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Dexus (ASX: DXS)

ASX release

17 August 2022

2022 Financial Statements

In addition to Dexus's 2022 Annual Report, which includes the Financial Statements for Dexus Property Trust, Dexus provides the 2022 Financial Statements for Dexus Operations Trust.

Authorised by the Board of Dexus Funds Management Limited

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About Dexus

Dexus (ASX: DXS) is one of Australia's leading fully integrated real estate groups, managing a high-quality Australian property portfolio valued at $44.3 billion. We believe that the strength and quality of our relationships will always be central to our success and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own $18.4 billion of office, industrial and healthcare properties, and investments. We manage a further $25.9 billion of office, retail, industrial and healthcare properties for third party clients. The group's $17.7 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. Sustainability is integrated across our business, and our sustainability approach is the lens we use to manage emerging ESG risks and opportunities for all our stakeholders. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange and is supported by more than 29,000 investors from 24 countries. With over 35 years of expertise in property investment, funds management, asset management and development, we have a proven track record in capital and risk management and delivering superior risk-adjusted returns for investors.
www.dexus.com

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

Financial Statements 2022

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Dexus Operations Trust
Financial Report
30 June 2022

ARSN: 110 521 223

Contents

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Dexus consists of two stapled managed investment schemes, Dexus Property Trust and Dexus Operations Trust, collectively referred to as DXS or the Group. Dexus stapled securities are listed on the Australian Securities Exchange under the "DXS" code.

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

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Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Operations Trust (DXO or the Trust) present their Directors' Report together with the Consolidated Financial Statements for the year ended 30 June 2022. The Consolidated Financial Statements represents DXO and its consolidated entities.

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

Directors and Secretaries

Directors

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

Directors	Appointed
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF Fin	10 June 2014
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark H Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
Warwick Negus, BBus (UTS), MCom (UNSW), SF Fin	1 February 2021
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012

Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2022 are as follows:

Brett D Cameron LLB/BA (Science and Technology), GAICD, FGIA

Appointed: 31 October 2014

Brett is the General Counsel and a Company Secretary of Dexus companies and is responsible for the legal function, company secretarial services and compliance and governance systems and practices across the Group.

Prior to joining Dexus, Brett was Head of Legal for Macquarie Real Estate (Asia) and has held senior legal positions at Macquarie Capital Funds in Hong Kong and Minter Ellison in Sydney and Hong Kong. Brett has 24 years' experience as in-house counsel and in private practice in Australia and in Asia, where he worked on real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries.

Brett graduated from The University of New South Wales and holds a Bachelor of Laws and a Bachelor of Arts (Science and Technology) and is a member of the Law Societies of New South Wales and Hong Kong. Brett is also a graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

Scott Mahony BBus(Acc), Grad Dip (Business Administration), MBA (eCommerce), Grad Dip (Applied Corporate Governance) FGIA, FCIS

Appointed: 5 February 2019

Scott is the Head of Governance of Dexus and is responsible for the development, implementation and oversight of Dexus's governance policies and practices. Prior to being appointed the Head of Governance in 2018, Scott had oversight of Dexus's risk and compliance programs.

Scott joined Dexus in October 2005 after two years with Commonwealth Bank of Australia as a Senior Compliance Manager. Prior to this, Scott worked for over 11 years for Assure Services & Technology (part of AXA Asia Pacific) where he held various management roles.

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Attendance of Directors at Board Meetings and Board Committee Meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met 18 times during the year, of which six were special meetings.

	Main meetings held	Main meetings attended	Special meetings held	Special meetings attended
W Richard Sheppard	12	11	6	6
Patrick N J Allaway	12	12	6	6
Penny Bingham-Hall	12	12	6	6
Tonianne Dwyer	12	12	6	5
Mark H Ford	12	12	6	6
Warwick Negus	12	11	6	6
The Hon. Nicola L Roxon	12	12	6	6
Darren J Steinberg	12	12	6	6

Special meetings are held at a time to enable the maximum number of Directors to attend and are generally held to consider specific items that cannot be held over to the next scheduled main meeting.

The table below shows Non-Executive Directors' attendances[1] at Board Committee meetings of which they were a member during the year ended 30 June 2022.

	Board Audit Committee		Board Risk Committee		Board Nomination Committee		Board People and Remuneration Committee		Board Environmental, Social and Governance Committee		Joint "Organisational Risk" Session	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
W Richard Sheppard	-	-	-	-	5	5	9	9	-	-	2	2
Patrick N J Allaway	4	4	4	4	5	5	-	-	-	-	2	2
Penny Bingham-Hall	-	-	-	-	5	5	9	9	4	4	2	2
Tonianne Dwyer	4	4	4	4	5	4	-	-	-	-	2	2
Mark H Ford	4	4	-	-	5	5	-	-	4	4	2	2
Warwick Negus	4	3	4	3	5	4	-	-	-	-	2	2
The Hon. Nicola L Roxon	-	-	-	-	5	5	9	9	4	4	2	2

1 All Non-Executive Directors have a standing invitation to attend any or all Board Committee meetings.

Directors' relevant interests

The relevant interests of each Director in DXS stapled securities as at the date of this Directors' Report are shown below:

Directors	No. of securities
W Richard Sheppard	100,000
Patrick N J Allaway	20,000
Penny Bingham-Hall	32,773
Tonianne Dwyer	22,500
Mark H Ford	17,339
Warwick Negus	25,000
The Hon. Nicola L Roxon[1]	24,669
Darren J Steinberg[2]	1,207,167

1 Includes interests held directly and through Non-Executive Director (NED) Plan rights.
2 Includes interests held directly and through performance rights (refer note 23).

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Operating and financial review

The relevant results for the Trust for the year ended 30 June 2022 were:

- profit attributable to unitholders was $33.2 million (2021: $93.6 million);
- total assets were $1,235.0 million (2021: $952.1 million); and
- net assets were $333.9 million (2021: $352.9 million).

A review of the results, financial position and operations of the Group, of which the Trust forms part thereof, is set out on pages 28 to 69 of the Dexus Annual Report and forms part of this Directors' Report.

Remuneration Report

The Remuneration Report is set out on pages 78 to 111 of the Dexus Annual Report and forms part of this Directors' Report.

Directors' directorships in other listed entities

The following table sets out directorships of other ASX listed entities (unless otherwise stated), not including DXFM, held by the Directors at any time in the three years immediately prior to the end of the year, and the period for which each directorship was held.

Director	Company	Date Appointed
W Richard Sheppard	Star Entertainment Group	21 November 2012
Patrick N J Allaway	Bank of Queensland	1 May 2019
	Allianz Australia	1 July 2020
Penny Bingham-Hall	BlueScope Steel Limited[1]	29 March 2011
	Fortescue Metals Group Ltd	16 November 2016
Tonianne Dwyer	Metcash Limited[2]	24 June 2014
	ALS Limited	1 July 2016
	Oz Minerals Limited	21 March 2017
	Incitec Pivot Limited	20 May 2021
Mark H Ford	Kiwi Property Group Limited[3]	16 May 2011
Warwick Negus	Pengana Capital Group Limited (Chairman)	1 June 2017
	Bank of Queensland	22 September 2016
	Washington H. Soul Pattison and Company Ltd	1 November 2014
The Hon. Nicola L Roxon	Lifestyle Communities Limited	1 September 2017
Darren J Steinberg	VGI Partners Limited[4]	12 May 2019

1 Penny Bingham-Hall retired from the Board of BlueScope Steel Limited, effective 31 October 2021.
2 Tonianne Dwyer retired from the Board of Metcash Limited, effective 28 June 2021.
3 Listed for trading on the New Zealand Stock Exchange.
4 Darren Steinberg retired from the Board of VGI Partners Limited, effective 3 June 2022.

Principal activities

During the year the principal activities of the Trust were to:

- own, manage and develop high quality real estate assets;
- invest in Australian managed funds;
- manage real estate funds on behalf of third party investors; and
- invest in the operations of Jandakot Airport and related infrastructure

There were no significant changes in the nature of the Group's activities during the year.

Total value of Trust assets

The total value of the assets of the Trust as at 30 June 2022 was $1,235.0 million (2021: $952.1 million). Details of the basis of this valuation are outlined in the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

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Likely developments and expected results of operations

In the opinion of the Directors, disclosure of any further information regarding business strategies and future developments or results of the Trust, other than the information already outlined in this Directors' Report or the Consolidated Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Trust.

Significant changes in the state of affairs

During the financial year, the Trust announced the following significant corporate transactions:

1. On 6 July 2021, Dexus implemented the Simplification from a quadruple stapled trust structure (comprised of Dexus Diversified Trust (DDF), Dexus Industrial Trust (DIT), Dexus Office Trust (DOT) and DXO) to a dual stapled trust structure. This was achieved by "top-hatting" three of the existing trusts (DDF, DIT and DOT) with a newly established trust, DPT. Effective from this date, the Simplified Group now comprises a unit in each of DXO and DPT, with DXFM appointed as the Responsible Entity of DPT.

2. On 27 July 2021, APN Property Group (APN) security holders approved the Scheme of Arrangement for Dexus to acquire all of the stapled securities in APN for an all cash-consideration of 90 cents per security. On 13 August 2021, the Scheme was implemented. Effective from this date, APN and its controlled entities are now wholly owned subsidiaries of Dexus.

3. On 1 November 2021, Dexus Holdings Pty Limited acquired 100% of Jandakot City Holdings Pty Ltd (JCH) and 49% of Jandakot Airport Holdings (JAH) through the newly established Jandakot City Holdings Trust (JCHT) and Jandakot Airport Holdings Trust (JAHT). On 19 November 2021, shortly after initial settlement, Dexus Industria REIT (DXI) acquired a 33.3% interest in JCHT and 68% in JAHT.

   On 1 April 2022, Dexus Projects Pty Limited settled on the remaining 51% of JAH through the establishment of Jandakot Airport Domestic Trust (JADT), with Cbus Super acquiring a 33.3% interest in each of JCH and JAH by acquiring a 33.3% interest in JCHT and a 65.3% interest in JADT. The joint venture which owns 100% of Jandakot airport, Perth, is held in the following proportions: Dexus 33.4%, DXI 33.3% and Cbus Super 33.3%. The existing structure included a senior asset-level debt of $405,000,000, reflecting a combined equity commitment of $895,000,000 excluding acquisition costs.

4. On 23 March 2022, Dexus announced it had conditionally exchanged binding transaction documents with Atlassian to fund, develop and invest in Atlassian's new headquarters in Sydney. The total project costs are expected to be circa $1.4 billion. On 20 July 2022, the transaction achieved financial close. It is expected the development will reach completion in 2026.

5. On 27 April 2022, Dexus agreed to acquire AMP Capital's real estate and domestic infrastructure equity business. This transaction positions Dexus as a leading real asset manager, with new capabilities and an expanded product offering, underpinned by its best practice governance and risk management framework.

   AMP Capital's real estate and domestic infrastructure equity business comprises a high-quality platform of pooled funds and separately managed accounts.

   In July 2022, the unit holders of the AMP Capital Office Fund (AWOF) voted in favour of a change of trustee of AWOF. Consequently, the maximum potential funds under management (FUM) that will transition across to Dexus is now $21.1 billion, comprising $10.9 billion in real estate and $10.2 billion in infrastructure.

   The structure and pricing of the acquisition were agreed having regard to the final FUM that will be transitioned to Dexus. As a result of AWOF exiting the AMP Capital platform, the earn out amount payable will reduce to a maximum of approximately $75 million, taking the maximum potential price to approximately $325 million including the $250 million upfront cash payment.

   In addition, Dexus will no longer acquire AMP Capital's committed co-investment stakes in AWOF totalling circa $270 million.

   The acquisition of AMP Capital is underpinned by a compelling strategic rationale for Dexus:
   - Further diversifies Dexus's fund management platform with an expanded investor base
   - Expanded capabilities to drive an enhanced offering and asset performance
   - Provides a scalable platform for growth, underpinned by Dexus's best practice governance and risk management framework
   - Long-term value creation potential for Dexus Security holders and funds management partners

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Matters subsequent to the end of the financial year

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

Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2022 are outlined in note 8 of the Notes to the Consolidated Financial Statements and form part of this Directors' report.

DXFM fees

Details of fees paid or payable by the Trust to DXFM are eliminated on consolidation for the year ended 30 June 2022. Details are outlined in note 24 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Units on Issue

The movement in units on issue in the Trust during the year and the number of units on issue as at 30 June 2022 are detailed in note 15 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Environmental regulation

The Board Risk Committee oversees the policies, procedures and systems that have been implemented to ensure the adequacy of its environmental risk management practices. It is the opinion of this Committee that adequate systems are in place for the management of its environmental responsibilities and compliance with its various licence requirements and regulations. Further, the Committee is not aware of any material breaches of these requirements.

The Group is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 (NGER Act). The NGER Act requires the Group to report its annual greenhouse gas emissions and energy use.

The Group has implemented systems and processes for the collection and calculation of the data required and submitted its 2021 report to the Greenhouse and Energy Data Officer on the 31 October 2021 and will submit its 2022 report by 31 October 2022. During the year ended 30 June 2022, the Group complied with all the relevant requirements as set out by the NGER ACT.

Information regarding the Group's participation in the NGER program is available at: www.dexus.com/sustainability

Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, Officers and others (as defined in the relevant policy of insurance) is paid by DXFM's immediate parent entity, Dexus Holdings Pty Limited (DXH).

Subject to specified exclusions, the liabilities insured are for costs that may be incurred in defending civil or criminal proceedings that may be brought against Directors and Officers in their capacity as Directors and Officers of DXFM, its subsidiaries or such other entities, and other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings.

PricewaterhouseCoopers (PwC or the Auditor), is indemnified out of the assets of the Trust pursuant to the Dexus Specific Terms of Business agreed for all engagements with PwC, to the extent that the Group inappropriately uses or discloses a report prepared by PwC. The Auditor is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

Audit

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*. In accordance with section 324DAA of the *Corporations Act 2001*, the Group's lead auditor and review auditor must be rotated every five years unless the Board grants approval to extend the term for up to a further two years.

