	-	(77.5)	-	(77.5)
Security-based payments expense		-	-	-	-	1.1	1.1	-	1.1
Distributions paid or provided for	11	-	(135.9)	-	-	-	(135.9)	-	(135.9)
Total transactions with owners in their capacity as owners		(77.5)	(135.9)	-	-	1.1	(212.3)	-	(212.3)
Closing balance as at 31 December 2012		4,684.0	369.8	(34.6)	42.7	1.5	5,063.4	-	5,063.4

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

DEXUS Diversified Trust
Consolidated Statement of Cash Flows
For the half year ended 31 December 2012

	Note	31 Dec 2012 \$m	31 Dec 2011 \$m
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		353.8	424.3
Payments in the course of operations (inclusive of GST)		(143.5)	(175.7)
Interest received		0.8	0.9
Finance costs paid to financial institutions		(57.5)	(84.0)
Distributions received from associates accounted for using the equity method		5.4	4.1
Income and withholding taxes paid		(0.8)	(0.5)
Proceeds from sale of property classified as inventory		15.7	21.8
Payments for property classified as inventory		(86.6)	(24.0)
Net cash inflow from operating activities		87.3	166.9
Cash flows from investing activities			
Proceeds from sale of investment properties		168.6	103.3
Proceeds from sale of subsidiaries		24.1	-
Payments for capital expenditure on investment properties		(71.2)	(91.6)
Payments for acquisition of investment properties		-	(34.7)
Payments for investments accounted for using the equity method		(137.3)	(3.9)
Payments for plant and equipment		(0.8)	(1.1)
Net cash outflow from investing activities		(16.6)	(28.0)
Cash flows from financing activities			
Proceeds from borrowings		1,909.6	1,425.1
Repayment of borrowings		(1,777.9)	(1,427.6)
Payments for buy-back of contributed equity		(77.5)	-
Capital contribution and capital payment transaction costs		-	(0.3)
Distributions paid to security holders		(128.2)	(125.3)
Distributions paid to other non-controlling interests		-	(6.4)
Net cash outflow from financing activities		(74.0)	(134.5)
Net (decrease)/increase in cash and cash equivalents		(3.3)	4.4
Cash and cash equivalents at the beginning of the period		59.2	73.7
Effects of exchange rate changes on cash and cash equivalents		(0.5)	(1.1)
Cash and cash equivalents at the end of the period	3	55.4	77.0

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. Equity attributable to other trusts stapled to DDF is a form of non-controlling interest and represents the equity of DIT, DOT and DXO. Other non-controlling interests represent the equity attributable to parties external to the Group.

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 unstamp the Group if approval is obtained by a special resolution of the stapled security holders.

These general purpose interim Financial Statements for the half year ended 31 December 2012 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 2012 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.

(b) 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.

(c) Changes to presentation - classification of expenses

Following a review of internal reporting, the Consolidated Statement of Comprehensive Income and the operating segments note (refer note 14) have been amended to disclose revenue and expenses on the basis of their function. The revised disclosures, which include additional financial metrics within the operating segments note, better reflects the financial information regularly reviewed by the Directors and DXS management in order to assess the performance of the functions of the Group and the allocation of resources.

Note 2**Finance costs**

	31 Dec 2012	31 Dec 2011
	\$m	\$m
Interest paid/payable	45.2	36.5
Amount capitalised	(6.1)	(15.0)
Other finance costs	1.5	1.3
Net fair value loss of interest rate swaps	11.2	34.8
Total finance costs	51.8	57.6

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2011: 7.99%).

Note 3**Current assets - cash and cash equivalents**

	31 Dec 2012	30 Jun 2012
	\$m	\$m
Cash at bank	5.5	20.8
Short-term deposits	16.4	13.7
Cash held in escrow ¹	24.1	24.7
Total current assets - cash and cash equivalents	46.0	59.2

¹ As at 31 December 2012, the Group held US\$25.0 million (A\$24.1 million) in escrow in relation to the US asset disposals in December 2012. These funds are expected to be released from escrow on 14 February 2013 as a result of settlement.

As at 30 June 2012, the Group held US\$25.2 million (A\$24.7 million) in escrow in relation to the US asset disposals in June 2012. These funds were released from escrow during the half year ended 31 December 2012.

Reconciliation to cash at the end of the period

The above figures are reconciled to cash as shown in the Statement of Cash Flows as follows:

		31 Dec 2012	30 Jun 2012
	Note	\$m	\$m
Balances as above		46.0	59.2
Discontinued operations	5	9.4	-
Balances per Statement of Cash Flows		55.4	59.2

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

	31 Dec 2012	30 Jun 2012
	\$m	\$m
Current assets		
Land and properties held for resale	10.1	26.8
Total current assets - inventories	10.1	26.8
Non-current assets		
Land and properties held for resale	161.3	71.0
Total non-current assets - inventories	161.3	71.0
Total assets - inventories	171.4	97.8

(b) Reconciliation

		For the	For the
		6 months to	12 months to
		31 Dec 2012	30 Jun 2012
	Note	\$m	\$m
Opening balance at the beginning of the period		97.8	112.2
Transfer to investment properties	6	-	(7.0)
Disposals		(14.8)	(44.0)
Impairment		-	(14.8)
Acquisitions, additions and other		88.4	51.4
Closing balance at the end of the period		171.4	97.8

Acquisitions

- On 30 November 2012, 50 Carrington Street, Sydney, NSW was acquired for \$58.5 million, excluding acquisition costs.

Disposals

- On 2 October 2012, 50% of Boundary Road, Laverton, VIC - Fastline was disposed of for gross proceeds of \$8.0 million.
- During the half year ended 31 December 2012, three lots located at Boundary Road, Laverton, VIC were disposed of for gross proceeds of \$7.7 million.

Note 5**Assets classified as held for sale and discontinued operations**

A strategic review was announced to the ASX on 16 August 2012, which resulted in all offshore property being considered non-core. On 20 December 2012, DXS announced the sale of the majority of the remaining US industrial portfolio and therefore the US industrial portfolio has been classified as a discontinued operation at 31 December 2012.

The European portfolio is also considered non-core and has been classified as a discontinued operation.

Profit/(loss) from US and European discontinued operations comprises:

	31 Dec 2012	31 Dec 2011
	\$m ¹	\$m ¹
Revenue	28.0	85.1
Expenses ²	(35.3)	(96.1)
Loss before tax	(7.3)	(11.0)
Tax benefit/(expense)	0.8	(12.8)
Loss after tax	(6.5)	(23.8)
Gain on measurement to fair value less costs to sell before tax	18.7	-
Gain on sale of investment properties	1.7	-
Withholding tax benefit	4.5	-
Gain on measurement to fair value less costs to sell after tax	24.9	-
Profit/(loss) from discontinued operations	18.4	(23.8)

1 Includes impact of US and European portfolios.

2 Includes \$12.4 million of finance break costs attributable to US sales transaction.

The table below sets out additional information detailing the financial performance for discontinued operations.

	31 Dec 2012	31 Dec 2011
	\$m	\$m
Property revenue	24.0	60.7
Management fee revenue	0.3	0.2
Property expenses	(5.6)	(17.7)
Corporate and administration expenses	(2.9)	(3.2)
Net foreign exchange gain	1.2	0.8
Finance costs	(12.9)	(36.5)
Incentive amortisation and rent straight-line	1.0	3.1
Income tax benefit/(expense)	0.8	(0.5)
Funds From Operations (FFO)¹	5.9	6.9
Net fair value gain of investment properties	21.2	20.5
Net fair value loss of derivatives	(1.0)	(38.7)
Finance break costs attributable to US sales transaction	(12.4)	-
Net gain on sale of investment properties	1.2	2.9
Incentive amortisation and rent straight-line	(1.0)	(3.1)
Deferred tax benefit/(expense)	4.5	(12.3)
Profit/(loss) from discontinued operations	18.4	(23.8)

1 Refer note 14(c)(i) for a definition of FFO.

Note 5**Assets classified as held for sale and discontinued operations (continued)****Reconciliation of the accounting impacts of the US industrial sale**

On 20 December 2012, the ASX announcement estimated that the accounting profit of the US industrial sale impacting net tangible assets was US\$38 million. The following table reconciles this amount to the information provided on page 14.

	31 Dec 2012	31 Dec 2011
	\$m	\$m
Gain on measurement to fair value less costs to sell after tax ¹	24.9	-
Finance break costs attributable to US sales transaction	(12.4)	-
European portfolio fair value movements and other adjustments	24.6	-
Subtotal - A\$ ²	<u>37.1</u>	-
Converted to US\$ - as per the ASX announcement dated 20 December 2012 ³	<u>38.5</u>	-

1 Includes impact of US and European portfolios as detailed on page 14.

2 Impact of the US portfolio sale only.

3 Excludes foreign currency translation reserve recycling which will be recognised in the Financial Statements at settlement.

The table below sets out the cash flow information for discontinued operations.

	31 Dec 2012	31 Dec 2011
	\$m	\$m
Net cash flows from operating activities	0.5	8.9
Net cash flows from investing activities	11.2	54.4
Net cash flows from financing activities	(36.0)	(116.7)
Net decrease in cash generated by discontinued operations	<u>(24.3)</u>	<u>(53.4)</u>

Note 5**Assets classified as held for sale and discontinued operations (continued)**

In addition to the residual assets and liabilities classified as held for sale in the US and European industrial portfolios, certain other investment properties are also included as assets classified as held for sale at 31 December 2012.

The table below sets out the assets classified as held for sale and discontinued operations that continue to be owned by the Group as at balance date. These assets and liabilities are presented as aggregate amounts in the Statement of Financial Position.