Lead audit partner rotation

On 23 June 2022, the Board granted approval to extend the term of the current lead auditor for one year, to include the audit for the year ending 30 June 2023 in light of the significant business and operational changes undertaken by the Group which are ongoing and are expected to impact the 2023 audit.

The Board Audit Committee and Board were satisfied that such an extension was consistent with maintaining the quality of the audit provided to the Group and would not give rise to a conflict of interest situation, as defined in the Corporations Act and thereby impair the independence of the lead audit partner. PwC has provided written confirmation that this extension would not give rise to a conflict of interest situation and appropriate safeguards are in place to ensure appropriate objectivity and independence are maintained.

Non-audit services

The Trust may decide to employ the Auditor on assignments, in addition to its statutory audit duties, where the Auditor's expertise and experience with the Trust or DXS are important.

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out in note 21 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

The Board Audit Committee is satisfied that the provision of non-audit services provided during the year by the Auditor (or by another person or firm on the Auditor's behalf) is compatible with the standard of independence for auditors imposed by the *Corporations Act 2001*.

The reasons for the Directors being satisfied are:

- all non-audit services have been reviewed by the Board Audit Committee to ensure that they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

The above Directors' statements are in accordance with the advice received from the Board Audit Committee.

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 9 and forms part of this Directors' Report.

Corporate governance

DXFM's Corporate Governance Statement is available at: www.dexus.com/corporategovernance

Rounding of amounts and currency

As the Trust is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest thousand, unless otherwise indicated. All figures in this Directors' Report and the Consolidated Financial Statements, except where otherwise stated, are expressed in Australian dollars.

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Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Consolidated Financial Statements were authorised for issue by the Directors on 16 August 2022.

W Richard Sheppard
Chair
16 August 2022

Darren J Steinberg
Chief Executive Officer
16 August 2022

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Auditor's Independence Declaration

As lead auditor for the audit of Dexus Operations Trust (the Trust) for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of the Trust and the entities it controlled during the year.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
16 August 2022

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue from ordinary activities			
Property revenue	3	**21,727**	32,853
Development revenue	11	**172,023**	316,559
Distribution revenue		**640**	852
Interest revenue		**161**	21
Management fees and other revenue	2	**288,239**	231,166
Total revenue from ordinary activities		**482,790**	581,451
Net fair value gain of investment properties	9(a)	**-**	18,561
Share of net profit of investments accounted for using the equity method	10	**12,469**	-
Reversal of impairment		**-**	4,713
Other income		**1,975**	-
Total income		**497,234**	604,725
Expenses			
Property expenses	3	**(9,214)**	(11,307)
Development costs	11	**(138,640)**	(245,786)
Finance costs	5	**(13,970)**	(12,711)
Impairment of management rights	19	**(1,868)**	-
Net fair value loss of investment properties	9(a)	**(29,033)**	-
Impairment of investments accounted for using the equity method		**(886)**	-
Share of net loss of investments accounted for using the equity method	10	**-**	(24)
Transaction costs		**(26,552)**	(8,093)
Management operations, corporate and administration expenses	4	**(228,640)**	(191,978)
Total expenses		**(448,803)**	(469,899)
Profit before tax		**48,431**	134,826
Income tax expense	6(a)	**(15,243)**	(41,266)
Profit for the period		**33,188**	93,560
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in financial assets at fair value through other comprehensive income	16	**(2,040)**	3,686
Total comprehensive income for the period		**31,148**	97,246
		Cents	Cents
Earnings per unit on profit attributable to unitholders of the Trust			
Basic earnings per unit	7	**3.09**	8.63
Diluted earnings per unit	7	**3.01**	8.41

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

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Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	17(a)	**42,848**	9,946
Receivables	17(b)	**103,674**	62,713
Inventories	11	**54,355**	137,175
Current tax receivable	6(c)	**-**	21,279
Other		**22,695**	8,451
Total current assets		**223,572**	239,564
Non-current assets			
Investment properties	9	**212,650**	288,845
Plant and equipment	18	**11,674**	10,098
Right-of-use assets	13	**42,570**	34,256
Inventories	11	**-**	40,989
Investments accounted for using the equity method	10(a)	**125,011**	16,649
Intangible assets	19	**493,537**	305,465
Loans with related parties	24	**32,874**	-
Financial assets at fair value through other comprehensive income	20	**21,050**	16,235
Other	24	**72,044**	10
Total non-current assets		**1,011,410**	712,547
Total assets		**1,234,982**	952,111
Current liabilities			
Payables	17(c)	**62,195**	55,847
Lease liabilities	13	**8,574**	7,821
Current tax liabilities	6(c)	**16,059**	-
Provisions	17(d)	**101,337**	96,864
Loans with related parties	24	**33,059**	-
Contract liability	17(e)	**4,349**	7,655
Other		**225**	6,416
Total current liabilities		**225,798**	174,603
Non-current liabilities			
Loans with related parties	24	**497,222**	263,772
Lease liabilities	13	**38,525**	30,215
Deferred tax liabilities	6(f)	**102,186**	92,912
Provisions	17(d)	**18,016**	13,631
Unearned revenue related to performance fees		**19,318**	19,318
Contract liability	17(e)	**-**	4,724
Total non-current liabilities		**675,267**	424,572
Total liabilities		**901,065**	599,175
Net assets		**333,917**	352,936
Equity			
Contributed equity	15	**107,185**	107,185
Reserves	16	**41,495**	43,702
Retained profits		**185,237**	202,049
Parent entity unitholders' interest		**333,917**	352,936
Total equity		**333,917**	352,936

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Contributed equity	Asset revaluation reserve	Treasury securities reserve	Security-based payments reserve	Investment in financial assets at fair value through other comprehensive income	Retained profits/ (losses)	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2020		111,571	42,738	(561)	403	(2,636)	187,599	339,114
Change in accounting policy		-	-	-	-	-	(29,110)	(29,110)
Restated opening balance as at 1 July 2020		111,571	42,738	(561)	403	(2,636)	158,489	310,004
Net profit for the year		-	-	-	-	-	93,560	93,560
Other comprehensive income/(loss) for the period	20	-	-	-	-	3,686	-	3,686
Total comprehensive income/(loss) for the period		-	-	-	-	3,686	93,560	97,246
Transactions with owners in their capacity as unitholders:								
Issue of additional equity, net of transaction costs	16	-	-	37	-	-	-	37
Buy-back of contributed equity, net of transaction costs	15	(4,386)	-	-	-	-	-	(4,386)
Security-based payments expense	16	-	-	-	35	-		35
Distributions paid or provided for	8	-	-	-	-	-	(50,000)	(50,000)
Total transactions with owners in their capacity as unitholders		(4,386)	-	37	35	-	(50,000)	(54,314)
Closing balance as at 30 June 2021		107,185	42,738	(524)	438	1,050	202,049	352,936
Opening balance as at 1 July 2021		**107,185**	**42,738**	**(524)**	**438**	**1,050**	**202,049**	**352,936**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**33,188**	**33,188**
Other comprehensive income/(loss) for the period	20	**-**	**-**	**-**	**-**	**(2,040)**	**-**	**(2,040)**
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**-**	**(2,040)**	**33,188**	**31,148**
Transactions with owners in their capacity as unitholders:								
Issue of additional equity, net of transaction costs	16	**-**	**-**	**(194)**	**-**	**-**	**-**	**(194)**
Security-based payments expense	16	**-**	**-**	**-**	**27**	**-**	**-**	**27**
Distributions paid or provided for	8	**-**	**-**	**-**	**-**	**-**	**(50,000)**	**(50,000)**
Total transactions with owners in their capacity as unitholders		**-**	**-**	**(194)**	**27**	**-**	**(50,000)**	**(50,167)**
								-
Closing balance as at 30 June 2022		**107,185**	**42,738**	**(718)**	**465**	**(990)**	**185,237**	**333,917**

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

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Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**304,487**	281,663
Payments in the course of operations (inclusive of GST)		**(207,171)**	(149,157)
Interest received		**116**	21
Finance costs paid		**(15,246)**	(14,488)
Distributions received from investments accounted for using the equity method		**608**	159
Income tax paid		**(8,604)**	(59,613)
Proceeds from sale of property classified as inventory and development services		**172,023**	367,134
Payments for property classified as inventory and development services		**(14,831)**	(86,706)
Net cash inflow/(outflow) from operating activities	22	**231,382**	339,013
Cash flows from investing activities			
Proceeds from sale of investment properties		**75,378**	-
Proceeds from sale of investments accounted for using the equity method		**839,799**	-
Payments for capital expenditure on investment properties		**(8,414)**	(12,715)
Payments for acquisition of subsidiaries		**(385,803)**	-
Payments for investments accounted for using the equity method		**(870,821)**	(3,000)
Payments for acquisition of investment properties		**(32,725)**	(33,973)
Payments for plant and equipment		**(4,895)**	(670)
Payments for intangibles		**(1,530)**	(15,663)
Net cash (outflow)/inflow from investing activities		**(389,011)**	(66,021)
Cash flows from financing activities			
Borrowings provided to related parties		**(1,769,389)**	(810,162)
Borrowings received from related parties		**2,002,072**	607,189
Proceeds from loan with related party		**33,057**	-
Payments for buy-back of contributed equity, net of transaction costs		**-**	(4,386)
Purchase of securities for security-based payments plans		**(16,292)**	(7,287)
Payment of lease liabilities		**(9,530)**	(8,085)
Distributions received		**640**	852
Distributions paid to unitholders		**(50,027)**	(50,000)
Net cash (outflow)/inflow from financing activities		**190,531**	(271,879)
Net increase/(decrease) in cash and cash equivalents		**32,902**	1,113
Cash and cash equivalents at the beginning of the year		**9,946**	8,833
Cash and cash equivalents at the end of the year		**42,848**	9,946

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

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Notes to the Consolidated Financial Statements

In this section

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

Specific accounting policies are described in their respective Notes to the Consolidated Financial Statements. This section also shows information on new or amended accounting standards and their impact on the financial position and performance of the Trust.

Basis of preparation

The Consolidated Financial Statements are general purpose financial reports which have been prepared in accordance with the requirements of the Constitutions of the entities within the Trust, *the Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards adopted by the International Accounting Standards Board.

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

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

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties, investment properties within the equity accounted investments, derivative financial instruments, security-based payments, financial assets at fair value through other comprehensive income, and other financial liabilities which are stated at their fair value.

Net current asset position

As at 30 June 2022, the Trust had a net current asset deficiency of $2.2 million. This is primarily due to payables owed to related parties due to be settled during the 2023 financial year.

Capital risk management is not managed at the Trust level, but rather holistically as part of the Group. This is done through a centralised treasury function which ensures that entities within the Group (including DXO) will be able to continue as a going concern.

The Group has in place both external and internal funding arrangements to support the cash flow requirements of the Trust, including undrawn facilities of $1,871.1 million. Refer to note 15 of the Group's Consolidated Financial Statements located in the Dexus Annual Report.

In the event that the entity requires additional funding to meet current liabilities in the 12 months succeeding the date of this financial report, the Group will make adequate funds available to the Trust.

In determining the basis of preparation of the financial report, the Directors of the responsible entity of the Trust, have taken into consideration the unutilised facilities available to the Group. As such the Trust is a going concern and the Consolidated Financial Statements have been prepared on that basis.

Significant change from the previous annual financial report

During the year, the Group entered into a business combination to acquire APN. Details of the acquisition are outlined in note 26 *Business combination*. The accounting policy for business combinations and related goodwill is outlined below.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the acquisition date and adjusted for the amount of any non-controlling interests in the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the acquired entity. Acquisition related costs are expensed as incurred.

Goodwill is the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition date fair value of any previous equity interest in the acquired entity, less the fair value of the net identifiable assets acquired. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses and is tested for impairment annually.

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Basis of preparation (continued)

Critical accounting estimates

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

COVID-19

The economic impacts resulting from the Government imposed restrictions in a response to the COVID-19 pandemic have the potential to impact various financial statement line items including: Investment properties, Property revenue and expenses, and Receivables.

The financial year saw the continuation of COVID-19 lockdowns in Sydney and Melbourne, which impacted the economy and the ability for business to trade normally. Despite this, the vaccine was successfully rolled out across Australia enabling the easing of restrictions before Christmas. Subsequently, the Omicron variant of COVID-19 continues to impact confidence, creating challenges in supply chains which has persisted for the second half of the financial year.

Despite impacts from the pandemic, it has been an active year with growth in the funds management business, continued leasing activity as well as new acquisitions and selective asset sales. This momentum demonstrates Dexus's continued focus on leveraging its platform capabilities to drive performance across the portfolio and in its third party funds.

Dexus continues to work with impacted tenants to finalise rent relief packages in accordance with the legislation and regulations in NSW and Victoria.

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates in relation to continued COVID-19 related uncertainties. Additionally, management has considered the current economic environment noting recent inflationary impacts and a rising interest rate climate. Other than these and the estimates and assumptions used for the measurement of items held at fair value such as certain financial instruments, other financial assets at fair value through profit or loss, investment properties (including those held within investments accounted for using the equity method), security-based payments and the assumptions for intangible assets and the net realisable value of inventories, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Consolidated Financial Statements.

Climate change

The Group is continuing to develop its assessment of the impact of climate change in line with emerging industry and regulatory guidance as it considers the impact of climate change risks in preparing the Consolidated Financial Statements. Refer to specific considerations relating to Investment Properties within Note 9 to the Consolidated Financial Statements.

In March 2022, the International Sustainability Standards Board (ISSB) released their first two exposure drafts. When the exposure drafts are issued as standards, these will be available for voluntary adoption and will not become mandatory until aligned standards are adopted in Australia. The Group will assess the potential impact of these new standards on the Consolidated Financial Statements once they have been issued by the ISSB and will continue to monitor developments in Australia.

Principles of consolidation

These Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2022.

(a) Controlled entities

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

(b) Joint arrangements

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

Joint operations

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

Principles of consolidation (continued)

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Trust's share of the joint ventures' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income and distributions received from joint ventures are recognised as a reduction of the carrying amount of the investment.

(c) Employee share trust

The Trust has formed a trust to administer the Trust's security-based employee benefits. The employee share trust is consolidated as the substance of the relationship is that the trust is controlled by the Trust.

Foreign currency

The Consolidated Financial Statements are presented in Australian dollars.

Foreign currency transactions are translated into the Australian dollars functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of financial assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

As at 30 June 2022, the Trust had no investments in foreign operations.

Goods and services tax

Revenues, expenses and capital assets are recognised net of any amount of Australian Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

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Notes to the Consolidated Financial Statements

The Notes include information which is required to understand the Consolidated Financial Statements and is material and relevant to the operations, financial position and performance of the Trust.

The Notes are organised into the following sections:

Trust performance	**Property portfolio assets**	**Capital and financial risk management and working capital**	**Other disclosures**
1. Operating segments	9. Investment properties	12. Capital and financial risk management	18. Plant and equipment
2. Management fees and other revenue	10. Investments accounted for using the equity method	13. Lease liabilities	19. Intangible assets
3. Property revenue and expenses	11. Inventories	14. Commitments and contingencies	20. Financial assets at fair value through other comprehensive income
4. Management operations, corporate and administration expenses		15. Contributed equity	21. Audit, taxation and transaction service fees
5. Finance costs		16. Reserves	22. Cash flow information
6. Taxation		17. Working capital	23. Security-based payment
7. Earnings per unit			24. Related parties
8. Distributions paid and payable			25. Parent entity disclosures
			26. Business Combination
			27. Subsequent events

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Trust performance

In this section

This section explains the results and performance of the Trust.

It provides additional information about those individual line items in the Consolidated Financial Statements that the Directors consider most relevant in the context of the operations of the Trust, including: results by operating segment, management fees and other revenue, property revenue and expenses, management operations, corporate and administration expenses, finance costs, taxation, earnings per unit and distributions paid and payable.

Note 1 Operating segments

Description of segments

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

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

Disclosures concerning DXS's operating segments are presented in the Group's Consolidated Financial Statements included within the Dexus Financial Report.

Note 2 Management fees and other revenue

Management fees are brought to account on an accruals basis.

	2022	2021
	$'000	$'000
Investment management and responsible entity fees	**166,067**	122,287
Rent and lease renewal fees	**17,451**	18,089
Property management fees	**44,309**	40,901
Capital works and development fees	**32,209**	31,493
Other fund fees[1]	**8,328**	546
Wages recovery and other fees	**19,875**	17,850
Total management fees and other revenue	**288,239**	231,166

1 Other fund fees include performance, acquisition and advisory fees as at 30 June 2022.

Performance fees are for performance obligations fulfilled over time and for which consideration is variable. The fees are determined in accordance with the relevant agreement which stipulates out-performance of a benchmark over a given period. Performance fee revenue is recognised to the extent that it is highly probable that the amount of variable consideration recognised will not be significantly reversed when the uncertainty is resolved. Detailed calculations and an assessment of the risks associated with the recognition of the fee are completed to inform the assessment of the appropriate revenue to recognise. There is unearned revenue of $19.32 million recorded within non-current liabilities as at 30 June 2022.

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Note 3 Property revenue and expenses

Property rental revenue is derived from holding properties as investment properties and earning rental yields over time. Rental revenue is recognised on a straight line basis over the lease term for leases with fixed rent review clauses.

Prospective tenants may be offered incentives as an inducement to enter into operating leases. The costs of incentives are recognised as a reduction of rental revenue on a straight line basis from the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

Within its lease arrangements, the Trust provides certain services to tenants (such as utilities, cleaning, maintenance and certain parking arrangements) which are accounted for within AASB 15 *Revenue from Contracts with Customers*. A portion of the consideration within the lease arrangements is therefore allocated to services revenue within property revenue.

	2022	2021
	$'000	$'000
Rent and recoverable outgoings	**20,511**	27,362
Services revenue	**1,618**	3,583
Incentive amortisation	**(2,141)**	(3,084)
Other revenue	**1,739**	4,992
Total property revenue	**21,727**	32,853

Impact of COVID-19 on Property revenue

The rent relief measures outlined in the Australian Government National Code of Conduct (Code of Conduct) and given effect to by State based legislation and regulations operated over the following periods during the year ended 30 June 2022:

- NSW – for the period 13 July 2021 to 13 March 2022
- VIC – for the period 28 July 2021 to 15 March 2022

Dexus continues to work with impacted tenants to finalise rent relief packages in accordance with the legislation and regulations in these States.

The various rent relief measures have been accounted for as follows in line with ASIC guidance '*20-157MR Focuses for financial reporting under COVID-19 conditions*' published on 7 July 2020.

When a rent waiver agreement is made between the landlord and tenant:

- rent waived that relates to future occupancy is spread over the remaining lease term and recognised on a straight line basis; and
- rent waived that relates to past occupancy is expensed immediately, except to the extent there exists a pre-existing provision for expected credit losses relating to unpaid rent.

Property revenue has been recognised for occupancy up to the date of a waiver agreement. Where there was no agreement at 30 June 2022, a provision for expected credit losses per AASB 9 *Financial Instruments* has been recognised against any receivable for unpaid rent for past occupancy.

The provision for expected credit losses is recognised with a corresponding expense in Property expenses. The provision covers the difference between contractual cash flows that are due and cash flows expected to be received. Accordingly, the provision includes both that part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant. Refer to note 17 *Working capital* for the amount of the provision for expected credit losses recognised at the reporting date.

In the circumstance where the tenant has fully paid rent for the period of occupancy up to balance date, there is no rent receivable against which to make a provision. Where it is expected that some of the rent already paid by the tenant will be waived, there is no basis to recognise a liability at balance date.

Rent deferrals, where in substance the deferral is a delay in the timing of payments, have no impact on property revenue recognition. A separate assessment of the recoverability of rent receivable is performed in accordance with the policy outlined in note 17 *Working capital*.

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Note 3 Property revenue and expenses (continued)

Property expenses

Property expenses includes rates, taxes, expected credit losses on receivables and other property outgoings incurred in relation to investment properties. These expenses are recognised in the Consolidated Statement of Comprehensive Income on an accrual basis. If these items are recovered from a tenant by the Trust, they are recorded within Services revenue or recoverable outgoings within Property revenue.

	2022	2021
	$'000	$'000
Recoverable outgoings and direct recoveries	**4,681**	6,686
Other non-recoverable property expenses	**4,533**	4,621
Total property expenses	**9,214**	11,307

Note 4 Management operations, corporate and administration expenses

	2022	2021
	$'000	$'000
Audit, taxation, legal and other professional fees	**6,974**	4,856
Depreciation and amortisation	**14,829**	14,136
Employee benefits expense	**169,592**	141,966
Administration and other expenses	**26,445**	19,869
Software customisation expenses	**10,800**	11,151
Total management operations, corporate and administration expenses	**228,640**	191,978

Note 5 Finance costs

Finance costs include interest, amortisation or other costs incurred in connection with arrangement of borrowings and finance costs on lease liabilities. Finance costs are expensed as incurred unless they relate to qualifying assets.

A qualifying asset is an asset under development which takes a substantial period of time, where the works being carried out to bring it to its intended use or sale are expected to exceed 12 months in duration. Finance costs incurred for the acquisition and construction of a qualifying asset are capitalised to the cost of the asset for the period of time that is required to complete the asset. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using an appropriate capitalisation rate.

	2022	2021
	$'000	$'000
Interest paid to related parties	**14,356**	12,436
Amount capitalised	**(1,852)**	(820)
Finance costs - leases	**1,321**	987
Other finance costs	**145**	108
Total finance costs	**13,970**	12,711

The average capitalisation rate used to determine the amount of finance costs eligible for capitalisation is 2.73% (2021: 3.25%).

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Note 6 Taxation

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

Income tax expense is comprised of current and deferred tax expense. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense represents the expense relating to the expected taxable income at the applicable rate of the financial year.

Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability. Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that future taxable profit will be available to utilise them.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at reporting date.

The carrying amount of deferred income tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise them.

a) Income tax (expense)/benefit

	2022 $'000	2021 $'000
Current income tax (expense)/benefit	**(45,265)**	(40,892)
Deferred income tax (expense)/benefit	**30,022**	(374)
Total income tax expense	**(15,243)**	(41,266)
Deferred income tax expense included in income tax (expense)/benefit comprises:		
(Decrease)/increase in deferred tax assets	**3,446**	9,963
(Increase)/decrease in deferred tax liabilities	**26,576**	(10,337)
Total deferred tax expense	**30,022**	(374)

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

	2022 $'000	2021 $'000
Profit before income tax	**48,431**	134,826
Profit subject to income tax	**48,431**	134,826
Prima facie tax expense at the Australian tax rate of 30% (2021: 30%)	**(14,529)**	(40,448)
Tax effect of amounts which are (non-deductible)/non-assessable in calculating taxable income:		
(Non-deductible)/non-assessable	**(714)**	(818)
Income tax expense	**(15,243)**	(41,266)

c) Current tax assets/liabilities

	2022 $'000	2021 $'000
Increase/(decrease) in current tax assets	**(21,279)**	21,279
(Increase)/decrease in current tax liabilities	**(16,059)**	-
(Increase)/decrease in current tax assets	**(37,338)**	21,279

Note 6 Taxation (continued)

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d) Deferred tax assets

	2022 $'000	2021 $'000
The balance comprises temporary differences attributable to:		
Employee provisions	**21,745**	19,131
Software expenditure	**13,046**	13,305
Other	**7,770**	6,679
Total non-current assets - deferred tax assets	**42,561**	39,115
Movements:		
Opening balance at the beginning of the year	**39,115**	29,152
Movement in deferred tax asset arising from temporary differences	**3,446**	9,963
Closing balance at the end of the year	**42,561**	39,115

e) Deferred tax liabilities

	2022 $'000	2021 $'000
The balance comprises temporary differences attributable to:		
Intangible assets	**117,427**	76,575
Investment properties	**25,426**	46,488
Other	**1,894**	8,964
Total non-current liabilities - deferred tax liabilities	**144,747**	132,027
Movements		
Opening balance at the beginning of the year	**132,027**	121,690
Deferred tax liabilities arising from management rights on business combination[1]	**39,296**	-
Movement in deferred tax liability arising from temporary differences	**(26,576)**	10,337
Closing balance at the end of the year	**144,747**	132,027

1 Balance represents the deferred tax recognised on management rights acquired in the APN transaction. Refer to note 26 *Business combination* for further details.

f) Net deferred tax liabilities

	2022 $'000	2021 $'000
Deferred tax assets	**42,561**	39,115
Deferred tax liabilities	**(144,747)**	(132,027)
Net deferred tax liabilities	**(102,186)**	(92,912)

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Note 7 Earnings per unit

Earnings per unit are determined by dividing the net profit attributable to unitholders by the weighted average number of ordinary units outstanding during the year. Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units.

a) Net profit used in calculating basic and diluted earnings per unit

	2022 $'000	2021 $'000
Profit attributable to unitholders of the Trust	**33,188**	93,560

b) Weighted average number of units used as a denominator

	2022 No. of units	2021 No. of units
Weighted average number of units outstanding used in calculation of basic earnings per unit	**1,075,565,246**	1,084,536,777
Effect on exchange of Exchangeable Notes	**28,333,333**	28,333,333
Weighted average number of units outstanding used in calculation of diluted earnings per unit	**1,103,898,579**	1,112,870,110

Note 8 Distributions paid and payable

Distributions are recognised when they are approved by the Board of Directors and declared.

a) Distribution to unitholders

	2022 $'000	2021 $'000
30 June (payable 30 August 2022)	**50,000**	50,000
Total distribution to unitholders	**50,000**	50,000

b) Distribution rate

	2022 Cents per unit	2021 Cents per unit
30 June (payable 30 August 2022)	**4.65**	4.65
Total distributions	**4.65**	4.65

c) Franked dividends

	2022 $'000	2021 $'000
Opening balance at the beginning of the year	**132,455**	94,271
Income tax paid during the year	**1,760**	59,613
Franking credits utilised for payment of distribution	**(21,429)**	(21,429)
Closing balance at the end of the year	**112,786**	132,455

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Property portfolio assets

In this section

The following table summarises the Trust's direct and indirect exposure to property assets as detailed in this section.

	Note	Office $'000	Industrial $'000	Healthcare and Other $'000	Total $'000
Investment properties	9	163,000	28,400	21,250	**212,650**
Equity accounted investments	10	11,480	16,285	115,250	**143,015**
Inventories	11	-	54,355	-	**54,355**
Total		**174,480**	**99,040**	**136,500**	**410,020**

Property portfolio assets are used to generate the Trust's performance and are considered to be the most relevant to the understanding of the operating performance of the Trust. The assets are detailed in the following notes:

- *Investment properties*: relates to investment properties, both stabilised and under development.
- *Investments accounted for using the equity method*: provides summarised financial information on the joint ventures and investments with significant influence. The Trust's interests in its joint venture property portfolio assets are held through investments in trusts.
- *Inventories*: relates to the Trust's ownership of industrial assets or land held for repositioning, development and sale.

Note 9 Investment properties

The Trust's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value.

The basis of valuations of investment properties is fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Consolidated Statement of Comprehensive Income in the year of disposal.

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property.

Leasing fees incurred and incentives provided are capitalised and amortised over the lease periods to which they relate.

a) Reconciliation

	Office $'000	Industrial $'000	Other $'000	2022 $'000	2021 $'000
Opening balance at the beginning of the period	187,000	101,845	-	**288,845**	252,396
Additions	681	8,006	2,792	**11,479**	13,005
Acquisitions	-	44	17,888	**17,932**	33,973
Lease incentives	702	249	-	**951**	1,992
Amortisation of lease incentives	(1,868)	(207)	-	**(2,075)**	(2,465)
Rent straightlining	(225)	154	-	**(71)**	653
Disposals	-	(75,378)	-	**(75,378)**	(36,210)
Transfer from inventories	-	-	-	**-**	6,940
Net fair value gain/(loss) of investment properties	(23,290)	(6,313)	570	**(29,033)**	18,561
Closing balance at the end of the period	**163,000**	**28,400**	**21,250**	**212,650**	288,845

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Note 9 Investment properties (continued)

Acquisitions

2 Chilvers Street, Baldivis, WA was acquired as part of the APN acquisition for $1.9 million excluding transaction costs. Refer to note 26 *Business combination* for further details.