	Discontinued operations ¹	Assets held for sale ²	Total 31 Dec 2012	Total 30 Jun 2012
	\$m	\$m	\$m	\$m
Assets classified as held for sale				
Cash and cash equivalents	9.4	-	9.4	-
Receivables	2.5	-	2.5	-
Current tax assets	0.2	-	0.2	-
Other assets	0.9	-	0.9	-
Investment properties	585.9	50.9	636.8	212.3
Total assets classified as held for sale	598.9	50.9	649.8	212.3
Liabilities classified as held for sale				
Payables	7.2	-	7.2	-
Provisions	2.6	-	2.6	-
Bank loans - secured	74.1	-	74.1	-
Other liabilities	2.6	-	2.6	-
Total liabilities classified as held for sale	86.5	-	86.5	-

1 Includes the United States and European operations.

2 Includes certain assets at Quarry Greystanes, NSW whose value will be recovered through sale rather than through continuing use.

Unsecured, foreign currency borrowings that will be repaid by the Group with proceeds of the US industrial portfolio sale are not included within discontinued operations as liabilities classified as held for sale, as these borrowings are not sold as part of the transaction. Secured, foreign currency borrowings are included within discontinued operations as liabilities classified as held for sale, as these borrowings have been sold as part of the transaction. Refer note 9.

On settlement of the US sales transaction (refer note 13), a letter of credit will be issued in relation to the sale of 25 properties located in the United States. The letter of credit will be issued for US\$15.0 million and is expected to remain on issue until September 2014.

Disposals

- On 13 July 2012, 114-120 Old Pittwater Road, Brookvale, NSW was disposed of for gross proceeds of \$40.5 million.
- On 2 October 2012, 50% of an industrial portfolio consisting of assets at DEXUS Industrial Estate Laverton North VIC, Altona North VIC and Quarry Greystanes NSW was disposed of for gross proceeds of \$110.8 million.

Note 6

Non-current assets - investment properties

(a) Properties	Ownership	Acquisition date	Independent	Independent	Independent	Book value	Book value
	%		valuation date	valuation amount		valuer	31 Dec 2012
				\$m		\$m	\$m
Kings Park Industrial Estate, Bowmans Road, Marayong, NSW	100	May 1990	Dec 2012	90.5	(d)	90.5	89.0
Target Distribution Centre, Lot 1, Tara Avenue, Altona North, VIC	50	Oct 1995	Jun 2011	16.3	(c)	16.3	16.3
Axxess Corporate Park, Mount Waverley, VIC	100	Oct 1996	Dec 2012	187.2	(b)	187.2	182.8
Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC	100	Aug 1996	Jun 2011	37.6	(g)	37.7	37.7
12 Frederick Street, St Leonards, NSW	100	Jul 2000	Jun 2011	33.5	(a)	34.0	33.9
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	n/a	n/a	n/a	23.0	24.3
40 Talavera Road, North Ryde, NSW	100	Oct 2002	Dec 2011	31.5	(g)	29.1	29.0
44 Market Street, Sydney, NSW	100	Sep 1987	Jun 2010	192.7	(d)	235.0	217.7
8 Nicholson Street, Melbourne, VIC	100	Nov 1993	Jun 2012	93.5	(a)	94.2	93.5
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)	30.4	28.1
383-395 Kent Street, Sydney, NSW	100	Sep 1987	Dec 2011	133.0	(a)	134.8	134.0
14 Moore Street, Canberra, ACT**	100	May 2002	Jun 2010	37.0	(c)	27.7	27.6
Sydney CBD Floor Space ¹	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)	36.0	39.3
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)	54.0	54.0
383-395 Kent Street Car Park, Sydney, NSW	100	Sep 1987	Dec 2011	64.0	(a)	64.0	64.0
123 Albert St, Brisbane, QLD	100	Oct 1984	Jun 2012	375.5	(d)	376.0	375.5
2 - 4 Military Rd, Matraville, NSW	100	Dec 2009	Jun 2012	52.9	(c)	52.9	52.9
79-99 St Hilliers Road, Auburn, NSW	100	Sep 1997	Dec 2011	37.5	(g)	34.8	37.5
3 Brookhollow Avenue, Baulkham Hills, NSW	100	Dec 2002	Jun 2012	42.0	(f)	42.5	42.0
1 Garigal Road, Belrose, NSW	100	Dec 1998	Jun 2012	16.3	(a)	16.3	16.3
2 Minna Close, Belrose, NSW	100	Dec 1998	Jun 2012	24.0	(a)	24.1	24.0
145 - 151 Arthur Street, Flemington, NSW	100	Sep 1997	Jun 2011	28.0	(f)	27.6	28.5
436 - 484 Victoria Road, Gladesville, NSW	100	Sep 1997	Dec 2011	41.5	(e)	41.9	41.7
1 Foundation Place, Greystanes, NSW	100	Feb 2003	Jun 2010	41.5	(f)	44.8	43.3
5 - 15 Roseberry Avenue & 25 - 55 Rothschild Avenue, Rosebery, NSW	100	Apr 1998	Dec 2012	90.5	(a)	92.3	90.8

1 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 6

Non-current assets - investment properties (continued)

(a) Properties (continued)	Ownership	Acquisition date	Independent valuation date	Independent valuation amount	Independent valuer	Book value 31 Dec 2012	Book value 30 Jun 2012
	%			\$m		\$m	\$m
10 - 16 South Street, Rydalmere, NSW	100	Sep 1997	Jun 2011	39.3	(g)	41.1	40.7
Pound Road West, Dandenong, VIC	100	Jan 2004	Dec 2012	71.4	(f)	71.4	74.5
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Visy	50	Jul 2002	Jun 2012	9.5	(c)	9.9	9.5
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Wrightson	50	Jul 2002	Jun 2011	3.5	(c)	3.5	3.5
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - Fosters	50	Jul 2002	Dec 2011	17.5	(c)	18.8	18.0
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC - BestBar	50	Jul 2002	Dec 2010	5.7	(c)	5.9	5.9
12-18 Distribution Drive, Laverton North, VIC	50	Jul 2002	Jun 2010	48.0	(g)	50.6	50.4
250 Forest Road, South Lara, VIC	100	Dec 2002	Jun 2012	52.3	(e)	52.5	52.3
15 - 23 Whicker Road, Gillman, SA	100	Dec 2002	Dec 2010	25.5	(a)	29.0	27.3
25 Donkin Street, Brisbane, QLD	100	Dec 1998	Dec 2010	27.0	(f)	30.1	29.4
52 Holbeche Road, Arndell Park, NSW	100	Jul 1998	Jun 2012	12.5	(f)	12.5	12.5
30 - 32 Bessemer Street, Blacktown, NSW	100	May 1997	Jun 2011	16.3	(e)	15.6	15.6
27 - 29 Liberty Road, Huntingwood, NSW	100	Jul 1998	Dec 2010	8.0	(c)	8.8	8.0
154 O'Riordan Street, Mascot, NSW	100	Jun 1997	Jun 2011	13.8	(e)	14.4	14.3
11 Talavera Road, North Ryde, NSW	100	Jun 2002	Jun 2010	127.0	(g)	148.9	147.9
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	100	May 1997	Jun 2012	35.0	(g)	35.7	35.0
89 Egerton Street, Silverwater, NSW	100	May 1997	Jun 2012	4.0	(g)	-	4.0
114 Fairbank Road, Clayton, VIC	100	Jul 1997	Dec 2010	14.9	(f)	15.4	15.2
30 Bellrick Street, Acacia Ridge, QLD	100	Jun 1997	Jun 2010	19.6	(d)	20.7	20.3
Quarry Greystanes, NSW - Solaris	50	Dec 2007	Dec 2011	12.6	(e)	13.2	12.6
Quarry Greystanes, NSW - Symbion	50	Dec 2007	Jun 2012	16.1	(d)	17.1	16.1
Quarry Greystanes, NSW - Fujitsu	50	Dec 2007	n/a	n/a	n/a	20.7	20.0
Quarry Greystanes, NSW - Camerons Transport ¹	100	Dec 2007	n/a	n/a	n/a	15.7	14.9
Quarry Greystanes, NSW - UPS ²	50	Dec 2007	n/a	n/a	n/a	4.3	-
Quarry Greystanes, NSW - WH9 ^{1,2}	100	Dec 2007	n/a	n/a	n/a	12.8	-
Quarry Greystanes, NSW - Brady ²	50	Dec 2007	n/a	n/a	n/a	10.6	-
Boundary Road, Laverton, VIC - Fastline	50	Jun 2010	n/a	n/a	n/a	8.0	7.0
Boundary Road, Laverton, VIC - Toll ³	100	Jun 2010	n/a	n/a	n/a	6.3	5.4
Boundary Road, Laverton, VIC - ACFS ³	100	Jun 2010	n/a	n/a	n/a	6.1	5.9

1 50% classified as investment property held for sale at 31 December 2012.

2 Classified as development property held as investment property at 30 June 2012.

3 50% classified as inventory at 31 December 2012.

Note 6

Non-current assets - investment properties (continued)

(a) Properties (continued)	Ownership %	Acquisition date	Independent valuation date	Independent valuation amount \$m	Independent valuer	Book value 31 Dec 2012 \$m	Book value 30 Jun 2012 \$m
45 Clarence Street, Sydney, NSW	100	Dec 1998	Jun 2011	247.5	(f)	253.4	250.3
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW	50	Dec 1998	Dec 2012	670.0	(a)	670.0	651.1
309-321 Kent Street, Sydney, NSW	50	Dec 1998	Jun 2012	191.0	(d)	193.6	191.0
1 Margaret Street, Sydney, NSW	100	Dec 1998	Sep 2012	186.0	(d)	188.1	175.3
Victoria Cross 60 Miller Street, North Sydney, NSW	100	Dec 1998	Sep 2012	146.0	(a)	147.1	141.1
The Zenith, 821-843 Pacific Highway, Chatswood, NSW	50	Dec 1998	Jun 2010	107.5	(e)	117.7	117.3
Woodside Plaza, 240 St Georges Terrace, Perth, WA	100	Jan 2001	Jun 2012	460.0	(f)	480.0	460.0
30 The Bond, 30-34 Hickson Road, Sydney, NSW	100	May 2002	Dec 2010	145.0	(a)	157.0	146.5
Southgate Complex, 3 Southgate Avenue, Southbank, VIC	100	Aug 2000	Jun 2012	418.4	(c)	420.1	418.4
201-217 Elizabeth Street, Sydney, NSW	50	Aug 2000	Jun 2011	144.0	(d)	148.7	148.1
Garema Court, 140-180 City Walk, Civic, ACT **	100	Aug 2000	Dec 2011	29.5	(a)	52.2	48.8
Australia Square Complex, 264-278 George Street, Sydney, NSW	50	Aug 2000	Dec 2011	278.8	(f)	274.7	271.5
Non-core international properties ¹	n/a	n/a	n/a	n/a	n/a	97.8	656.1
Total investment properties excluding development properties						5,879.3	6,297.5
Total development properties held as investment property						73.4	94.0
Total investment properties						5,952.7	6,391.5

1 The 30 June 2012 book value includes New Zealand, United States and European properties. The United States and European properties are classified as discontinued operations at 31 December 2012. 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 6**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, the New Zealand Institute of Valuers, the Appraisal Institute in the United States of America, the French Real Estate Valuation Institution or the Society of Property Researchers, Germany.