On 5 October 2021, settlement occurred for the acquisition of 53 Old Pacific Highway, North Pimpama, QLD for gross proceeds of $6.8 million excluding transaction costs.

On 5 October 2021, settlement occurred for the acquisition of 18 Andrews Street, Cannon Hill, QLD for gross proceeds of $8.4 million excluding transaction costs.

Disposals

On 4 November 2021, settlement occurred for the disposal of a 51% interest in 7 Custom Place, Truganina, VIC, 9 Custom Place, Truganina, VIC, 8 Felstead Drive, Truganina, VIC, and 58 Foundation Drive, Truganina, VIC for gross proceeds of $75.4 million excluding transaction costs.

b) Valuations process

It is the policy of the Trust to obtain independent valuations for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. It has been the Trust's practice in the majority of case to have such valuations performed every six months. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three years except for properties under development and co-owned properties where it is deemed appropriate to extend beyond this term. Independent valuations may be undertaken earlier where the Responsible Entity believes there is potential for a change in the fair value of the property, being 5% of the asset value. At 30 June 2022, all of the investment properties were independently externally valued.

The Trust's policy requires investment properties, including those held within investments accounted for using the equity method, to be internally valued at least every six months at each reporting period (interim and full year) unless they have been independently externally valued. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine that the internal valuations present a more reliable estimate of fair value the internal valuation is adopted as book value. Internal valuations are performed by the Trust's internal valuers who hold recognised relevant professional qualifications and have previous experience as property valuers from major real estate valuation firms.

An appropriate valuation methodology is utilised according to asset class. In relation to office and industrial assets this includes the capitalisation approach (market approach) and the discounted cash flow approach (income approach). The valuation is also compared to, and supported by, direct comparison to recent market transactions. The adopted capitalisation rates and discount rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also built into each asset assessment of fair value.

In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date (using the methodology as outlined above) less costs still required to complete the project, including an appropriate adjustment for industry benchmarked profit and development risk.

c) Sustainability valuation considerations

The Group engages independent valuation firms to assist in determining fair value of the investment property assets at each reporting period. As qualified valuers, they are required to follow the RICS Valuation - Global Standards and accordingly their valuations are required to take account the sustainability features of properties being valued and the implications such factors could have on property values in the short, medium and longer term.

Where relevant, the Group's independent valuation firms note in their valuation reports that sustainability features are considered as part of the valuation approach and outline that sustainability features have been influencing value for some time.

Where the independent valuation firms give consideration to the impacts of sustainability, they are incorporating their understanding of how market participants include sustainability in their bids and the impact on market valuations, noting that valuers should reflect markets and not lead them.

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Note 9 Investment properties (continued)

d) Fair value measurement, valuation techniques and inputs

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

Class of property	Fair value hierarchy	Inputs used to measure fair value	Range of unobservable inputs 2022	2021
Office	Level 3	Adopted capitalisation rate	**5.38%**	5.25%
		Adopted discount rate	**6.50%**	6.38%
		Adopted terminal yield	**5.88%**	5.50%
		Net market rental (per sqm)	**$566**	$542
Industrial	Level 3	Adopted sales price per sqm[1]	**$115 - $190**	-
Other	Level 3	Adopted capitalisation rate	**4.75% - 5.50%**	-
		Adopted rate per licensed place	**$52,292 - $79,130**	-
		Net market rental per licensed place	**$2,900 - $3,760**	-

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

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

Judgement is required in determining the following key assumptions:

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

e) Impact of COVID-19 on fair value of investment properties

There is a continuing level of uncertainty regarding the ultimate impact of COVID-19 on the Trust's investment property valuations. As a result, the independent valuations incorporate a range of assumptions used in determining appropriate fair values for investment properties as at 30 June 2022. The assumptions that have had the greatest impact on the valuations are listed below:

- Valuers have adjusted market rental growth, downtime and incentive assumptions within their discounted cashflow (DCF);
- Some valuers have incorporated an allowance for the uncertainty in relation to the payment of rent with regards to the Government's Code of Conduct where the tenant pool comprises small to medium enterprises (SMEs) or where operating hours have been impacted; and
- Capitalisation and discount rates have generally remained relatively stable for office assets and firmed for industrial assets.

Since the end of the year, the Trust has considered the current economic environment, noting recent inflationary impacts and a rising interest rate climate and considers that the assumptions used in the valuations are appropriate for the purposes of determining fair value of investment properties at 30 June 2022.

Note 9 Investment properties (continued)

f) Sensitivity information

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

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

	Office		Industrial[1]	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
A decrease of 25 basis points in the adopted capitalisation rate	**7,951**	9,812	**-**	6,457
An increase of 25 basis points in the adopted capitalisation rate	**(7,244)**	(8,920)	**-**	(5,731)
A decrease of 25 basis points in the adopted discount rate	**6,520**	8,010	**-**	4,629
An increase of 25 basis points in the adopted discount rate	**(6,037)**	(7,405)	**-**	(4,244)
A decrease of 5% in the net market rental (per sqm)	**(8,150)**	(9,812)	**-**	(5,092)
An increase of 5% in the net market rental (per sqm)	**8,150**	9,812	**-**	5,092

1 The 30 June 2022 industrial investment property assets are non-income producing developments valued using a direct comparison approach. There is a directly proportional impact between adopted sales price per sqm and fair value.

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

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

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

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

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Note 10 Investments accounted for using the equity method

a) Interest in joint ventures and associates

The following investments are accounted for using the equity method of accounting in the Consolidated Financial Statements. Information relating to these entities is set out below.

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

	Ownership interest			
	2022	2021	**2022**	2021
Name of entity	**%**	%	**$'000**	$'000
Divvy Parking Pty Limited	**24.8**	24.8	**-**	1,021
Jandakot Airport Holdings Trust[1] (JAHT)	**32.0**	-	**21,246**	-
Jandakot Airport Domestic Trust[2] (JADT)	**34.7**	-	**17,357**	-
SAHMRI2 Holding Trust[3]	**50.0**	-	**46,598**	-
Dexus Real Estate Partnership 1 (DREP1)	**36.6**	-	**8,156**	-
Dexus Convenience Retail REIT[4] (DXC)	**1.7**	-	**9,620**	-
Dexus Regional Property Fund[4]	**3.3**	-	**1,483**	-
Dexus Development Fund No. 2[4]	**4.8**	-	**1,243**	-
Dexus Walker Street Trust	**50.0**	50.0	**9,079**	9,234
Other[5]	**32.9**	29.5	**10,229**	6,394
Total assets - investments accounted for using the equity method[6]			**125,011**	16,649

1 On 1 November 2021, Dexus Holdings Pty Limited acquired 49% of Jandakot Airport Holdings Pty Limited through the establishment of Jandakot Airport Holdings Trust (JAHT). On 19 November 2021, shortly after initial settlement, Dexus sold a 68% interest in JAHT to Dexus Industria REIT.
2 On 31 March 2022, Dexus settled on the remaining 51% interest of Jandakot Airport Holdings Pty Limited through the establishment of Jandakot Airport Domestic Trust, with Cbus Super acquiring a 33.3% interest in the joint venture which owns 100% of Jandakot airport, Perth.
3 On 30 June 2022, Healthcare Subtrust was acquired which has a 50% equity investment in the SAHMRI2 Holding Trust.
4 Acquired as part of the APN Property Group acquisition. Refer to note 26 *Business combination* for further details.
5 Includes investments in entities where the Trust has an immaterial interest.
6 The Trust's share of investment properties in the investments for using the equity method was $143.0 million (2021: $9.2 million). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

b) Impairment assessment on Investments accounted for using the equity method

At each reporting date, management assess whether there is any indication of impairment to the carrying value of Investments accounted for using the equity method, which in certain instances may include notional goodwill recognised on acquisition where relevant. As a result, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

As part of the assessment to determine whether any indicators of impairment exist at reporting date, the impact of COVID-19, inflation and rising interest rates have been taken into consideration.

The main risk to the value of the investments accounted for using the equity method is the fair value of the underlying investment properties. Note 9 gives further explanation of the approach taken to measure the fair value of investment properties in light of COVID-19, inflation and rising interest rates.

Any fair value movements are recorded within share of net profit of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income. During the year, the Divvy Parking Pty Limited investment was impaired to nil. No impairment losses were recognised for the period ending 30 June 2021.

c) Summarised financial information for individually material joint ventures, associates and equity accounted investments

The following table provides summarised financial information for the joint ventures and associates and equity accounted investments which, in the opinion of the directors, are material to the Trust. The information disclosed reflects the amounts presented in the Financial Statements of the relevant joint ventures and associates equity accounted investments and not the Trust's share of those amounts.

Property portfolio assets (continued)

Summarised Statement of Financial Position	Jandakot Airport Holdings Trust 2022 $'000	Jandakot Airport Holdings Trust 2021 $'000	Jandakot Airport Domestic Trust 2022 $'000	Jandakot Airport Domestic Trust 2021 $'000	SAHMRI2 Holding Trust 2022 $'000	SAHMRI2 Holding Trust 2021 $'000	DREP1 2022 $'000	DREP1 2021 $'000	Dexus Convenience Retail REIT 2022 $'000	Dexus Convenience Retail REIT 2021 $'000
Current assets										
Cash and cash equivalents	-	-	122	-	601	-	18,364	-	5,178	-
Other current assets	-	-	-	-	3,921	-	33,065	-	4,876	-
Total current assets	-	-	122	-	4,522	-	51,429	-	10,054	-
Non-current assets										
Investment properties	-	-	-	-	230,500	-	-	-	850,050	-
Investments accounted for using the equity method	65,751	-	61,179	-	-	-	-	-	-	-
Loans with related parties	-	-	-	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-	17,390	-	13,018	-
Total non-current assets	65,751	-	61,179	-	230,500	-	17,390	-	863,068	-
Current liabilities										
Provision for distribution	-	-	1	-	1,772	-	-	-	6,737	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Other current liabilities	533	-	11,396	-	401	-	1,267	-	11,256	-
Total current liabilities	533	-	11,397	-	2,173	-	1,267	-	17,993	-
Non-current liabilities										
Borrowings	-	-	-	-	74,464	-	45,267	-	299,611	-
Other non-current liabilities	-	-	-	-	65,569	-	-	-	1,000	-
Total non-current liabilities	-	-	-	-	140,033	-	45,267	-	300,611	-
Net assets	65,218	-	49,904	-	92,816	-	22,285	-	554,518	-
Reconciliation to carrying amounts:										
Opening balance at the beginning of the year	-	-	-	-	-	-	-	-	-	-
Additions	54,493	-	57,044	-	54,164	-	24,865	-	503,938	-
Profit for the year	10,725	-	(7,140)	-	39,618	-	(2,580)	-	82,617	-
Distributions received/receivable	-	-	-	-	(966)	-	-	-	(32,037)	-
Closing balance at the end of the year	65,218	-	49,904	-	92,816	-	22,285	-	554,518	-
Trust's share of net assets	20,870	-	17,317	-	46,598	-	8,156	-	9,620	-
Capitalised transaction costs	77	-	31	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Notional goodwill	299	-	9	-	-	-	-	-	-	-
Trust's carrying amount	21,246	-	17,357	-	46,598	-	8,156	-	9,620	-
Summarised Statement of Comprehensive Income										
Property revenue	-	-	-	-	-	-	-	-	55,277	-
Property revaluations	-	-	-	-	40,542	-	-	-	30,836	-
Gain on sale of investment properties	-	-	-	-	-	-	-	-	125	-
Interest income	-	-	-	-	1	-	-	-	146	-
Other income	11,258	-	4,156	-	-	-	851	-	13,136	-
Finance costs	-	-	-	-	-	-	(376)	-	(3,398)	-
Income tax expense	-	-	-	-	-	-	-	-	-	-
Other expenses	(533)	-	(11,296)	-	(925)	-	(3,055)	-	(13,506)	-
Net profit/(loss) for the year	10,725	-	(7,140)	-	39,618	-	(2,580)	-	82,616	-

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Property portfolio assets (continued)