Disposals

- On 12 November 2012, 89 Egerton Street, Silverwater, NSW was disposed of for gross proceeds of \$4.0 million.
- On 21 November 2012, 1777 S Vintage Avenue, Ontario was disposed of for gross proceeds of US\$18.2 million (A\$17.6 million).

(b) Reconciliation

	Note	For the 6 months to 31 Dec 2012 \$m	For the 12 months to 30 Jun 2012 \$m
Opening balance at the beginning of the period		6,391.5	7,105.9
Additions		43.0	160.7
Acquisitions		-	35.2
Lease incentives		25.8	62.8
Amortisation of lease incentives		(27.1)	(62.7)
Rent straightlining		1.3	4.4
Disposals		(19.0)	(881.1)
Transfer to non-current assets classified as held for sale ¹		(15.0)	(187.4)
Transfer to discontinued operations ²		(540.3)	-
Transfer from inventories	4	-	7.0
Net fair value gain of investment properties		99.9	73.7
Foreign exchange differences on foreign currency translation		(7.4)	73.0
Closing balance at the end of the period		5,952.7	6,391.5

1 During the half year ended 31 December 2012, certain properties at Quarry Greystanes, NSW were transferred from investment properties to non-current assets held for sale with an intention to sell.

2 During the half year ended 31 December 2012, the US and European portfolios were transferred from investment properties to discontinued operations.

(c) Investment properties pledged as security

Refer to note 9 for information on investment properties pledged as security.

Note 7**Non-current assets - investments accounted for using the equity method**

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

Information relating to these entities is set out below:

Name of entity	Principal activity	Ownership interest		31 Dec 2012	30 Jun 2012
		31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
		%	%	\$m	\$m
Bent Street Trust	Office property investment	33.3	33.3	231.6	217.0
DEXUS Creek Street Trust	Office property investment	50.0	-	127.7	-
DEXUS Martin Place Trust	Office property investment	50.0	-	0.7	-
Total non-current assets - investments accounted for using the equity method				360.0	217.0

The above entities were formed in Australia.

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

	For the 6 months to 31 Dec 2012	For the 12 months to 30 Jun 2012
	\$m	\$m
Opening balance at the beginning of the period	217.0	200.4
Units issued during the year	137.3	8.5
Interest acquired during the year	-	1.2
Share of net profit after tax ¹	11.1	13.8
Distributions received/receivable	(5.4)	(6.9)
Closing balance at the end of the period	360.0	217.0

¹ Share of net profit after tax includes a fair value gain of \$4.7 million (June 2012: \$7.5 million) in relation to the Group's share of the Bligh Street investment property.

Note 8**Non-current assets - intangible assets**

	For the 6 months to 31 Dec 2012 \$m	For the 12 months to 30 Jun 2012 \$m
Management rights		
Opening balance at the beginning of the period	221.9	222.3
Amortisation charge	(0.2)	(0.4)
Closing balance at the end of the period	221.7	221.9
Cost	252.4	252.4
Accumulated amortisation	(2.9)	(2.7)
Accumulated impairment	(27.8)	(27.8)
Total management rights	221.7	221.9
Goodwill		
Opening balance at the beginning of the period	1.7	2.3
Impairment	-	(0.6)
Closing balance at the end of the period	1.7	1.7
Cost	3.0	3.0
Accumulated impairment	(1.3)	(1.3)
Total goodwill	1.7	1.7
Total non-current assets - intangible assets	223.4	223.6

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 \$5.5 million (June 2012: \$5.7 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 20 years. Management rights that are deemed to have an indefinite life are held at a value of \$216.2 million (June 2012: \$216.2 million).

As at 31 December 2012, 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 9**Interest bearing liabilities**

	Note	31 Dec 2012 \$m	30 Jun 2012 \$m
Current			
Unsecured			
US senior notes	(c)	71.7	-
Total unsecured		71.7	-
Total current liabilities - interest bearing liabilities		71.7	-
Non-current			
Secured			
Bank loans	(b)	-	75.5
Total secured		-	75.5
Unsecured			
US senior notes	(c)	413.2	493.7
Bank loans	(a)	992.8	1,046.6
Medium term notes		549.7	340.0
Preference shares	(d)	-	0.1
Total unsecured		1,955.7	1,880.4
Deferred borrowing costs		(12.1)	(15.1)
Total non-current liabilities - interest bearing liabilities		1,943.6	1,940.8
Total interest bearing liabilities		2,015.3	1,940.8

Note 9**Interest bearing liabilities (continued)****Financing arrangements**

Type of Facility	Note	Currency	Security	Maturity Date	31 Dec 2012	31 Dec 2012
					Utilised	Facility Limit
US senior notes (144A)	(c)	US\$	Unsecured	Oct-14 to Mar-21	359.7	359.7
US senior notes (USPP)		US\$	Unsecured	Dec-14 to Mar-17	125.2	125.2
Medium term notes		A\$	Unsecured	Jul-14 to Sep-18	549.7	549.7
Multi-option revolving credit facilities	(a)	Multi Currency	Unsecured	Sep-13 to Dec-17	992.8	1,497.8
Bank loans - secured	(b)	US\$	Secured	Jun-17 to Dec-17	74.1	74.1
Total					2,101.5	2,606.5
Bank guarantee utilised					0.9	
Unused at balance date					504.1	

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) Multi-option revolving credit facilities

This includes 18 facilities maturing between September 2013 and December 2017 with a weighted average maturity of December 2015. The total facility limit comprises US\$153.5 million (A\$147.8 million) and A\$1,350.0 million. Of the total facility limit, A\$250.0 million (drawn A\$nil million) is maturing in September 2013. A\$0.9 million is utilised as bank guarantees for developments.

(b) Bank loans - secured

This includes a total of US\$76.9 million (A\$74.1 million) of secured bank facilities with a weighted average maturity of October 2017. The facilities are secured by mortgages over investment properties totalling US\$215.9 million (A\$207.9 million) as at 31 December 2012. The facilities have been classified as current within discontinued operations following the Group's announcement to sell the majority of its US industrial portfolio. The assets held as security are classified as discontinued operations and the secured bank facilities are expected to be repaid on 14 February 2013 as a result of settlement. Refer note 5.

(c) US senior notes (144A)

This includes a total of US\$374.5 million (A\$359.7 million) of US senior notes with a weighted average maturity of January 2019. US\$74.5 million (A\$71.7 million) of the notes have been classified as current following the Group's announcement to sell the majority of its US industrial portfolio and its commitment to repay the notes on settlement. These notes were repaid on 31 January 2013. Refer to note 5 for details of the sale of the US industrial portfolio.

(d) Preferred shares

US REIT has issued US\$92,550 (A\$89,128) of preferred shares as part of the requirement to be classified as a Real Estate Investment Trust (REIT) under US tax legislation. These preferred shares have been transferred to discontinued operations disclosed in note 5.

Additional information

In addition to the facilities in the table above, the Group has a credit approved commitment for \$470 million of bilateral facilities with a weighted maturity of 3.9 years which will be used to facilitate the acquisition of three Sydney office properties as announced to the ASX on 21 December 2012. Signing is expected to be completed by the end of the first quarter of calendar 2013.

Note 10**Contributed equity****(a) Contributed equity of unitholders of the parent entity**

	For the 6 months to 31 Dec 2012 \$m	For the 12 months to 30 Jun 2012 \$m
Opening balance at the beginning of the period	1,605.0	1,798.1
Capital payments	-	(175.0)
Buy-back of contributed equity	(27.3)	(18.0)
Transaction costs	-	(0.1)
Closing balance at the end of the period	1,577.7	1,605.0

(b) Contributed equity of unitholders of other stapled entities

	For the 6 months to 31 Dec 2012 \$m	For the 12 months to 30 Jun 2012 \$m
Opening balance at the beginning of the period	3,156.5	3,014.7
Capital contributions	-	175.0
Buy-back of contributed equity	(50.2)	(33.0)
Transaction costs	-	(0.2)
Closing balance at the end of the period	3,106.3	3,156.5

(c) Number of securities on issue

	For the 6 months to 31 Dec 2012 No. of securities	For the 12 months to 30 Jun 2012 No. of securities
Opening balance at the beginning of the period	4,783,817,657	4,839,024,176
Buy-back of contributed equity	(81,860,267)	(55,206,519)
Closing balance at the end of the period	4,701,957,390	4,783,817,657

Note 11**Distributions paid and payable****(a) Distribution to security holders**

	31 Dec 2012	31 Dec 2011
	\$m	\$m
31 December (payable 28 February 2013)	135.9	129.2
	<u>135.9</u>	<u>129.2</u>

(b) Distribution to other non-controlling interests

	31 Dec 2012	31 Dec 2011
	\$m	\$m
DEXUS RENTS Trust (paid 18 October 2011)	-	3.2
DEXUS RENTS Trust (paid 17 January 2012)	-	3.1
	<u>-</u>	<u>6.3</u>

(c) Distribution rate

	31 Dec 2012	31 Dec 2011
	Cents per security	Cents per security
31 December (payable 28 February 2013)	2.89	2.67
Total distributions	<u>2.89</u>	<u>2.67</u>

Note 12

Contingent liabilities

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

	31 Dec 2012	30 Jun 2012
	\$m	\$m
Bank guarantees by the Group in respect of variations and other financial risks associated with the development of:		
1 Bligh Street, Sydney, NSW ¹	-	0.2
Boundary Road, Laverton, VIC	0.5	0.4
123 Albert Street, Brisbane, QLD	0.1	0.5
57-75 Templar Road, Erskine Park, NSW	0.1	-
1 Foundation Place, Greystanes, NSW	0.2	-
Contingent liabilities in respect of developments	0.9	1.1

¹ Bank guarantee held in relation to an equity accounted investment.