Summarised Statement of Financial Position	Dexus Regional Property Fund 2022 $'000	2021 $'000	Dexus Development Fund No. 2 2022 $'000	2021 $'000	Dexus Walker Street Trust 2022 $'000	2021 $'000	Other 2022 $'000	2021 $'000	Total 2022 $'000	2021 $'000
Current assets										
Cash and cash equivalents	**693**	-	**1,142**	-	**118**	489	**7,775**	10,643	**33,993**	11,132
Other current assets	**175**	-	**-**	-	**53**	65	**4,444**	984	**46,534**	1,049
Total current assets	**868**	-	**1,142**	-	**171**	554	**12,219**	11,627	**80,527**	12,181
Non-current assets										
Investment properties	**61,500**	-	**32,300**	-	**18,900**	18,690	**-**	-	**1,193,250**	18,690
Investments accounted for using the equity method	**-**	-	**-**	-	**(30)**	-	**5,674**	253	**132,574**	253
Loans with related parties	**-**	-	**-**	-	**-**	-	**10**	436	**10**	436
Other non-current assets	**1,014**	-	**15,804**	-	**37**	20	**4,118**	4,117	**51,381**	4,137
Total non-current assets	**62,514**	-	**48,104**	-	**18,907**	18,710	**9,802**	4,806	**1,377,215**	23,516
Current liabilities										
Provision for distribution	**167**	-	**-**	-	**692**	667	**-**	-	**9,369**	667
Borrowings	**-**	-	**12,075**	-	**-**	-	**-**	-	**12,075**	-
Other current liabilities	**562**	-	**161**	-	**227**	128	**1,101**	684	**26,904**	812
Total current liabilities	**729**	-	**12,236**	-	**919**	795	**1,101**	684	**48,348**	1,479
Non-current liabilities										
Borrowings	**23,113**	-	**-**	-	**-**	-	**-**	-	**433,560**	-
Other non-current liabilities	**-**	-	**10,910**	-	**-**	-	**199**	201	**152,142**	201
Total non-current liabilities	**23,113**	-	**10,910**	-	**-**	-	**199**	201	**520,133**	201
Net assets	**39,540**	-	**26,100**	-	**18,159**	18,469	**20,721**	15,548	**889,261**	34,017
Reconciliation to carrying amounts:										
Opening balance at the beginning of the year	**-**	-	**-**	-	**18,469**	**19,131**	**15,548**	3,508	**34,017**	22,639
Additions	**46,921**	-	**26,743**	-	**-**	**-**	**3,265**	11,542	**771,433**	11,542
Profit for the year	**(5,319)**	-	**(643)**	-	**(286)**	**(344)**	**1,908**	498	**118,900**	154
Distributions received/receivable	**(2,062)**	-	**-**	-	**(24)**	**(318)**	**-**	-	**(35,089)**	(318)
Closing balance at the end of the year	**39,540**	-	**26,100**	-	**18,159**	18,469	**20,721**	15,548	**889,261**	34,017
Trust's share of net assets	**1,483**	-	**1,243**	-	**9,079**	9,234	**8,037**	4,337	**122,403**	13,571
Capitalised transaction costs	**-**	-	**-**	-	**-**	-	-	-	**108**	-
Impairment	**-**	-	**-**	-	**-**	-	**(886)**	-	**(886)**	-
Notional goodwill	**-**	-	**-**	-	**-**	-	**3,078**	3,078	**3,386**	3,078
Trust's carrying amount	**1,483**	-	**1,243**	-	**9,079**	9,234	**10,229**	7,415	**125,011**	16,649
Summarised Statement of Comprehensive Income										
Property revenue	**3,956**	-	**142**	-	**514**	841	**-**	-	**59,889**	841
Property revaluations	**(8,235)**	-	**-**	-	**(276)**	(645)	**-**	-	**62,867**	(645)
Gain on sale of investment properties	**-**	-	**-**	-	**-**	-	**-**	-	**125**	-
Interest income	**-**	-	**1**	-	**-**	-	**139**	-	**287**	-
Other income	**135**	-	**-**	-	**-**	-	**4,415**	2,504	**33,951**	2,504
Finance costs	**(535)**	-	**(1)**	-	**-**	-	**-**	-	**(4,310)**	-
Income tax expense	**-**	-	**275**	-	**-**	-	**-**	-	**275**	-
Other expenses	**(640)**	-	**(1,060)**	-	**(524)**	(540)	**(2,646)**	(2,006)	**(34,185)**	(2,546)
Net profit/(loss) for the year	**(5,319)**	-	**(643)**	-	**(286)**	(344)	**1,908**	498	**118,899**	154

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Note 11 Inventories

Development properties held for repositioning, construction and sale are recorded at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed.

Development revenue includes proceeds on the sale of inventory and revenue earned through the provision of development services on assets sold as inventory. Revenue earned on the provision of development services is recognised using the percentage complete method. The stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the project result can be reliably estimated, development services revenue and associated expenses are recognised in profit or loss. Where the project result cannot be reliably estimated, profits are deferred and the difference between consideration received and expenses incurred is carried forward as either a receivable or payable. Development services revenue and expenses are recognised immediately when the project result can be reliably estimated.

Transfers from investment properties to inventories occur when there is a change in intention regarding the use of the property from an intention to hold for rental income or capital appreciation purposes to an intention to develop and sell. The transfer price is recorded as the fair value of the property as at the date of transfer. Development activities will commence immediately after they transfer.

Key estimate: Net Realisable Value (NRV) of inventories

NRV is determined using the estimated selling price in the ordinary course of business less estimated costs to bring inventories to their finished condition, including marketing and selling expenses. NRV is based on the most reliable evidence available at the time and the amount the inventories are expected to be realised. These key assumptions are reviewed annually or more frequently if indicators of impairment exist. No impairment provisions have been recognised.

a) Development properties held for sale

	2022 $'000	2021 $'000
Current assets		
Development properties held for sale	**54,355**	137,175
Total current assets - inventories	**54,355**	137,175
Non-current assets		
Development properties held for sale	**-**	40,989
Total non-current assets - inventories	**-**	40,989
Total assets - inventories	**54,355**	178,164

b) Reconciliation

	2022 $'000	2021 $'000
Opening balance at the beginning of the period	**178,164**	337,023
Transfer to investment properties	**-**	(6,940)
Acquisitions	**-**	9,645
Disposals	**(138,640)**	(177,410)
Reversal of impairment	**-**	4,713
Additions	**14,831**	11,133
Closing balance at the end of the period	**54,355**	178,164

Disposals

On 9 August 2021, settlement occurred for the disposal of 436-484 Victoria Road, Gladesville, NSW for $55.0 million excluding transaction costs.

On 4 November 2021, settlement occurred for the disposal of a 49% interest in 7 Custom Place, Truganina, VIC, 9 Custom Place, Truganina, VIC, 8 Felstead Drive, Truganina, VIC, and 58 Foundation Drive, Truganina, VIC, for gross proceeds of $56.0 million excluding transaction costs.

On 17 November 2021, settlement occurred for the disposal of 22 Business Park Drive, Ravenhall, VIC for $13.5 million excluding transaction costs.

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Note 11 Inventories (continued)

Disposals (continued)

On 2 December 2021, settlement occurred for the disposal of a 50% interest in 11 Lord Street, Botany, NSW for gross proceeds of $48.0 million excluding transaction costs.

Impact of COVID-19 on Inventories

An assessment of whether the project result is impacted as a result of COVID-19 has been performed. There has been minimal impact on development services revenue and expenses as a result of project delays, changes in assessments related to future sales prices or changes in costs expected to be incurred to complete projects.

Key estimates used to determine the Net Realisable Value (NRV) of inventories have been reviewed and updated in light of COVID-19. No impairment provisions have been recognised.

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Capital and financial risk management and working capital

In this section

The Trust's overall risk management program focuses on reducing volatility from impacts of movements in financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust.

Note 12 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (interest rate risk, liquidity risk and credit risk).

The Board determines the appropriate capital structure of the Trust, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from security holders (equity) in order to finance the Trust's activities both now and in the future. This capital structure is detailed in the following notes:
- Debt: *Lease liabilities* in note 13 and *Commitments and contingencies* in note 14;
- Equity: *Contributed equity* in note 15 and *Reserves* in note 16.

Note 17 provides a breakdown of the working capital balances held in the Consolidated Statement of Financial Position.

Note 12 Capital and financial risk management

Capital and financial risk management is carried out through a centralised treasury function which is governed by a Board approved Treasury Policy. The Trust (as part of DXS) has an established governance structure which consists of the Group Management Committee and Capital Markets Committee.

The Board has appointed a Group Management Committee responsible for achieving Dexus's goals and objectives, including the prudent financial and risk management of the Group. A Capital Markets Committee has been established to advise the Group Management Committee.

The Capital Markets Committee is a management committee that is accountable to the Board. It convenes at least quarterly and conducts a review of financial risk management exposures including liquidity, funding strategies and hedging. It is also responsible for the development of financial risk management policies and funding strategies for recommendation to the Board, and the approval of treasury transactions within delegated limits and powers.

a) Capital risk management

The Trust manages its capital to ensure that entities within the Trust will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Trust consists of debt, cash and cash equivalents and equity attributable to security holders. The Trust continuously monitors its capital structure and it is managed in consideration of the following factors:

- the cost of capital and the financial risks associated with each class of capital;
- gearing levels and other debt covenants;
- potential impacts on net tangible assets and security holders' equity;
- potential impacts on the Group's credit rating; and
- other market factors.

The Trust is not rated by ratings agencies, however, DXS is rated A- by Standard and Poor's (S&P) and A3 by Moody's. Gearing levels and bank debt covenants are managed holistically as part of the DXS Group.

DXFM is the Responsible Entity for the Trust. DXFM has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to maintain liquidity above specified limits. DXFM must also prepare rolling cash projections over at least the next 12 months and demonstrate it will have access to sufficient financial resources to meet its liabilities that are expected to be payable over that period. Cash projections and assumptions are approved, at least quarterly, by the Board of the Responsible Entity.

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Note 12 Capital and financial risk management (continued)

a) **Capital risk management (continued)**

Dexus Wholesale Property Limited (DWPL), a wholly owned entity, has been issued with an AFSL as it is the responsible entity for Dexus Wholesale Property Fund (DWPF) and Dexus ADPF (DADPF). Dexus Wholesale Management Limited (DWML), a wholly owned entity, has been issued with an AFSL as it is the trustee of third party managed funds. Dexus Wholesale Funds Limited (DWFL), a wholly owned entity, has been issued with an AFSL as it is the responsible entity for Dexus Healthcare Property Fund (DHPF). Dexus Investment Management Limited (DIML), a wholly owned entity, has been issued with an AFSL as the responsible entity for Dexus Industrial Fund (DIF), a wholly owned entity. Dexus Asset Management Limited (DXAM), a wholly owned entity, has been issued with an AFSL as it is the responsible entity of third party managed funds. Dexus RE Limited (DXRE), a wholly owned entity, has been issued with an AFSL as the responsible entity for APD Trust, a wholly owned entity. These entities are subject to the capital requirements described above.

b) Financial risk management

The Trust's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust. The Trust's principal financial instruments comprise cash and bank loans. The main purpose of financial instruments is to manage liquidity and hedge the Trust's exposure to financial risks namely:

- interest rate risk;
- liquidity risk; and
- credit risk.

i) Market risk

Interest rate risk

Interest rate risk arises from interest bearing financial assets and liabilities that the Trust utilises. Non-derivative interest bearing financial instruments are predominantly short term liquid assets and long term debt issued at fixed rates which expose the Trust to fair value interest rate risk as the Trust may pay higher interest costs than if it were at variable rates. The Trust's borrowings which have a variable interest rate give rise to cash flow interest rate risk due to movements in variable interest rates.

The Trust's risk management policy for interest rate risk seeks to minimise the effects of interest rate movements on its asset and liability portfolio through active management of the exposures. The policy prescribes minimum and maximum hedging amounts for the Trust, which is managed on a portfolio basis.

Sensitivity analysis on interest expense

The table below shows the impact on the Trust's net interest expense of a 100 basis point movement in market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Trust's floating rate debt on average during the financial year.

	2022	2021
	(+/-) $'000	(+/-) $'000
+/- 1.00% (100 basis points)	**4,972**	2,638
Total A$ equivalent	**4,972**	2,638

The movement in interest expense is proportional to the movement in interest rates.

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Note 12 Capital and financial risk management (continued)

b) Financial risk management (continued)

ii) Liquidity risk

Liquidity risk is associated with ensuring that there are sufficient funds available to meet the Trust's financial commitments as and when they fall due and planning for any unforeseen events which may curtail cash flows. The Trust identifies and manages liquidity risk across the following categories:

- short-term liquidity management covering the month ahead on a rolling basis with continuous monitoring of forecast and actual cash flows;
- medium-term liquidity management of liquid assets, working capital and standby facilities to cover Trust cash requirements over the next 1-24 month period. The Trust maintains a level of committed borrowing facilities above the forecast committed debt requirements (liquidity headroom buffer). Committed debt includes future expenditure that has been approved by the Board or Investment Committee (as required within delegated limits); and
- long-term liquidity management through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated in certain time periods, and ensuring an adequate diversification of funding sources where possible, subject to market conditions.

Refinancing risk

Refinancing risk is the risk that the Trust:

- will be unable to refinance its debt facilities as they mature; and/or
- will only be able to refinance its debt facilities at unfavourable interest rates and credit market conditions (margin price risk).

The Trust's key risk management strategy for margin price risk on refinancing is to spread the maturities of debt facilities over different time periods to reduce the volume of facilities to be refinanced and the exposure to market conditions in any one period. An analysis of the contractual maturities of the Trust's interest bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

	2022				2021			
	Within one year	**Between one and two years**	**Between two and five years**	**After five years**	Within one year	Between one and two years	Between two and five years	After five years
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Payables	(62,195)	-	-	-	(55,847)	-	-	-
Lease liabilities	(8,574)	(7,256)	(20,175)	(11,094)	(8,336)	(7,308)	(15,439)	(1,521)
Total payables and lease liabilities	**(70,769)**	**(7,256)**	**(20,175)**	**(11,094)**	(64,183)	(7,308)	(15,439)	(1,521)
Interest bearing loans with related parties and interest[1]	(18,944)	(22,773)	(69,064)	(566,286)	(7,063)	(7,035)	(24,231)	(311,824)
Total interest bearing liabilities and interest[1]	**(18,944)**	**(22,773)**	**(69,064)**	**(566,286)**	(7,063)	(7,035)	(24,231)	(311,824)

1 Includes estimated interest.

iii) Credit risk

Credit risk is the risk that the counterparty will not fulfil its obligations under the terms of a financial instrument and will cause financial loss to the Trust. The Trust has exposure to credit risk on all financial assets included in the Trust's Consolidated Statement of Financial Position.

The Trust manages this risk by:

- adopting a process for determining an approved counterparty, with consideration of qualitative factors as well as the counterparty's credit rating;
- regularly monitoring counterparty exposure within approved credit limits that are based on the lower of an S&P and Moody's credit rating. The exposure includes the current market value of in-the-money contracts and the potential exposure, which is measured with reference to credit conversion factors as per APRA guidelines;
- entering into International Swaps and Derivatives Association (ISDA) Master Agreements once a financial institution counterparty is approved;
- for some trade receivables, obtaining collateral where necessary in the form of bank guarantees and tenant bonds; and
- regularly monitoring loans and receivables on an ongoing basis.

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Note 12 Capital and financial risk management (continued)

b) Financial risk management (continued)

iii) Credit risk (continued)

A minimum S&P rating of A– (or Moody's equivalent) is required to become or remain an approved counterparty unless otherwise approved by the Dexus Board.