DDF together with DIT, DOT and DXO is also a guarantor of a total of A\$1,350.0 million and US\$153.5 million (A\$147.8 million) of bank bilateral facilities, a total of A\$545.0 million of medium term notes, a total of US\$130.0 million (A\$125.2 million) of privately placed notes, and a total of US\$374.5 million (A\$359.7 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 Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

On settlement of the US sales transaction (refer note 13), a letter of credit will be issued in relation to the sale of 25 properties located in the United States. The letter of credit will be issued for US\$15.0 million and is expected to remain on issue until September 2014.

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 17 January 2013, the acquisition of 40 Market Street, Melbourne, VIC was settled for \$46.7 million, excluding acquisition costs.

On 18 January 2013, the acquisition of 131 Mica Street, Carole Park, QLD was settled for \$21.0 million, excluding acquisition costs.

On 29 January 2013, the Group received written notification from the buyer of the 25 properties located in the United States of the buyer's intention to settle on 14 February 2013. These properties are classified as discontinued operations held for sale (refer note 5). The settlement will be for gross proceeds of US\$542.8 million.

On 1 February 2013, the sale of Quarry Greystanes, NSW - Camerons Transport was settled for gross proceeds of \$14.9 million.

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

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.

Following a review of internal reporting, the operating segments note has been amended to disclose revenue and expenses on the basis of their function and to provide additional financial metrics. The revised disclosures better reflect the financial information regularly reviewed by the Directors and DXS management in order to assess the performance of the functions of the Group and the allocation of resources.

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.

Note 14**Operating segments (continued)****(b) Segment information provided to the CODM**

	Office	Industrial	Property	Development	Funds	DXS asset	All other	Continuing	Discontinued	Total
	\$m	\$m	management	and trading	management	management	segments	operations	operations	\$m
31 December 2012	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$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)
Foreign exchange gains	-	-	-	-	-	-	-	-	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 break 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
31 December 2012										
Segment asset measures										
Investment properties	4,560.0	1,392.7	-	-	-	-	-	5,952.7	-	5,952.7
Non-current assets held for sale	-	50.9	-	-	-	-	-	50.9	585.9	636.8
Inventories	-	-	-	171.4	-	-	-	171.4	-	171.4
Equity accounted investment properties	358.7	-	-	-	-	-	-	358.7	-	358.7
Direct property portfolio	4,918.7	1,443.6	-	171.4	-	-	-	6,533.7	585.9	7,119.6

Note 14**Operating segments (continued)****(b) Segment information provided to the CODM (continued)**

	Office	Industrial	Property	Development	Funds	DXS asset	All other	Continuing	Discontinued	Total
	\$m	\$m	management	and trading	management	management	segments	operations	operations	\$m
31 December 2011	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Segment performance measures										
Property revenue and property management fees	189.0	72.2	5.5	-	-	-	-	266.7	60.7	327.4
Proceeds from sale of inventory	-	-	-	21.8	-	-	-	21.8	-	21.8
Management fee revenue	-	-	9.8	1.9	13.8	-	-	25.5	0.2	25.7
Total operating segment revenue	189.0	72.2	15.3	23.7	13.8	-	-	314.0	60.9	374.9
Property expenses	(47.7)	(13.8)	-	-	-	-	-	(61.5)	(17.7)	(79.2)
Property management salaries	-	-	(6.4)	-	-	-	-	(6.4)	-	(6.4)
Corporate and administration expenses	-	-	(7.7)	-	(6.4)	(5.9)	(16.6)	(36.6)	(3.2)	(39.8)
Cost of sale of inventory	-	-	-	(19.1)	-	-	-	(19.1)	-	(19.1)
Foreign exchange gains	-	-	-	-	-	-	-	-	0.8	0.8
Net operating EBIT	141.3	58.4	1.2	4.6	7.4	(5.9)	(16.6)	190.4	40.8	231.2
Interest revenue	-	-	-	-	-	-	0.8	0.8	-	0.8
Finance costs	-	-	-	-	-	-	(21.7)	(21.7)	(36.5)	(58.2)
Incentive amortisation and rent straight-line	13.3	0.3	-	-	-	-	-	13.6	3.1	16.7
RENTS cash distributions	-	-	-	-	-	-	(6.3)	(6.3)	-	(6.3)
Tax expense	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Other	-	-	-	-	-	-	0.6	0.6	-	0.6
Funds From Operations (FFO)	154.6	58.7	1.2	4.6	7.4	(5.9)	(43.2)	177.4	6.9	184.3
Net fair value gain of investment properties	32.8	6.7	-	-	-	-	-	39.5	20.5	60.0
Impairment of inventories	-	-	-	-	(2.0)	-	-	(2.0)	-	(2.0)
Net fair value loss of derivatives	-	-	-	-	-	-	(35.9)	(35.9)	(38.7)	(74.6)
Net gain on sale of investment properties	-	-	-	-	-	-	-	-	2.9	2.9
Incentive amortisation and rent straight-line	(13.3)	(0.3)	-	-	-	-	-	(13.6)	(3.1)	(16.7)
RENTS capital distributions	-	-	-	-	-	-	5.3	5.3	-	5.3
Deferred tax expense	-	-	-	-	-	-	-	-	(12.3)	(12.3)
Impairment of goodwill and other	-	-	-	-	-	-	(1.2)	(1.2)	-	(1.2)
Net profit/(loss) attributable to stapled security holders	174.1	65.1	1.2	4.6	5.4	(5.9)	(75.0)	169.5	(23.8)	145.7
30 June 2012										
Segment asset measures										
Investment properties	4,458.4	1,373.5	-	-	-	-	-	5,831.9	559.6	6,391.5
Non-current assets held for sale	-	187.4	-	-	-	-	-	187.4	24.9	212.3
Inventories	-	-	-	97.8	-	-	-	97.8	-	97.8
Equity accounted investment properties	221.1	-	-	-	-	-	-	221.1	-	221.1
Direct property portfolio	4,679.5	1,560.9	-	97.8	-	-	-	6,338.2	584.5	6,922.7

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, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit and DEXUS RENTS Trust capital distribution.

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

	2012	2011
	\$m	\$m
Gross operating segment revenue	341.2	374.9
Revenue from discontinued operations	(24.3)	(60.9)
Share of property revenue from associates	(7.9)	(4.3)
Interest revenue	0.8	0.8
Total revenue from ordinary activities	309.8	310.5

(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 2012	30 Jun 2012
	\$m	\$m
Investment properties	5,952.7	6,391.5
Investment properties classified as held for sale	636.8	212.3
Inventories	171.4	97.8
Investment properties accounted for using the equity method ¹	358.7	221.1
Direct property portfolio	7,119.6	6,922.7
Cash and cash equivalents	46.0	59.2
Receivables	25.1	30.8
Intangible assets	223.4	223.6
Derivative financial instruments	66.9	78.3
Deferred tax assets	36.0	36.7
Current tax assets	-	0.2
Plant and equipment	4.4	4.7
Prepayments and other assets ²	10.7	7.9
Other assets classified as discontinued operations	13.0	-
Total assets	7,545.1	7,364.1

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 accounted 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 2012 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Diversified 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

13 February 2013



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 statement of financial position as at 31 December 2012, 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 consolidated entity). The consolidated 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 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Diversified Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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

A handwritten signature in black ink, appearing to be 'EA Baron', written over a circular stamp or mark.

EA Baron
Partner

Sydney
13 February 2013

DEXUS Industrial Trust

(ARSN 090 879 137)

Interim Report
31 December 2012



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

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

All press 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 2012. 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
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Barry R Brownjohn	1 January 2005
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Stewart F Ewen, OAM	4 August 2004
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 2012 were:

- profit attributable to unitholders was \$35.1 million (December 2011: \$22.5 million loss);
- total assets were \$1,429.0 million (June 2012: \$1,534.8 million); and
- net assets were \$691.5 million (June 2012: \$664.2 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

This Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 13 February 2013. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
13 February 2013



Darren J Steinberg
Chief Executive Officer
13 February 2013



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Industrial Trust for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'EA Barron', with a star symbol integrated into the middle of the signature.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
13 February 2013

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Revenue from ordinary activities			
Property revenue		45,222	48,886
Interest revenue		72	61
Total revenue from ordinary activities		45,294	48,947
Net fair value gain of investment properties		1,517	-
Other income		-	7
Total income		46,811	48,954
Expenses			
Property expenses		(10,362)	(11,606)
Responsible Entity fees		(1,419)	(1,535)
Finance costs	2	(13,030)	(37,966)
Net fair value loss of derivatives		(239)	(10)
Net loss on sale of investment properties		(1,115)	(49)
Net fair value loss of investment properties		-	(254)
Other expenses		(371)	(470)
Total expenses		(26,536)	(51,890)
Profit before tax		20,275	(2,936)
Tax expense			
Income tax benefit		356	-
Total tax benefit		356	-
Profit after tax from continuing operations		20,631	(2,936)
Profit/(loss) from discontinued operations	4	14,499	(19,583)
Net profit/(loss) for the period		35,130	(22,519)
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations		2,476	(6,394)
Total comprehensive income/(loss) for the period		37,606	(28,913)
Earnings per unit			
		Cents	Cents
Basic earnings per unit on profit/(loss) attributable to unitholders of the parent entity		1.24	(0.96)
Diluted earnings per unit on profit/(loss) attributable to unitholders of the parent entity		1.24	(0.96)

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

DEXUS Industrial Trust
Consolidated Statement of Financial Position
As at 31 December 2012

	Note	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Current assets			
Cash and cash equivalents	3	16,314	11,862
Receivables		2,473	16,629
Loan with related parties	5	138,948	266,021
Derivative financial instruments		882	1,332
Current tax assets		-	198
Other		665	2,806
		<u>159,282</u>	<u>298,848</u>
Discontinued operations and assets classified as held for sale	4	342,358	102,264
Total current assets		<u>501,640</u>	<u>401,112</u>
Non-current assets			
Investment properties	6	918,995	1,058,533
Investments accounted for using the equity method	7	-	65,599
Derivative financial instruments		8,302	9,386
Other		82	158
Total non-current assets		<u>927,379</u>	<u>1,133,676</u>
Total assets		<u>1,429,019</u>	<u>1,534,788</u>
Current liabilities			
Payables		91,029	75,871
Current tax liabilities		973	973
Provisions		-	10,000
Derivative financial instruments		9,160	1,430
		<u>101,162</u>	<u>88,274</u>
Discontinued operations classified as held for sale	4	90,231	-
Total current liabilities		<u>191,393</u>	<u>88,274</u>
Non-current liabilities			
Loans with related parties	5	525,473	696,367
Interest bearing liabilities	8	-	49,404
Derivative financial instruments		20,518	35,096
Deferred tax liabilities		-	595
Other		111	811
Total non-current liabilities		<u>546,102</u>	<u>782,273</u>
Total liabilities		<u>737,495</u>	<u>870,547</u>
Net assets		<u>691,524</u>	<u>664,241</u>
Equity			
Contributed equity	9	1,082,464	1,092,787
Reserves		27,006	24,530
Accumulated losses		(417,946)	(453,076)
Total equity		<u>691,524</u>	<u>664,241</u>

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

DEXUS Industrial Trust

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2012

	Note	Contributed equity \$'000	Accumulated losses \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2011		925,116	(390,193)	41,642	576,565
Loss after tax for the period		-	(22,519)	-	(22,519)
Other comprehensive loss for the period		-	-	(6,394)	(6,394)
Transactions with owners in their capacity as owners					
Capital contribution, net of transaction costs	9	174,909	-	-	174,909
Closing balance as at 31 December 2011		1,100,025	(412,712)	35,248	722,561
Opening balance as at 1 July 2012		1,092,787	(453,076)	24,530	664,241
Profit after tax 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	9	(10,323)	-	-	(10,323)
Closing balance as at 31 December 2012		1,082,464	(417,946)	27,006	691,524

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

DEXUS Industrial Trust

Consolidated Statement of Cash Flows

For the half year ended 31 December 2012

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		54,998	75,152
Payments in the course of operations (inclusive of GST)		(14,900)	(24,783)
Interest received		1,093	823
Finance costs paid		(11,990)	(18,907)
Income and withholding taxes paid		(16)	(386)
Net cash inflow from operating activities		29,185	31,899
Cash flows from investing activities			
Proceeds from sale of investment properties		79,287	72,930
Payments for capital expenditure on investment properties		(5,362)	(11,722)
Proceeds from investments accounted for using the equity method		10,849	-
Proceeds from sale of investments		15,256	-
Net cash inflow from investing activities		100,030	61,208
Cash flows from financing activities			
Proceeds from capital contribution		-	174,979
Capital contribution transaction costs		-	(70)
Payments for buy back of contributed equity		(10,323)	-
Borrowings provided by entities within DXS		15,440	124,655
Borrowings provided to entities within DXS		(153,900)	(379,909)
Repayment of US REIT loan		36,847	-
Proceeds from borrowings		-	14,089
Repayment of borrowings		-	(9,015)
Distributions paid to unitholders		(10,000)	(12,360)
Net cash outflow from financing activities		(121,936)	(87,631)
Net increase in cash and cash equivalents		7,279	5,476
Cash and cash equivalents at the beginning of the period		11,862	39,837
Effects of exchange rate changes on cash and cash equivalents		85	(1,796)
Cash and cash equivalents at the end of the period	3	19,226	43,517

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 each entity within DXS may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These general purpose interim Financial Statements for the half year ended 31 December 2012 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 2012 and any public pronouncements made by DXS 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.

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 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 2

Finance costs

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Interest paid to related parties	7,309	21,939
Net fair value loss of interest rate swaps	5,719	16,538
Amount capitalised	-	(562)
Other finance costs	2	51
Total finance costs	13,030	37,966

Note 3

Current assets - cash and cash equivalents

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Cash at bank	1,058	9,100
Cash held in escrow ¹	15,256	-
Short-term deposits	-	2,762
Total current assets - cash and cash equivalents	16,314	11,862

¹ As at 31 December 2012, the Trust held US\$15.8 million (A\$15.3 million) in escrow in relation to US asset disposals in December 2012. These funds are expected to be released from escrow on 14 February 2013 as a result of settlement.

Reconciliation to cash at the end of the period

The above figures are reconciled to cash as shown in the Statement of Cash Flows as follows:

		31 Dec 2012	30 Jun 2012
	Note	\$m	\$m
Balances as above		16,314	11,862
Discontinued operations	4	2,912	-
Balances per Statement of Cash Flows		19,226	11,862

Note 4**Assets classified as held for sale and discontinued operations**

A strategic review was announced to the ASX on 16 August 2012, which resulted in all offshore property being considered non-core. On 20 December 2012, DXS announced the sale of the majority of the remaining US industrial portfolio and therefore the US industrial portfolio has been classified as a discontinued operation at 31 December 2012.

The European portfolio is also considered non-core and has been classified as a discontinued operation.

The table below sets out the financial performance for discontinued operations.

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Property revenue	6,819	15,216
Interest revenue	668	746
Share of net profit of associates accounted for using the equity method	25,334	12,734
Net fair value gain/(loss) of investment properties	284	(3,182)
Net foreign exchange gain	635	360
Net loss on sale of investment properties	(342)	(3,150)
Property expenses	(1,068)	(2,323)
Responsible Entity fees	(225)	(496)
Finance costs	(11,361)	(37,796)
Net fair value loss of derivatives	(604)	(491)
Other expenses	(211)	(341)
Profit/(loss) before tax	19,929	(18,723)
Income tax expense	(74)	(67)
Withholding tax expense	-	(793)
Total tax expense	(74)	(860)
Profit/(loss) after tax	19,855	(19,583)
Loss on measurement to fair value less costs to sell before tax	(5,923)	-
Withholding tax benefit	567	-
Loss on measurement to fair value less costs to sell after tax	(5,356)	-
Profit/(loss) from discontinued operations	14,499	(19,583)
Net cash flows from operating activities	(2,357)	(201)
Net cash flows from investing activities	(1,859)	72,500
Net cash flows from financing activities	36,847	-
Net increase in cash generated by discontinued operations	32,631	72,299

Note 4**Assets classified as held for sale and discontinued operations (continued)**

The table below sets out the discontinued operations classified as held for sale that continue to be owned by the Trust as at balance date. These assets and liabilities are presented as aggregate amounts in the Statement of Financial Position.

	Discontinued operations ¹ 31 Dec 2012 \$'000	Total 30 Jun 2012 \$'000
Assets classified as held for sale		
Cash and cash equivalents	2,912	-
Receivables	1,697	-
Loans with related parties	87,827	-
Other assets	422	-
Investment properties	162,954	102,264
Investments accounted for using the equity method	86,546	-
Total assets classified as held for sale	342,358	102,264
Liabilities classified as held for sale		
Payables	2,545	-
Loans with related parties	37,874	-
Interest bearing liabilities	49,126	-
Other	686	-
Total liabilities classified as held for sale	90,231	-

¹ Includes the Unites States and European operations.

Disposals

- On 13 July 2012, 114-120 Old Pittwater Road, Brookvale, NSW was disposed of for gross proceeds of \$40.5 million.
- On 2 October 2012, 50% of DEXUS Industrial Estate Laverton North VIC was disposed of for gross proceeds of \$36.9 million.

Note 5**Loans with related parties**

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Current assets - loans with related parties		
Non-interest bearing loans with entities within DXS ¹	138,948	138,948
Interest bearing loans with entities within DXS	-	127,073
Total current assets - loans with related parties	138,948	266,021
Non-current liabilities - loans with related parties		
Interest bearing loans with related parties ²	525,473	696,367
Interest bearing loans with entities within DXS	-	-
Total non-current liabilities - loans with related parties	525,473	696,367

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 6**Non-current assets - investment properties**

	For the 6 months to	For the 12 months to
	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Opening balance at the beginning of the period	1,058,533	1,307,485
Additions	3,211	15,259
Lease incentives	2,973	9,791
Amortisation of lease incentives	(3,211)	(7,297)
Net fair value gain/(loss) of investment properties	14,653	(21,616)
Rent straightlining	108	921
Disposals	(4,000)	(172,919)
Transfer to non-current assets classified as held for sale	(151,681)	(77,375)
Foreign exchange differences on foreign currency translation	(1,591)	4,284
Closing balance at the end of the period	918,995	1,058,533

Disposals

- On 12 November 2012, 89 Egerton Street, Silverwater, NSW was disposed of for gross proceeds of \$4.0 million.

Note 7**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 this entity is set out below.

Name of entity	Principal activity	Ownership Interest		31 Dec 2012	30 Jun 2012
		31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
		%	%	\$'000	\$'000
DEXUS Industrial Properties, Inc. ¹	Asset, property and funds management	50.0	50.0	-	65,599
Total non-current assets - investments accounted for using the equity method				-	65,599

1 The remaining 50% of this entity is owned by DDF. As a result, this entity is classed as controlled on a DDF consolidated basis.

DEXUS Industrial Properties, Inc. was formed in the United States.