The Trust is exposed to credit risk on cash balances with financial institutions. The Trust has a policy that sets limits as to the amount of credit exposure to each financial institution. New cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Trust's policy requirements.

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Trust's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments. The maximum exposure to credit risk at 30 June 2022 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position.

The Trust is exposed to credit risk on trade receivable balances. The Trust has a policy to continuously assess and monitor the credit quality of trade debtors on an ongoing basis. The maximum exposure to credit risk at 30 June 2022 is the carrying amounts of the trade receivables recognised on the Consolidated Statement of Financial Position.

iv) Fair value

As at 30 June 2022 and 30 June 2021, the carrying amounts of financial assets and liabilities are held at fair value. The Trust uses the following methods in the determination and disclosure of the fair value of financial instruments:

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

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

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

Since cash, receivables and payables are short-term in nature, their fair values are not materially different from their carrying amounts. For all the borrowings, the fair values are not materially different to their carrying amounts since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

v) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position where there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. No financial assets and liabilities are currently held under netting arrangements.

Note 13 Lease liabilities

Under AASB 16 *Leases*, as a Lessee, the Trust recognises a right-of-use asset and lease liability on the Consolidated Statement of Financial Position for all material leases. In relation to leases of low value assets, such as IT equipment, small items of office furniture or short term leases with a term of 12 months or less, the Trust has elected not to recognise right-of-use assets and lease liabilities.

The Trust recognises the lease payments associated with these leases as an expense in the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term. The Trust recognises a right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for any remeasurements of the lease liability. The cost of the right-of-use asset includes:

- the amount of initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and
- makegood costs.

Right-of-use assets are depreciated on a straight line basis from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term, unless they meet the definition of an investment property.

The Trust tests all right-of-use assets for impairment where there is an indicator that the asset may be impaired. If an impairment exists, the carrying amount of the asset is written down to its recoverable amount as per the requirements of AASB 136 *Impairment of Assets*.

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Note 13 Lease liabilities (continued)

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Trust's incremental borrowing rate. Generally, the Trust uses its incremental borrowing rate as the discount rate. The weighted rate applied was 2.94%. Variable lease payments that depend on an index or rate are included in the lease liability, measured using the index or rate as at the date of lease commencement.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The liability is remeasured when there is a change in future lease payments arising from a change in index or rate or changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Interest costs and variable lease payments not included in the initial measurement of the lease liability are recognised in the Consolidated Statement of Comprehensive Income in the period to which they relate.

The Trust has applied judgement to determine the lease term for contracts which include renewal and termination options. The Trust's assessment considered the facts and circumstances that create an economic incentive to exercise a renewal option or not to exercise a termination option.

The following table details information relating to leases where the Trust is a lessee.

		2022 $'000	2021 $'000
Current			
Lease liabilities - property leases	(a)	**8,574**	7,821
Total current liabilities - lease liabilities		**8,574**	7,821
Non-Current			
Lease liabilities - property leases	(a)	**38,525**	30,215
Total non-current liabilities - lease liabilities		**38,525**	30,215
Total - lease liabilities		**47,099**	38,036

(a) Lease liabilities – property leases

Lease liabilities relate to Dexus offices and Dexus Place property leases. Refer to the Consolidated Statement of Financial Position for disclosure of the corresponding right-of-use asset.

Note 14 Commitments and contingencies

a) Commitments

Capital commitments

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

	2022 $'000	2021 $'000
Investment properties	**-**	1,887
Inventories and development management services	**1,914**	691
Investments accounted for using the equity method	**36,938**	24
Total capital commitments	**38,852**	2,602

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Note 14 Commitments and contingencies (continued)

a) Commitments

Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	2022	2021
	$'000	$'000
Within one year	**15,503**	28,720
Later than one year but not later than five years	**63,316**	86,694
Later than five years	**98,856**	44,814
Total lease receivable commitments	**177,675**	160,228

b) Contingencies

The Trust, together with DPT, is a guarantor of A$6,948.8 million (2021: A$5,918.1 million) of interest bearing liabilities. The guarantees have been given in support of debt outstanding and drawn against these facilities and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust has bank guarantees of $114.1 million (2021: $58.1 million), comprising $70.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and $43.9 million largely in respect of developments.

The above guarantees are issued in respect of the Trust and represent an additional liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

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

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

Note 15 Contributed equity

Number of units on issue

	2022	2021
	No. of units	No. of units
Opening balance at the beginning of the year	**1,075,565,246**	1,091,202,163
Buy-back of contributed equity	**-**	(15,636,917)
Closing balance at the end of the year	**1,075,565,246**	1,075,565,246

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Trust.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

Transaction costs arising on the buy-back of equity instruments are recognised directly in equity (net of tax) as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the buy-back of those equity instruments and which would not have been incurred had those instruments not been bought back.

On 23 October 2019, Dexus announced plans to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue over the next 12 months, as part of its active approach to capital management.

On 13 October 2020, Dexus announced an extension of the buy-back for a period of 12 months commencing on 23 October 2020.

On 22 October 2021, Dexus announced a further extension of the buy-back for a period of 12 months commencing on 25 October 2021.

During the 12 months to 30 June 2022, there were no Dexus securities acquired or cancelled.

Note 16 Reserves

	$'000	$'000
Asset revaluation reserve	**42,738**	42,738
Security-based payments reserve	**465**	438
Treasury securities reserve	**(718)**	(524)
Financial assets at fair value through other comprehensive income	**(990)**	1,050
Total reserves	**41,495**	43,702
Movements:		
Asset revaluation reserve		
Opening balance at the beginning of the year	**42,738**	42,738
Closing balance at the end of the year	**42,738**	42,738
Security-based payments reserve		
Opening balance at the beginning of the year	**438**	403
Security-based payments expense	**27**	35
Closing balance at the end of the year	**465**	438
Treasury securities reserve		
Opening balance at the beginning of the year	**(524)**	(561)
Issue of securities to employees	**(194)**	37
Closing balance at the end of the year	**(718)**	(524)
Financial assets at fair value through other comprehensive income		
Opening balance at the beginning of the period	**1,050**	(2,636)
Changes in the fair value	**(2,040)**	3,686
Closing balance at the end of the year	**(990)**	1,050

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record the fair value adjustment arising on a business combination.

Security-based payment reserve

The security-based payment reserve is used to recognise the fair value of performance rights to be issued under the Deferred Short Term Incentive Plans (DSTI), Long Term Incentive Plans (LTI) and Senior Management Retention Awards. Refer to note 23 for further details.

Treasury securities reserve

The treasury securities reserve is used to record the issue of securities purchased to fulfil the obligations of the Deferred Short Term Incentive Plans (DSTI), Long Term Incentive Plans (LTI) and Senior Management Retention Awards. As at 30 June 2022, DXS held 2,536,188 stapled securities which includes acquisitions of 1,779,086 and unit vesting of 817,312 (2021: 1,574,324).

Financial assets at fair value through other comprehensive income

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

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Note 17 Working capital

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Receivables

Rental income and management fees are brought to account on an accrual basis. Dividends and distributions are recognised when declared and, if not received at the end of the reporting period, reflected in the Consolidated Statement of Financial Position as a receivable.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly.

A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The calculation of expected credit losses relating to rent and other receivables requires judgement to assess the future uncertainty of tenants' ability to pay their debts. Expected credit losses have been estimated using a provision matrix that has been developed with reference to the Trust's historical credit loss experience, general economic conditions and forecasts, assumptions around rent relief that may be provided to tenants and tenant risk factors such as size, industry exposure and the Trust's understanding of the ability of tenants to pay their debts. Accordingly, expected credit losses include both the part of the rent receivable that is likely to be waived and an additional amount relating to credit risk associated with the financial condition of the tenant.

In relation to distributions and fees receivables, an assessment has been performed taking into consideration the ability of the funds and mandates managed by the Trust to cash settle their distributions and pay their fees outstanding.

For any provisions for expected credit losses, the corresponding expense has been recorded in the Consolidated Statement of Comprehensive Income within Property expenses.

	2022 $'000	2021 $'000
Rent receivable[1]	**627**	2,503
Less: provision for expected credit losses - property	**(170)**	(1,051)
Total rental receivables	**457**	1,452
Distributions receivable	**17,438**	-
Fee receivable	**56,502**	54,843
Receivables from related entities	**25,666**	4,970
Other receivables	**5,610**	1,448
Less: provision for expected credit losses - other	**(1,999)**	-
Total other receivables	**103,217**	61,261
Total receivables	**103,674**	62,713

1 Rent receivable includes outgoings recoveries.

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Note 17 Working capital (continued)

b) Receivables (continued)

The provision for expected credit losses for rent receivables (including outgoings recoveries) as at 30 June 2022 was determined as follows:

$'000				
30 June 2022	**Office**	**Industrial**	**Other**	**Total**
0-30 days[1]	-	52	1,413	1,465
31-60 days	-	-	-	-
61-90 days	4	-	-	4
91+ days	114	-	586	700
Total provision for expected credit losses	**118**	**52**	**1,999**	**2,169**

1 0-30 days includes deferred rent receivable but not due.

The provision for expected credit losses for rent receivables as at the reporting date reconciles to the opening loss allowances as follows:

	Trade Receivables	
	2022	2021
	$'000	$'000
Opening provision for expected credit losses	**1,051**	498
Increase/(decrease) in provision recognised in profit or loss during the year	**1,118**	553
Closing provision for expected credit losses	**2,169**	1,051

c) Payables

	2022	2021
	$'000	$'000
Trade creditors	**13,423**	11,430
Accruals	**15,004**	16,668
Accrued capital expenditure	**18,456**	24,034
GST payable	**143**	1,095
Payables owed to related parties	**9,983**	-
Other payables	**5,186**	2,620
Total payables	**62,195**	55,847

d) Provisions

A provision is recognised when an obligation exists as a result of a past event and it is probable that a future outflow of cash or other benefit will be required to settle the obligation.

In accordance with the Trust's Constitution, the Trust distributes its distributable income to unitholders by cash or reinvestment. Distributions are provided for when they are approved by the Board of Directors and declared.

Provision for employee benefits relates to the liabilities for wages, salaries, annual leave and long service leave.

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months represent present obligations resulting from employees' services provided to the end of the reporting period. They are measured based on remuneration wage and salary rates that the Trust expects to pay at the end of the reporting period including related on-costs, such as workers compensation, insurance and payroll tax.

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows, to be made resulting from employees' services provided to the end of the reporting period.

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Note 17 Working capital (continued)

d) Provisions (continued)

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the Australian Corporate Bond Index rates at the end of the reporting period that most closely matches the term of the maturity of the related liabilities. The provision for employee benefits also includes the employee incentives schemes which are shown separately in note 23.

	2022	2021
	$'000	$'000
Provision for distribution	**50,012**	50,000
Provision for employee benefits	**51,325**	46,864
Total current provisions	**101,337**	96,864

Movements in each class of provision during the financial year are set out below:

	2022	2021
	$'000	$'000
Current provisions		
Opening balance at the beginning of the year	**96,864**	82,585
Additional provisions	**94,781**	86,464
Payment of distributions	**(50,000)**	(50,000)
Payment of employee benefits	**(40,308)**	(22,185)
Closing balance at the end of the year	**101,337**	96,864

A provision for distribution has been raised for the period ended 30 June 2022. This distribution is to be paid on 30 August 2022.

e) Contract liability

This relates to a contract liability which has been accounted for as variable consideration within the scope of AASB 15 *Revenue from Contracts with Customers*. The estimated contract liability payment has reduced the transaction price and a liability for this amount has been recognised, reducing the associated development revenue. Any subsequent changes in the contract liability are adjusted against the development revenue as appropriate.

Other disclosures

In this section

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

Note 18 Plant and equipment

Plant and equipment is stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to its acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the reporting period in which they are incurred.

Plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amounts exceed their recoverable amounts.

Depreciation is calculated using the straight line method so as to allocate their cost, net of their residual values, over their expected useful lives as follows:

- Furniture and fittings: 10-20 years
- IT and office equipment: 3-5 years

	2022	2021
	$'000	$'000
Opening balance at the beginning of the year	**10,098**	12,808
Additions	**4,895**	670
Depreciation charge	**(3,319)**	(3,380)
Closing balance at the end of the year	**11,674**	10,098

	2022	2021
	$'000	$'000
Cost	**43,594**	38,699
Accumulated depreciation	**(31,920)**	(28,601)
Cost - Fully depreciated assets written off	**(8,411)**	(8,077)
Accumulated depreciation - Fully depreciated assets written off	**8,411**	8,077
Net book value as at the end of the year	**11,674**	10,098

Note 19 Intangible assets

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

Costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the trust are recognised as intangible assets. Costs associated with configuration and customisation in a cloud computing arrangement are recognised as an expense when incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Trust, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement. Software is measured at cost and amortised using the straight line method over its estimated useful life, expected to be three to five years.

Management rights represent the asset management rights owned by Dexus Holdings Pty Limited, a wholly owned subsidiary of DXO, which entitles it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life held at a value of $0.8 million (2021: $0.4 million) are measured at cost and amortised using the straight line method over their estimated remaining useful life two to seven years. Management rights that are deemed to have an indefinite life are held at a value of $433.7 million (2021: $300.5 million).

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Note 19 Intangible assets (continued)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Trust's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arising from acquisitions of Investments accounted for using the equity method is included in the carrying amount of investments in associates or joint ventures. Refer to note 10 for further details.

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

During the year, management have performed a review of the recoverable amount of its management rights. The Directors and management have considered the key assumptions adopted and have identified an impairment associated with the management rights held.

The value in use has been determined using Board approved long-term forecasts in a five-year discounted cash flow model and applying a terminal value in year five. Forecasts were based on projected returns of the business in light of current market conditions.

Key assumptions: value in use of management rights

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

- Terminal capitalisation rate range of 8.3%-20.0% (2021: 8.3%–20.0%) has been applied incorporating an appropriate risk premium for a management business. A terminal capitalisation rate of 8.3% (2021: 8.3%) has been applied to the majority of the management rights.

- Cash flows have been discounted at a post-tax rate of 9.0% (2021: 8.0%) based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk.