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

	For the 6 months to 31 Dec 2012	For the 12 months to 30 Jun 2012
	\$'000	\$'000
Opening balance at the beginning of the period	65,599	162,513
Share of net profit after tax	25,334	3,398
Distributions received/receivable	-	(109,656)
Transfer to discontinued operations	(86,546)	-
Foreign exchange difference on foreign currency translation	(4,387)	9,344
Closing balance at the end of the period	-	65,599
Results attributable to investments accounted for using the equity method		
Operating profit before income tax	25,334	3,398
Operating profit after income tax	25,334	3,398
Accumulated losses at the beginning of the period	(223,528)	(226,926)
Accumulated losses at the end of the period	(198,194)	(223,528)

Note 8

Interest bearing liabilities

	Note	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Non-current			
Bank loans	(a)	-	50,927
Total secured		-	50,927
Deferred borrowing costs		-	(1,523)
Total non-current liabilities - interest bearing liabilities		-	49,404
Total interest bearing liabilities		-	49,404

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

The current debt facilities will be refinanced as at/or prior to their maturity.

(a) Bank loans - secured

The US\$51.9 million (A\$50.0 million, June 2012: A\$50.9 million) bank facility was secured by a mortgage over one investment property. The facility was classified as current within discontinued operations following DXS' announcement to sell the majority of its US portfolio. The assets held as security are classified as discontinued operations and the secured bank facility is expected to be repaid on 14 February 2013 as a result of settlement.

Note 9

Contributed equity

(a) Contributed equity

	For the 6 months to 31 Dec 2012 \$'000	For the 12 months to 30 Jun 2012 \$'000
Opening balance at the beginning of the period	1,092,787	925,116
Capital contribution	-	174,979
Capital contribution transaction costs	-	(78)
Buy back of contributed equity	(10,323)	(7,230)
Closing balance at the end of the period	1,082,464	1,092,787

(b) Number of units on issue

	For the 6 months to 31 Dec 2012 No. of units	For the 12 months to 30 Jun 2012 No. of units
Opening balance at the beginning of the period	4,783,817,657	4,839,024,176
Buy back of contributed equity	(81,860,267)	(55,206,519)
Closing balance at the end of the period	4,701,957,390	4,783,817,657

Note 10

Contingent liabilities

The Trust together with DDF, DXO and DOT is also a guarantor of a total of A\$1,350.0 million and US\$153.5 million (A\$147.8 million) of bank bilateral facilities, a total of A\$545.0 million of medium term notes, a total of US\$130.0 million (A\$125.2 million) of privately placed notes, and a total of US\$374.5 million (A\$359.7 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 11

Events occurring after reporting date

On 18 January 2013, the acquisition of 131 Mica Street, Carole Park, QLD was settled for \$21.0 million, excluding acquisition costs.

Since the end of the year, 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 12

Operating segments

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

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 consolidated entity's financial position as at 31 December 2012 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

13 February 2013



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 statement of financial position as at 31 December 2012, 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 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Industrial Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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

A handwritten signature in black ink, appearing to be 'EA Baron', written over a circular stamp or mark.

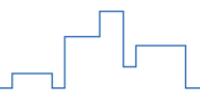
EA Baron
Partner

Sydney
13 February 2013

DEXUS Office Trust

(ARSN 090 768 531)

Interim Report
31 December 2012



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

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

All press 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 2012. 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
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Barry R Brownjohn	1 January 2005
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Stewart F Ewen, OAM	4 August 2004
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 2012 were:

- profit attributable to unitholders was \$144.7 million (December 2011: \$76.0 million);
- total assets were \$3,601.2 million (June 2012: \$3,368.4 million); and
- net assets were \$2,485.0 million (June 2012: \$2,451.1 million).

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

3 Auditor's Independence Declaration

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

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in 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 13 February 2013. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
13 February 2013



Darren J Steinberg
Chief Executive Officer
13 February 2013



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Office Trust for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'EA Barron', with a star symbol integrated into the middle of the signature.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
13 February 2013

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2012

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Revenue from ordinary activities			
Property revenue		135,855	134,303
Interest revenue		207	206
Total revenue from ordinary activities		136,062	134,509
Net fair value gain of investment properties		70,118	19,736
Share of net profit of associates accounted for using the equity method	4	11,073	3,108
Net foreign exchange gain		8	13
Total income		217,261	157,366
Expenses			
Property expenses		(35,949)	(35,354)
Responsible Entity fees		(5,213)	(4,912)
Finance costs	2	(30,695)	(39,287)
Other expenses		(669)	(799)
Total expenses		(72,526)	(80,352)
Profit before tax		144,735	77,014
Other comprehensive income:			
Exchange differences on translating foreign operations		1,276	(1,509)
Total comprehensive income for the period		146,011	75,505
Net profit for the period attributable to:			
Unitholders of DEXUS Office Trust		144,735	76,006
Non-controlling interests		-	1,008
Net profit for the period		144,735	77,014
Total comprehensive income for the period attributable to:			
Unitholders of DEXUS Office Trust		146,011	74,497
Non-controlling interests		-	1,008
Total comprehensive income for the period		146,011	75,505
Earnings per unit			
		Cents	Cents
Basic earnings per unit on profit attributable to unitholders of the parent entity		0.22	1.43
Diluted earnings per unit on profit attributable to unitholders of the parent entity		0.22	1.43

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

DEXUS Office Trust
Consolidated Statement of Financial Position
As at 31 December 2012

	Note	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Current assets			
Cash and cash equivalents		5,181	3,091
Receivables		12,644	6,502
Derivative financial instruments		2,908	1,284
Other		2,913	2,961
Total current assets		23,646	13,838
Non-current assets			
Investment properties	3	3,214,479	3,132,600
Derivative financial instruments		2,242	4,124
Investments accounted for using the equity method	4	359,983	217,043
Other		809	779
Total non-current assets		3,577,513	3,354,546
Total assets		3,601,159	3,368,384
Current liabilities			
Payables		38,919	41,854
Loans with related parties	5	55,684	55,684
Provisions		74,172	67,672
Derivative financial instruments		2,675	1,288
Total current liabilities		171,450	166,498
Non-current liabilities			
Loans with related parties	5	896,344	693,109
Derivative financial instruments		47,791	57,088
Other		572	545
Total non-current liabilities		944,707	750,742
Total liabilities		1,116,157	917,240
Net assets		2,485,002	2,451,144
Equity			
Contributed equity	6	1,825,984	1,863,965
Reserves		(13,233)	(14,509)
Retained profits		672,251	601,688
Total equity		2,485,002	2,451,144

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

DEXUS Office Trust

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2012

	Note	Contributed equity \$'000	Retained profits \$'000	Foreign currency translation reserve \$'000	Unitholder equity \$'000	Non- controlling interests \$'000	Total equity \$'000
Opening balance as at 1 July 2011		2,063,214	556,723	(15,815)	2,604,122	204,028	2,808,150
Profit before tax for the period		-	76,006	-	76,006	1,008	77,014
Other comprehensive loss for the period		-	-	(1,509)	(1,509)	-	(1,509)
Transactions with owners in their capacity as owners							
Capital payment, net of transaction costs	6	(175,049)	-	-	(175,049)	-	(175,049)
Distributions paid or provided for	7	-	(73,481)	-	(73,481)	(6,324)	(79,805)
Transfer to retained profits		-	(5,424)	-	(5,424)	5,424	-
Closing balance as at 31 December 2011		1,888,165	553,824	(17,324)	2,424,665	204,136	2,628,801
Opening balance as at 1 July 2012		1,863,965	601,688	(14,509)	2,451,144	-	2,451,144
Profit before tax for the period		-	144,735	-	144,735	-	144,735
Other comprehensive income for the period		-	-	1,276	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)	-	(37,981)
Distributions paid or provided for	7	-	(74,172)	-	(74,172)	-	(74,172)
Closing balance as at 31 December 2012		1,825,984	672,251	(13,233)	2,485,002	-	2,485,002

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 2012

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Cash flows from operating activities		
Receipts in the course of operations (inclusive of GST)	146,493	157,855
Payments in the course of operations (inclusive of GST)	(43,947)	(52,054)
Interest received	207	206
Finance costs paid to financial institutions	(9,453)	(7,349)
Distributions received from associates accounted for using the equity method	5,428	4,056
Net cash inflow from operating activities	98,728	102,714
Cash flows from investing activities		
Payments for capital expenditure on investment properties	(30,083)	(28,417)
Payments for investments accounted for using the equity method	(137,295)	(3,848)
Net cash outflow from investing activities	(167,378)	(32,265)
Cash flows from financing activities		
Borrowings provided to entities within DXS	(107,350)	(94,328)
Borrowings provided by entities within DXS	283,732	519,540
Repayment of borrowings	-	(250,000)
Capital payment	-	(174,979)
Capital payment transaction costs	-	(70)
Payments for buy back of contributed equity	(37,981)	-
Distributions paid to unitholders	(67,672)	(64,738)
Distributions paid to non-controlling interests	-	(6,365)
Net cash inflow/(outflow) from financing activities	70,729	(70,940)
Net increase/(decrease) in cash and cash equivalents	2,079	(491)
Cash and cash equivalents at the beginning of the period	3,091	7,671
Effects of exchange rate changes on cash and cash equivalents	11	(56)
Cash and cash equivalents at the end of the period	5,181	7,124

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 reporting and disclosure requirements under the *Corporations Act 2001* and the Australian Accounting Standards.

DEXUS Funds Management Limited (DXFM) as Responsible Entity for each entity within DXS may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These general purpose interim Financial Statements for the half year ended 31 December 2012 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 2012 and any public pronouncements made by DXS 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.

As at 31 December 2012, the Trust had a net current asset deficiency of \$147.8 million (June 2012: \$152.7 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.

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 2**Finance costs**

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Interest paid/payable	-	3,835
Interest paid to related parties	29,520	8,097
Amount capitalised	-	(1,264)
Other finance costs	-	300
Net fair value loss of interest rate swaps	1,175	28,319
Total finance costs	30,695	39,287

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

	For the 6 months to 31 Dec 2012	For the 12 months to 30 Jun 2012
	\$'000	\$'000
Opening balance at the beginning of the period	3,132,600	3,026,959
Additions	9,937	44,088
Lease incentives	14,846	22,595
Amortisation of lease incentives	(14,836)	(29,216)
Net fair value gain of investment properties	70,118	67,158
Rent straightlining	567	(338)
Foreign exchange differences on foreign currency translation	1,247	1,354
Closing balance at the end of the period	3,214,479	3,132,600

Note 4**Non-current assets - investments accounted for using the equity method**

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

Information relating to these entities is set out below:

Name of entity	Principal activity	Ownership Interest		31 Dec 2012	30 Jun 2012
		31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
		%	%	\$'000	\$'000
Bent Street Trust	Office property investment	33.3	33.3	231,571	217,043
DEXUS Creek Street Trust	Office property investment	50.0	-	127,663	-
DEXUS Martin Place Trust	Office property investment	50.0	-	749	-
Total non-current assets - investments accounted for using the equity method				359,983	217,043

The above entities were formed in Australia.

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

	For the 6 months to 31 Dec 2012 \$'000	For the 12 months to 30 Jun 2012 \$'000
Opening balance at the beginning of the period	217,043	200,356
Units issued during the period	137,295	8,565
Interest acquired during the period	-	1,264
Share of net profit after tax ¹	11,073	13,784
Distributions received/receivable	(5,428)	(6,926)
Closing balance at the end of the period	359,983	217,043

¹ Share of net profit after tax includes a fair value gain of \$4.7 million (June 2012: \$7.5 million) in relation to the Trust's share of the Bligh Street investment property.

Note 5

Loans with related parties

	31 Dec 2012 \$'000	30 Jun 2012 \$'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	896,344	693,109
Total non-current liabilities - loans with related parties	896,344	693,109

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 2012 \$'000	For the 12 months to 30 Jun 2012 \$'000
Opening balance at the beginning of the period	1,863,965	2,063,214
Capital payment	-	(174,979)
Capital payment transaction costs	-	(79)
Buy back of contributed equity	(37,981)	(24,191)
Closing balance at the end of the period	1,825,984	1,863,965

(b) Number of units on issue

	For the 6 months to 31 Dec 2012 No. of units	For the 12 months to 30 Jun 2012 No. of units
Opening balance at the beginning of the period	4,783,817,657	4,839,024,176
Buy back of contributed equity	(81,860,267)	(55,206,519)
Closing balance at the end of the period	4,701,957,390	4,783,817,657

Note 7**Distributions paid and payable****(a) Distribution to unitholders**

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
31 December (payable 28 February 2013)	74,172	73,481
	<u>74,172</u>	<u>73,481</u>

(b) Distribution to non-controlling interests

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
DEXUS RENTS Trust (paid 18 October 2011)	-	3,223
DEXUS RENTS Trust (paid 17 January 2012)	-	3,101
	<u>-</u>	<u>6,324</u>

(c) Distribution rate

	31 Dec 2012	31 Dec 2011
	Cents per unit	Cents per unit
31 December (payable 28 February 2013)	1.58	1.52
Total distributions	<u>1.58</u>	<u>1.52</u>

Note 8**Contingent liabilities**

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

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Bank guarantees by the Trust in respect of variations and other financial risks associated with the development of:		
Bligh Street, Sydney, NSW ¹	-	250
Contingent liabilities in respect of developments	-	250

¹ Bank guarantee held in relation to an equity accounted investment.

DDF together with DIT, DOT and DXO is also a guarantor of a total of A\$1,350.0 million and US\$153.5 million (A\$147.8 million) of bank bilateral facilities, a total of A\$545.0 million of medium term notes, a total of US\$130.0 million (A\$125.2 million) of privately placed notes, and a total of US\$374.5 million (A\$359.7 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 Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the Statement of Financial Position.

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

Note 9**Events occurring after reporting date**

On 17 January 2013, 40 Market Street, Melbourne, VIC was acquired for \$46.7 million, excluding acquisition costs.

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

Note 10

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 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2012 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

13 February 2013



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 statement of financial position as at 31 December 2012, 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 2012 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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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 2012 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

A handwritten signature in black ink, appearing to be 'EA Baron', written over a circular stamp or mark.

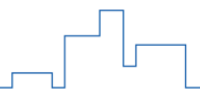
EA Baron
Partner

Sydney
13 February 2013

DEXUS Operations Trust

(ARSN 110 521 223)

Interim Report
31 December 2012



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

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

All press 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 2012. 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
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Barry R Brownjohn	1 January 2005
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Stewart F Ewen, OAM	4 August 2004
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 2012 were:

- profit attributable to unitholders was \$3.6 million (December 2011: \$2.5 million loss);
- total assets were \$744.7 million (June 2012: \$631.5 million); and
- net assets were \$124.4 million (June 2012: \$122.7 million).

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

3 Auditor's independence declaration

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

4 Rounding of amounts and currency

The Trust is a registered scheme of the kind referred to in 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 13 February 2013. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
13 February 2013



Darren J Steinberg
Chief Executive Officer
13 February 2013



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Operations Trust for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'EA Barron', with a star symbol integrated into the middle of the signature.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
13 February 2013

DEXUS Operations Trust
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2012

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Revenue from ordinary activities			
Management fee revenue	2	39,728	41,527
Property revenue		10,721	7,074
Proceeds from sale of inventory		15,664	21,830
Interest revenue		391	440
Total revenue from ordinary activities		66,504	70,871
Net fair value gain of investment properties		1,924	4,455
Net foreign exchange gain		-	30
Other income		11	-
Total income		68,439	75,356
Expenses			
Property expenses		(3,085)	(2,525)
Cost of sale of inventory		(14,792)	(19,110)
Finance costs	3	(7,909)	(13,687)
Net loss on sale of investment properties		(728)	-
Depreciation and amortisation		(1,284)	(1,231)
Impairment of inventory		-	(2,014)
Impairment of goodwill		(50)	(563)
Net foreign exchange loss		(3)	-
Employee benefits expense		(30,274)	(34,050)
Other expenses		(5,122)	(6,589)
Total expenses		(63,247)	(79,769)
Profit/(loss) before tax		5,192	(4,413)
Tax benefit			
Income tax benefit		12	1,947
Total tax benefit		12	1,947
Profit/(loss) after tax from continuing operations		5,204	(2,466)
Loss from discontinued operations	6	(1,575)	-
Net profit/(loss) for the period		3,629	(2,466)
Exchange differences on translating foreign operations		(32)	-
Total comprehensive income/(loss) for the period		3,597	(2,466)
Earnings per unit			
		Cents	Cents
Basic earnings per unit on profit/(loss) attributable to unitholders of the parent entity		0.06	0.03
Diluted earnings per unit on profit/(loss) attributable to unitholders of the parent entity		0.06	0.03

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

DEXUS Operations Trust
Consolidated Statement of Financial Position
As at 31 December 2012

	Note	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Current assets			
Cash and cash equivalents	4	13,405	13,082
Receivables		29,754	19,823
Inventories	5	10,131	26,841
Discontinued operations and assets classified as held for sale	6	109,017	93,700
Other		1,132	759
Total current assets		163,439	154,205
Non-current assets			
Investment properties	7	156,151	141,151
Plant and equipment		4,354	4,678
Inventories	5	161,240	70,990
Deferred tax assets		36,043	36,729
Intangible assets	8	223,427	223,641
Other		7	66
Total non-current assets		581,222	477,255
Total assets		744,661	631,460
Current liabilities			
Payables		15,693	11,065
Loans with related parties	9	48,932	48,932
Provisions		16,171	22,324
Discontinued operations classified as held for sale	6	59,739	-
Total current liabilities		140,535	82,321
Non-current liabilities			
Loans with related parties	9	462,376	402,409
Provisions		10,684	16,351
Deferred tax liabilities		3,214	3,913
Derivative financial instruments		3,341	3,772
Other		133	-
Total non-current liabilities		479,748	426,445
Total liabilities		620,283	508,766
Net assets		124,378	122,694
Equity			
Contributed equity	10	197,775	199,712
Reserves		42,743	42,751
Accumulated losses		(116,140)	(119,769)
Total equity		124,378	122,694

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

DEXUS Operations Trust

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2012

	Note	Contributed equity \$'000	Foreign currency translation reserve \$'000	Asset revaluation reserve \$'000	Security- based payments reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Opening balance as at 1 July 2011		26,335	-	42,738	-	(90,616)	(21,543)
Loss after tax		-	-	-	-	(2,466)	(2,466)
Other comprehensive income for the year		-	-	-	-	-	-
Transactions with owners in their capacity as owners:							
Capital contribution, net of transaction costs	10	174,909	-	-	-	-	174,909
Closing balance as at 31 December 2011		201,244	-	42,738	-	(93,082)	150,900
Opening balance as at 1 July 2012		199,712	-	42,738	13	(119,769)	122,694
Profit after tax		-	-	-	-	3,629	3,629
Other comprehensive loss for the year		-	(32)	-	-	-	(32)
Transactions with owners in their capacity as owners:							
Buy back of contributed equity, net of transaction costs	10	(1,937)	-	-	-	-	(1,937)
Security-based payments expense		-	-	-	24	-	24
Closing balance as at 31 December 2012		197,775	(32)	42,738	37	(116,140)	124,378

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

DEXUS Operations Trust
Consolidated Statement of Cash Flows
For the half year ended 31 December 2012

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		42,852	54,967
Payments in the course of operations (inclusive of GST)		(51,304)	(52,178)
Proceeds from sale of property classified as inventory		15,664	21,830
Payments for property classified as inventory		(86,606)	(24,023)
Interest received		399	438
Finance costs paid		(722)	(1,240)
Net cash outflow from operating activities		(79,717)	(206)
Cash flows from investing activities			
Proceeds from the sale of investment properties		57,353	-
Payments for the acquisition of investment properties		(55,855)	-
Payments for capital expenditure on investment properties		(21,125)	(20,427)
Acquisition of subsidiaries net of cash acquired		5,239	-
Payments for plant and equipment		(796)	(860)
Net cash outflow from investing activities		(15,184)	(21,287)
Cash flows from financing activities			
Borrowings provided to entities within DXS		(110,921)	(260,051)
Borrowings provided by entities within DXS		213,463	106,979
Proceeds from capital contribution		-	174,979
Capital contribution transaction costs		-	(70)
Payments for buy back of contributed equity		(1,937)	-
Net cash inflow from financing activities		100,605	21,837
Net increase in cash and cash equivalents		5,704	344
Cash and cash equivalents at the beginning of the period		13,082	13,228
Effects of exchange rate changes on cash and cash equivalents		(25)	-
Cash and cash equivalents at the end of the period	4	18,761	13,572

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 reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

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

These general purpose interim Financial Statements for the half year ended 31 December 2012 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 2012 and any public pronouncements made by DXS 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.