- An average growth rate of 6.5% (2021: 3.0%) has been applied to forecast cashflows. The 2022 growth rate reflects the addition of new management rights recognised as part of the APN Group acquisition.

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Note 19 Intangible assets (continued)

	2022 $'000	2021 $'000
Management rights		
Opening balance at the beginning of the year		
Dexus Wholesale Property Fund (indefinite useful life)	**258,511**	243,998
Direct Property Funds (indefinite useful life)	**42,000**	42,000
Direct Property Funds (finite useful life)	**444**	500
Additions		
Dexus Industria REIT (indefinite useful life)[1]	**75,458**	-
Dexus Convenience Retail REIT (indefinite useful life)[1]	**35,573**	-
APN Real Estate Security Funds (indefinite useful life)[1]	**18,797**	-
APN Real Estate Security Funds (finite useful life)[1]	**690**	-
Direct Property Funds (finite useful life)[1]	**2,404**	-
Dexus Wholesale Property Fund (indefinite useful life)[2]	**3,358**	14,513
Impairment of management rights	**(1,868)**	-
Amortisation charge	**(852)**	(56)
Closing balance at the end of the year	**434,515**	300,955
Cost	**445,175**	308,895
Accumulated amortisation	**(6,192)**	(5,340)
Accumulated impairment	**(4,468)**	(2,600)
Total management rights	**434,515**	300,955
Goodwill		
Opening balance at the beginning of the year	**915**	915
Additions[3]	**54,529**	-
Closing balance at the end of the year	**55,444**	915
Cost	**60,450**	5,921
Accumulated impairment	**(5,006)**	(5,006)
Total goodwill	**55,444**	915
Software		
Opening balance at the beginning of the year	**3,595**	4,403
Additions	**1,531**	1,150
Amortisation charge	**(1,548)**	(1,958)
Closing balance at the end of the year	**3,578**	3,595
Cost	**19,160**	17,629
Accumulated amortisation	**(15,582)**	(14,034)
Cost - Fully amortised assets written off	**(16,638)**	(9,954)
Accumulated amortisation - Fully amortised assets written off	**16,638**	9,954
Total software	**3,578**	3,595
Total non-current Intangible assets	**493,537**	305,465

1 On 13 August 2021 Dexus acquired 100% of APN Property Group, a specialist Australian real estate investment manager. As part of the acquisition $132.9 million of management rights were recognised. Refer to note 26 *Business combination* for further details.

2 During the period Dexus incurred costs of $3.4 million in connection with Dexus Wholesale Property Limited, a Dexus entity, being appointed as Responsible Entity of Dexus ADPF.

3 The excess between the cash consideration transferred and the fair value of the net identifiable assets acquired as part of the APN acquisition has been recorded as goodwill. Refer to note 26 *Business combination* for further details.

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Note 20 Financial assets at fair value through other comprehensive income

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

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

Note 21 Audit, taxation and transaction service fees

During the year, the Auditor and its related practices earned the following remuneration:

	2022 $	2021 $
Audit and review services		
Auditors of the Trust - PwC		
Financial statement audit and review services	**426,411**	282,224
Audit and review fees paid to PwC	**426,411**	282,224
Assurance services		
Auditors of the Trust - PwC		
Outgoings audits	**5,119**	5,190
Regulatory audit and compliance assurance services	**177,416**	96,852
Sustainability assurance services	**4,117**	3,954
Other assurance services	**555,000**	243,904
Assurance fees paid to PwC	**741,652**	349,900
Total audit, review and assurance fees paid to PwC	**1,168,063**	632,124
Other services		
Auditors of the Trust - PwC		
Transaction services	**-**	611,971
Other service fees paid to PwC	**-**	611,971
Total audit, review, assurance and other services fees paid to PwC	**1,168,063**	1,244,095

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Note 22 Cash flow information

a) Reconciliation of cash flows from operating activities

Reconciliation of net profit after income tax to net cash inflows from operating activities:

	2022 $'000	2021 $'000
Net profit/(loss) for the year	**33,188**	93,560
Capitalised interest	**(1,852)**	(820)
Depreciation and amortisation	**14,829**	14,136
Amortisation of incentives and straight line income	**2,004**	1,812
Impairment of goodwill and management rights	**1,868**	-
Net fair value (gain)/loss of investment properties	**29,033**	(18,561)
Share of net (profit)/loss of investments accounted for using the equity method	**(12,469)**	24
Impairment of investments accounted for using the equity method	**886**	-
Distribution revenue	**(640)**	(852)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**(39,032)**	25,165
(Increase)/decrease in inventories	**123,809**	158,859
(Increase)/decrease in other current assets	**549**	5,575
(Increase)/decrease in other non-current assets	**(2)**	4,748
Increase/(decrease) in payables	**4,903**	39,460
Increase/(decrease) in current tax liabilities	**37,338**	(18,721)
Increase/(decrease) in other current liabilities	**28,035**	17,140
Increase/(decrease) in other non-current liabilities	**(339)**	17,114
Increase/(decrease) in deferred tax liabilities	**9,274**	374
Net cash inflow/(outflow) from operating activities	**231,382**	339,013

b) Net debt reconciliation

Reconciliation of net debt movements:

	2022 Loans with related parties $'000	2021 Loans with related parties $'000
Opening balance	**263,772**	466,745
Changes from financing cash flows		
Borrowings received from related parties	**2,002,072**	607,189
Borrowings provided to related parties	**(1,769,389)**	(810,162)
Non cash changes		
Movement in deferred borrowing costs and other	**767**	-
Closing balance	**497,222**	263,772

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Note 23 Security-based payments

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants. Awards, via the Deferred Short Term Incentive Plans (DSTI), Long Term Incentive Plans (LTI) and Senior Management Retention Awards, will be in the form of performance rights awarded to eligible participants which convert to DXS stapled securities for nil consideration subject to satisfying specific service and performance conditions.

For each Plan, the eligible participants will be granted performance rights, based on performance against agreed key performance indicators, as a percentage of their remuneration mix. Participants must remain in employment for the vesting period in order for the performance rights to vest. Non-market vesting conditions, including Adjusted Funds from Operations (AFFO), Return on Contributed Equity (ROCE), successful delivery of key strategic initiatives identified by the Board, and employment status at vesting, are included in assumptions about the number of performance rights that are expected to vest. When performance rights vest, the Trust will arrange for the allocation and delivery of the appropriate number of securities to the participant.

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in the security-based payment reserve in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted.

Key assumptions: fair value of performance rights granted

Judgement is required in determining the fair value of performance rights granted. In accordance with AASB 2 *Share-based Payment*, fair value is determined independently using Binomial and Monte Carlo pricing models with reference to:

- the expected life of the rights;
- the security price at grant date;
- the expected price volatility of the underlying security;
- the expected distribution yield; and
- the risk free interest rate for the term of the rights and expected total security-holder returns (where applicable).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Trust revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. The impact of the revised estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

a) Deferred Short Term Incentive Plan

25% of any award under the Short Term Incentive Plan (STI) for certain participants will be deferred and awarded in the form of performance rights to DXS securities.

50% of the performance rights awards will vest one year after grant and 50% of the awards will vest two years after grant, subject to participants satisfying employment service conditions. In accordance with AASB 2 *Share-based Payment,* the year of employment in which participants become eligible for the DSTI, the year preceding the grant, is included in the vesting period over which the fair value of the performance rights is amortised. Consequently, 50% of the fair value of the performance rights is amortised over two years and 50% of the award is amortised over three years.

The number of performance rights granted in respect of the year ended 30 June 2022 was 432,632 (2021: 423,514) and the fair value of these performance rights is $8.88 (2021: $10.65) per performance right. The total security-based payments expense recognised during the year ended 30 June 2022 was $4,092,740 (2021: $2,731,951).

b) Long Term Incentive Plan

50% of the awards will vest three years after grant and 50% of the awards will vest four years after grant, subject to participants satisfying employment service conditions and performance hurdles. In accordance with AASB 2 *Share-based Payment*, the year of employment in which participants become eligible for the LTI, the year preceding the grant, is included in the vesting period over which the fair value of the performance rights is amortised. Consequently, 50% of the fair value of the performance rights is amortised over four years and 50% of the award is amortised over five years.

The number of performance rights granted in respect of the year ended 30 June 2022 was 957,207 (2021: 580,350) and the fair value of these performance rights is $8.88 (2021: $6.53) per performance right. The total security-based payments expense recognised during the year ended 30 June 2022 was $1,433,032 (2021: $6,850,376).

Note 23 Security-based payments (continued)

c) Senior Management Retention Awards

CEO Incentive Award

A once-off CEO incentive award was granted to the CEO on 1 June 2020. The award will vest three years after the grant date, subject to the participant satisfying employment service conditions, governance and behavioural standards and performance hurdles. Consequently, the fair value of the performance rights is amortised over three years from the grant date.

The number of performance rights granted in respect of the year ended 30 June 2022 was 356,335 (2021: 356,335). The grant date fair value of these performance rights is $8.03 (2021: $8.93) per performance right. The total security-based payments expense related to this award recognised during the year ended 30 June 2022 was $909,607 (2021: $92,508).

Retention Equity Award

The retention equity award is a once-off award to certain Key Management Personnel which was granted in December 2020. 50% of the once-off retention equity rights will vest three years after the grant date and 50% of the rights will vest four years after the grant date, subject to participants satisfying employment service conditions and governance and behavioural standards. Consequently, 50% of the fair value of the equity rights is amortised over three years and 50% of the rights is amortised over four years from the grant date.

The number of equity rights granted in respect of the year ended 30 June 2022 was 306,960 (2021: 306,960). The fair value of these equity rights is $8.26 (2021: $8.20) per equity right. The total security-based payments expense related to this award recognised during the year ended 30 June 2022 was $602,703 (2021: $513,395).

Note 24 Related parties

Responsible Entity and Investment Manager

DXH is the parent entity of DXFM, the Responsible Entity of DPT and DXO and the Trustee of Dexus Office Trust Australia (DOTA) and the investment manager of DOTA and Dexus Industrial Trust Australia (DITA).

DXH is also the parent entity of DWPL, the responsible entity of DWPF and Dexus ADPF, DWFL, the responsible entity of DHPF, DIML, the responsible entity of DIF, DWML, the trustee of third party managed funds, Dexus Asset Management Limited, the responsible entity of Dexus Convenience Retail REIT (DXC), Dexus Industria REIT (DXI) and other third party managed funds, and Dexus RE Limited, the responsible entity of APD Trust.

Management Fees

Under the terms of the Constitutions of the entities within the Trust, the Responsible Entity and Investment Manager are entitled to receive fees in relation to the management of the Trust. DXFM's parent entity, DXH, is entitled to be reimbursed for administration expenses incurred on behalf of the Trust. Dexus Property Services Pty Limited (DXPS), a wholly owned subsidiary of DXH, is entitled to property management fees from the Trust.

The Trust received Responsible Entity and other management fees from the unlisted property funds managed by DXS during the financial year.

Related party transactions

Transactions between the consolidated entity and related parties were made on commercial terms and conditions. All agreements with third party funds and joint ventures are conducted on normal commercial terms and conditions.

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Note 24 Related parties (continued)

Transactions with related parties

	2022 $	2021 $
Responsible entity investment management fees	**161,385,307**	119,735,589
Property management fee income	**44,075,561**	40,281,369
Development services revenue (DS), Development management (DM), Project Delivery Group (PDG), capital expenditure and leasing fee income	**54,600,998**	132,496,329
Rent paid	**4,295,921**	5,052,171
Responsible entity fees receivable at the end of each reporting year (included above)	**35,331,204**	21,296,602
Property management fees receivable at the end of each reporting year (included above)	**4,627,008**	3,854,762
DS, DM, PDG, capital expenditure and leasing fees receivable at the end of each reporting year (included above)	**17,054,653**	13,932,949
Loans receivable from related parties[1]	**33,695,678**	-
Payables owed to related parties	**(11,139,101)**	581,685
Loans payable to related parties[2]	**(530,280,536)**	263,772,185

1 Includes the Dexus share of a subordinated convertible loan which has been provided to the SAHMRI 2 Trust, a wholly owned subsidiary of SAHMRI 2 Holding Trust. The loan accrues interest at 5.5% per annum and matures on the date the development reaches practical completion. Under the subordination terms, repayment of this loan may only occur once the external construction loan has been repaid. The loan may be settled in cash or converted into equity at the election of the holders.

2 Includes the loan between a 100% owned subsidiary of DXO and DREP1 for 49.9% of the purchase price of 888 Christies Road Pty Ltd. The loan is interest free and repayable following DREP1's acquisition of shares in the subsidiary on demand. The fair value of the option deeds acquired in relation to this transaction is recorded within other non-current assets in the Consolidated Statement of Financial Position for $72.0 million.

Key management personnel compensation

	2022 $	2021 $
Compensation		
Short-term employee benefits	**10,374,030**	10,604,845
Post employment benefits	**705,323**	275,702
Security-based payments	**4,542,835**	4,582,583
Total key management personnel compensation	**15,622,188**	15,463,130

There have been no other transactions with key management personnel during the year.

Note 25 Parent entity disclosures

The financial information for the parent entity of Dexus Operations Trust has been prepared on the same basis as the Consolidated Financial Statements except as set out below.

Distributions received from associates are recognised in the parent entity's Statement of Comprehensive Income, rather than being deducted from the carrying amount of these investments.

Interests held by the parent entity in controlled entities are measured at fair value through profit and loss to reduce a measurement or recognition inconsistency.