(b) 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 2**Management Fee Revenue**

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Responsible Entity fees	19,613	18,471
Asset management fees	3,025	5,004
Property management fees	12,654	11,559
Capital works and development fees	391	2,407
Wages recovery and other fees	4,045	4,086
Total management fee revenue	39,728	41,527

Note 3**Finance costs**

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Interest paid to related parties	(13,547)	(21,181)
Amount capitalised	5,930	9,196
Net fair value loss of interest rate swaps	(281)	(1,693)
Other finance costs	(11)	(9)
Total finance costs	(7,909)	(13,687)

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2012: 7.99%)

Note 4**Current assets - cash and cash equivalents**

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Cash at bank	3,405	3,082
Short-term deposits	10,000	10,000
Total current assets - cash and cash equivalents	13,405	13,082

Reconciliation to cash at the end of the period

The above figures are reconciled to cash as shown in the Statement of Cash Flows as follows:

		31 Dec 2012	30 Jun 2012
	Note	\$'000	\$'000
Balances as above		13,405	13,082
Discontinued operations	6	5,356	-
Balances per Statement of Cash Flows		18,761	13,082

Note 5**Inventories****(a) Land and properties held for resale**

	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Current assets		
Land and properties held for resale	10,131	26,841
Total current assets - inventories	10,131	26,841
Non-current assets		
Land and properties held for resale	161,240	70,990
Total non-current assets - inventories	161,240	70,990
Total assets - inventories	171,371	97,831

(b) Reconciliation

		For the 6 months to 31 Dec 2012 \$'000	For the 12 months to 30 Jun 2012 \$'000
	Note		
Opening balance at the beginning of the period		97,831	112,238
Transfer to investment properties	7	-	(7,035)
Disposals		(14,792)	(43,998)
Impairment		-	(14,846)
Acquisitions, additions and other		88,332	51,472
Closing balance at the end of the period		171,371	97,831

Acquisition

- On 30 November 2012, 50 Carrington Street, Sydney, NSW was acquired for \$58.5 million, excluding acquisition costs.

Disposals

- On 2 October 2012, 50% of Boundary Road, Laverton, VIC - Fastline was disposed of for gross proceeds of \$8.0 million.
- During the half year ended 31 December 2012, three lots located at Boundary Road, Laverton, VIC were disposed of for gross proceeds of \$7.7 million.

Note 6**Assets classified as held for sale and discontinued operations**

A strategic review was announced to the ASX on 16 August 2012, which resulted in all offshore property being considered non-core. On 20 December 2012, DXS announced the sale of the majority of the remaining US industrial portfolio and therefore the US industrial portfolio has been classified as a discontinued operation at 31 December 2012.

One property, 3550 Tyburn Street & 3332-3424 North San Fernando Road, Los Angeles (known as “Glendale”) was excluded from the sales process in order to ensure that the property is sold at fair value. Glendale was acquired by DXO as part of the process to exclude the property from the portfolio sale. The property is classified as a discontinued operation as it is expected the property will be sold within 12 months.

In addition to the residual assets and liabilities classified as held for sale in the US industrial portfolio, certain other investment properties are also included as assets classified as held for sale at 31 December 2012.

The table below sets out the financial performance and cash flow information for discontinued operations.

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Property revenue	172	-
Management fee revenue	292	-
Net fair value loss of investment properties	(2,390)	-
Net fair value gain of investments	3,929	-
Net foreign exchange loss	(1)	-
Property expenses	(55)	-
Employee benefits expense	(2,259)	-
Finance costs	(64)	-
Other expenses	(61)	-
Loss before tax	(437)	-
Total tax expense	-	-
Loss after tax	(437)	-
Loss on measurement to fair value less costs to sell before tax	(1,138)	-
Loss on measurement to fair value less costs to sell after tax	(1,138)	-
Loss from discontinued operations	(1,575)	-
Net cash flows from operating activities	(55)	-
Net cash flows from investing activities	(50,232)	-
Net cash flows from financing activities	55,668	-
Net increase in cash generated by discontinued operations	5,381	-

Note 6**Assets classified as held for sale and discontinued operations (continued)**

The table below sets out the assets classified as held for sale and discontinued operations that continue to be owned by the Trust as at balance date. These assets and liabilities are presented as aggregate amounts in the Statement of Financial Position.

	Discontinued operations ¹ \$'000	Assets held for sale ² \$'000	Total 31 Dec 2012 \$'000	Total 30 Jun 2012 \$'000
Assets classified as held for sale				
Cash and cash equivalents	5,356	-	5,356	-
Receivables	401	-	401	-
Other assets	74	-	74	-
Investment properties	52,301	50,885	103,186	93,700
Total assets classified as held for sale	58,132	50,885	109,017	93,700
Liabilities classified as held for sale				
Payables	1,261	-	1,261	-
Provisions	2,557	-	2,557	-
Loans with related parties	55,668	-	55,668	-
Other liabilities	253	-	253	-
Total liabilities classified as held for sale	59,739	-	59,739	-

1 Includes the United States operations.

2 Includes certain assets at Quarry Greystanes, NSW whose value will be recovered through sale rather than through continuing use.

Disposals

- On 2 October 2012, 50% of an industrial portfolio consisting of assets at Quarry Greystanes NSW was disposed of for gross proceeds of \$57.7 million.

Note 7**Non-current assets - investment properties**

	Note	For the 6 months to 31 Dec 2012 \$'000	For the 12 months to 30 Jun 2012 \$'000
Opening balance at the beginning of the period		141,151	192,306
Additions		23,127	60,782
Lease incentives		1,679	895
Lease incentives amortisation		(191)	(254)
Rent straightlining		399	1,405
Transfer to assets held for sale and discontinued operations		(14,989)	(93,700)
Transfers from inventories	5	-	7,035
Net fair value gain/(loss) of investment properties		4,975	(27,318)
Closing balance at the end of the period		156,151	141,151

Note 8**Non-current assets - intangible assets**

	For the 6 months to 31 Dec 2012 \$'000	For the 12 months to 30 Jun 2012 \$'000
Management rights		
Opening balance at the beginning of the period	221,935	222,353
Amortisation charge	(164)	(418)
Closing balance at the end of the period	221,771	221,935
Cost	252,382	252,382
Accumulated amortisation	(2,808)	(2,644)
Accumulated impairment	(27,803)	(27,803)
Total management rights	221,771	221,935
Goodwill		
Opening balance at the beginning of the period	1,706	2,331
Impairment	(50)	(625)
Closing balance at the end of the period	1,656	1,706
Cost	2,998	2,998
Accumulated impairment	(1,342)	(1,292)
Total goodwill	1,656	1,706
Total intangible assets	223,427	223,641

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 \$5,522,326) are measured at cost and amortised using the straight-line method over their estimated useful lives of 20 years. Management rights that are deemed to have an indefinite life are held at a value of \$216,248,492.

As at 31 December 2012, 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 9**Loans with related parties**

	31 Dec 2012 \$'000	30 Jun 2012 \$'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	462,376	402,409
Total non-current liabilities - loans with related parties	462,376	402,409

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 10**Contributed equity****(a) Contributed equity**

	For the 6 months to 31 Dec 2012 \$'000	For the 12 months to 30 Jun 2012 \$'000
Opening balance at the beginning of the period	199,712	26,335
Capital contribution	-	174,979
Capital contribution transaction costs	-	(78)
Buy back of contributed equity	(1,937)	(1,524)
Closing balance at the end of the period	197,775	199,712

(b) Number of units on issue

	For the 6 months to 31 Dec 2011 No. of units	For the 12 months to 30 Jun 2012 No. of units
Opening balance at the beginning of the period	4,783,817,657	4,839,024,176
Buy back of contributed equity	(81,860,267)	(55,206,519)
Closing balance at the end of the period	4,701,957,390	4,783,817,657

Note 11**Distributions paid and payable**

Dividends paid or payable by the Trust for the half year ended 31 December 2012 were nil (31 December 2011: nil).

Note 12**Contingent liabilities**

	31 Dec 2012 \$'000	30 Jun 2012 \$'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	368
57-75 Templar Rd, Erskine Park	100	-
Reconciliation Road, Greystanes	198	-
Contingent liabilities in respect of developments	830	368

The Trust together with DDF, DIT and DOT is a guarantor of a total of A\$1,3950.0 million and US\$153.5 million (A\$147.8 million) of bank bilateral facilities, a total of A\$545.0 million of medium term notes, a total of US\$130.0 million (A\$125.2 million) of privately placed notes, and a total of US\$374.5 million (A\$359.7 million) public 144A senior notes, which have all been negotiated to finance the Trust 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 unitholders as at the day of completion of this report.

Note 13**Events occurring after the reporting date**

On 15 January 2013, lot 13 at Boundary Road, Laverton, VIC was disposed of for gross proceeds of \$1.7 million.

On 17 January 2013, 40 Market Street, Melbourne, VIC was acquired for \$46.7 million, excluding acquisition costs.

On 1 February 2013, the sale of Quarry Greystanes, NSW - Camerons Transport was settled for gross proceeds of \$14.9 million.

Since the end of the period, other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the 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 17 are in accordance with the *Corporations Act 2001*, including
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2012 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

13 February 2013



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 statement of financial position as at 31 December 2012, 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 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Operations Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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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 2012 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*.

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A handwritten signature in black ink, appearing to be 'EA Baron', written over a circular stamp or mark.

EA Baron
Partner

Sydney
13 February 2013