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Note 25 Parent entity disclosures (continued)

a) Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

	2022	2021
	$'000	$'000
Total current assets	**342,883**	103,730
Total assets	**756,483**	422,402
Total current liabilities	**52,952**	64,837
Total liabilities	**515,433**	239,112
Equity		
Contributed equity	**107,185**	107,185
Reserves	**782**	542
Retained profits	**133,083**	75,563
Total equity	**241,050**	183,290
Net profit/(loss) for the year	**107,520**	55,642
Total comprehensive income/(loss) for the year	**107,520**	55,642

b) Guarantees entered into by the parent entity

Refer to note 14 for details of guarantees entered into by the parent entity.

c) Contingent liabilities

Refer to note 14 for details of the parent entity's contingent liabilities.

d) Capital commitments

The parent entity had no capital commitments as at 30 June 2022 (2021: nil)

Note 26 Business combination

Acquisition of APN Property Group Limited

On 27 July 2021, APN security holders approved the Scheme of Arrangement for Dexus to acquire all of the stapled securities in APN for an all cash-consideration of 90 cents per security.

On 13 August 2021, the Scheme was implemented and the Trust acquired 100% of the issued share capital of APN. APN is a specialist Australian real estate investment manager and qualifies as a business as defined in AASB 3 *Business Combination*. The acquisition further expands and diversifies Dexus's funds management business and contributed $2.9 billion of incremental funds under management to the platform.

The amounts recognised in respect of the consideration paid, identifiable assets acquired, and liabilities assumed are set out in the table below.

Purchase consideration

	$'000
Cash consideration	**263,545**

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Note 26 Business combination (continued)

Identifiable assets and liabilities recognised

	$'000
Cash and cash equivalents	23,615
Trade and other receivables	5,683
Investments accounted for using the equity method	11,899
Investments: management units	23,852
Investment properties	1,889
Property, plant and equipment	460
Intangible assets: management rights[1]	132,923
Right of use asset	1,538
Intragroup loan	64,589
Accrued interest on intragroup loan	131
Trade and other payables	(13,851)
Current tax liabilities	(1,320)
Provisions	(2,052)
Lease liability	(1,687)
Deferred tax liabilities	(38,653)
Net identifiable assets acquired	**209,016**
Goodwill[2]	54,529
Net assets acquired	**263,545**

1 Recognised in connection with APN managed funds, which include both open ended and closed ended funds.
2 Goodwill is attributable to the people, established business practices and relationships obtained via the acquisition and is not deductible for tax purposes.

Payment for acquisition of subsidiary

	$'000
Cash consideration	263,545
Less: Cash and cash equivalents acquired	(23,615)
Net outflow of cash from investing activities	**239,930**

Acquisition related costs

Acquisition related costs of $8.7 million have been included within transaction costs in the Consolidated Statement of Comprehensive Income and in cash flows from operating activities in the Consolidated Statement of Cash flows.

Revenue and profit contribution

APN Property Group contributed revenues of $32.8 million and net profit of $27.4 million to the group for the period from 13 August to 30 June 2022. If the acquisition had occurred on 1 July 2021, consolidated pro-forma revenue and profit for the year ended 30 June 2022 would have been $33.8 million and $28.5 million respectively.

Note 27 Subsequent events

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

Directors' Declaration

The Directors of Dexus Funds Management Limited as Responsible Entity of Dexus Operations Trust declare that the Consolidated Financial Statements and Notes set out on pages 10 to 52:

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

(ii) give a true and fair view of the Trust's consolidated financial position as at 30 June 2022 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date.

In the Directors' opinion:

(a) the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*;

(b) there are reasonable grounds to believe that the Trust and its consolidated entities will be able to pay their debts as and when they become due and payable; and

(c) the Trust has operated in accordance with the provisions of the Constitution dated 15 August 1984 (as amended) during the year ended 30 June 2022.

The Consolidated Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

W Richard Sheppard

Chair

16 August 2022

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Independent auditor's report

To the stapled security holders of Dexus Operations Trust

Report on the audit of the Group financial report

Our opinion

In our opinion:

The accompanying Group financial report of Dexus Operations Trust (the Trust) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the Consolidated Statement of Financial Position as at 30 June 2022;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Notes to the Consolidated Financial Statements, which include significant accounting policies and other explanatory information; and
- the Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Group financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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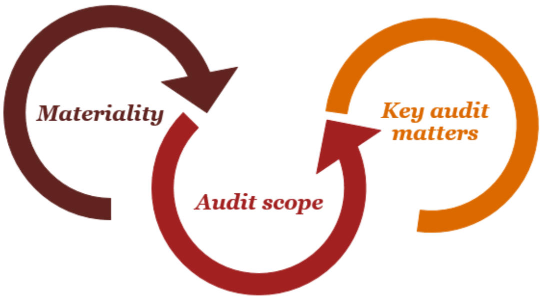
Our audit approach

An audit is designed to provide reasonable assurance about whether the Group financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Group financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Group financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall materiality of $4.65 million, which represents approximately 5% of the Group's adjusted profit before tax (Funds from Operations or FFO). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Group financial report as a whole. • We chose FFO because, in our view, it is the key performance measure of the Group. An explanation of what is included in FFO is outlined in Note 1, Operating segments.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group is a consolidated entity with operations in Australia. The scope of our audit included the Trust and its controlled entities.	• Amongst other relevant topics, we communicated the following key audit matters to the Board Audit Committee: – Valuation of investment properties, including those investment properties in investments accounted for using the equity method – Carrying amount of indefinite life assets (Management Rights and Goodwill) – Acquisition Accounting (APN and Jandakot) • These are further described in the *Key audit matters* section of our report.

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- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

As part of our audit, we also considered the potential impact of climate change on our risk assessment. We made enquiries of management to develop an understanding of the process that they adopted to assess the extent of the potential impact of climate change risk on the Group financial report. We considered management's progress in developing its assessment, and in particular the assessment of the impact on the fair value of investment properties.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial report for the current year. The key audit matters were addressed in the context of our audit of the Group financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter

Valuation of investment properties, including those investment properties in investments accounted for using the equity method
(Refer to Notes 9 and 10)

The Group's investment property portfolio comprises:

- Directly held properties included in the Consolidated Statement of Financial Position as Investment Properties valued at $212.7 million as at 30 June 2022 (2021: $288.8 million).
- The Group's share of investment properties valued at $143.0 million as at 30 June 2022 (2021: $9.2 million) held through associates and joint ventures included in the Consolidated Statement of Financial Position as Investments accounted for using the equity method.

Investment properties are carried at fair value at reporting date using the Group's policy as described in Note 9. The value of investment properties is dependent on the valuation methodology adopted and the inputs and assumptions in the valuation models. The

To assess the valuation of investment properties we performed the following procedures amongst others:

- We compared the valuation methodology adopted by the Group with commonly accepted valuation approaches used in the real estate industry for investment properties, and with the Group's stated valuation policy.
- We obtained recent independent property market reports to develop an understanding of the prevailing market conditions in which the Group invests. We leveraged this knowledge to assess the reasonableness of movements in selected assumptions used in the investment property valuations including capitalisation rates and discount rates.
- We assessed the design and tested the operating effectiveness of certain controls supporting the Group's investment property valuation process,

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following significant assumptions are used in establishing fair value:

- Capitalisation rate
- Discount rate

At each reporting period the Group determines the fair value of its investment property portfolio in line with the Group's valuation policy which requires all properties to be independently valued by a member of the Australian Property Institute of Valuers at least once every three years. It has been the Group's practice in the majority of cases to have such valuations performed every six months.

We considered the valuation of investment properties to be a key audit matter due to the:

- Financial significance of investment properties in the Consolidated Statement of Financial Position (including those within investments accounted for using the equity method).
- Potential for changes in the fair value of investment properties to have a significant effect on the Consolidated Statement of Comprehensive Income.
- The inherently subjective nature of the assumptions that underpin the valuations, including the capitalisation and discount rates.

including controls relating to the review and approval of the valuations adopted.

- We agreed the fair values of all properties to the external or internal valuation models, or to the acquisition price for properties acquired close to year end where this was considered to be appropriate evidence of fair value.
- For selected data inputs to the valuations, we agreed relevant details to supporting documentation. For example, on a sample basis we compared the rental income used in the investment property valuations to relevant lease agreements.
- We performed a risk-based assessment of the investment property portfolio to determine those properties at greater risk of being carried at amounts other than fair value. Our risk-based selection criteria included qualitative considerations and quantitative measures which were informed by our knowledge of each property, its asset class and our understanding of the current market conditions.
- For those properties which met our selection criteria, we performed procedures to assess the appropriateness of selected assumptions used in the valuations. These procedures included, amongst others:
    - Discussions held with management on the specifics of the selected individual properties including, where relevant, any new leases signed during the year, lease expiries, incentives, capital expenditure and vacancy rates.
    - Assessing the capitalisation rate and discount rate used in the valuations by reference to market analysis published by industry experts and recent market transactions.
    - Testing the mathematical accuracy of the valuation calculations.
- As the Group engaged independent valuation firms to assist in the determination

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of the fair value of certain investment properties, we considered the independence, experience and competency of the independent valuation firms as well as the results of their work.

- We met with a selection of independent valuation firms used by the Group to develop an understanding of their processes, judgements and observations.
- We assessed the reasonableness of the Group's disclosures in the Group financial report against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter

Carrying amount of indefinite life assets (Management Rights and Goodwill)
(Refer to Note 19)

The Group's indefinite life intangible assets comprises management rights $433.7 million (2021: $300.5 million) and goodwill $55.4 million (2021: $0.9 million). The balance increased during the year as a result of the APN Property Group acquisition.

The Group performed impairment testing at 30 June 2022 of the indefinite life assets by comparing the recoverable amount of the indefinite life assets to their carrying amount. The Group concluded that the indefinite life assets were not impaired.

We consider the carrying amount of indefinite life assets a key audit matter given the:

- Financial significance of the balance in the Consolidated Statement of Financial Position.
- Degree of estimation uncertainty and judgement used in estimating the recoverable amount of indefinite life assets.
- Sensitivity of the Group's assessment of the recoverable amount of indefinite life assets to changes in assumptions such as terminal capitalisation rates, discount rates, and the growth rates applied to forecast cash flows.

We assessed the methodology applied in the Group's impairment models (the models) and evaluated the appropriateness of the significant assumptions used to determine the recoverable amount of the indefinite life assets in those models.

Our audit included the following procedures, amongst others, in conjunction with PwC valuation experts:

- We assessed whether the allocation of the Group's management rights and goodwill to cash generating units (CGU) was in line with Australian Accounting Standards and consistent with our knowledge of the Group's operations.
- We tested the mathematical accuracy of the impairment model calculations.
- We assessed the appropriateness of the Group's impairment model methodology against commonly accepted valuation practice, and the appropriateness of selected inputs and assumptions used in the models by comparison to our knowledge of the Group's operations and observable market factors. These included terminal capitalisation rates, discount rates and growth rates.
- We evaluated the appropriateness of forecasted cash flows by reference to Board approved budgets and tested the mathematical accuracy of the underlying

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calculations. For cash flows beyond year three that were not covered by formal budgets, we have assessed the appropriateness of the growth rates applied.

- We evaluated the Group's historical ability to forecast future cash flows by comparing a selection of prior year budgets to reported actual results.
- We assessed the reasonableness of the disclosures made in Note 19, including those related to estimation uncertainty, against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter

Acquisition Accounting (APN and Jandakot)
(Refer to Notes 26 and 10)

On 13 August 2021, the Group acquired 100% of the issued share capital of APN Property Group (APN) for total consideration of $263.5 million.

The Group also executed a number of transactions between November 2021 and April 2022 that resulted in the Group holding an interest at 30 June 2022 of 32% in Jandakot Airport Holding Trust and 34.7% in Jandakot Airport Domestic Trust (collectively, Jandakot).

We consider the acquisition accounting for these transactions a key audit matter given the:

- Financial significance of the associated balances in the Consolidated Statement of Financial Position.
- The judgement required in assessing the Group's ability to influence APN and Jandakot's financial and operating policies and hence whether the associated entities should be accounted for through consolidation or equity accounting.
- The complexity and judgement required in assessing the fair value of the assets and liabilities acquired. The Group engaged external valuation experts to assist in the determination of fair values for selected balances.
- Sensitivity of the Group's assessment of the valuation of indefinite life assets to changes in assumptions such as terminal

Our audit included the following procedures, amongst others:

- Evaluating the appropriateness of the Group's accounting for the acquisitions against the requirements of Australian Accounting Standards and key transaction agreements.
- Assessing the reasonableness of the fair values of selected assets and liabilities acquired, including:
  - Evaluating the appropriateness of the methodology used by the Group in determining the fair value of indefinite life assets and the appropriateness of selected inputs and assumptions used including:
    - Assessing whether the allocation of the indefinite life assets to cash generating units (CGU) was in line with Australian Accounting Standards and consistent with our knowledge of the Group's operations.
    - Assessing the appropriateness of the Group's valuation model methodology against commonly accepted valuation practice, and the appropriateness of selected inputs and assumptions used in the models by comparison to our knowledge of the Group's

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capitalisation rates, discount rates, and the growth rate applied to forecast cash flows.

operations and observable market factors. These included the terminal capitalisation rate, discount rates and growth rates.

- Evaluating the appropriateness of forecasted cash flows used in the valuation models and testing the mathematical accuracy of the underlying calculations. For cash flows beyond year three that were not covered by formal budgets, we compared the growth rates applied to observable market expectations.
- Evaluating the Group's historical ability to forecast future cash flows by comparing a selection of prior year budgets to reported actual results.

- Agreeing the fair values of all newly acquired investment properties and development land to the relevant external valuation reports.
- Considering selected purchase price adjustments in light of the requirements of Australian Accounting Standards.
- Assessing the competence and capability of the Group's independent valuation experts and the results of their work.
- Testing the mathematical accuracy of the Group's purchase price allocation calculations.
- Assessed the reasonableness of the financial statement disclosures for against the requirements of Australian Accounting Standards requirements.

Other information

The Directors of Dexus Funds Management Limited as the Responsible Entity of the Trust (the Directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the Group financial report and our auditor's report thereon.

Our opinion on the Group financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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In connection with our audit of the Group financial report our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Group financial report

The Directors are responsible for the preparation of the Group financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the Group financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Group financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Group financial report

Our objectives are to obtain reasonable assurance about whether the Group financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Group financial report.

A further description of our responsibilities for the audit of the Group financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

M Lunn

Matthew Lunn
Partner

Sydney
16 August 2022

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