DEXUS Industrial Trust

(ARSN 090 879 137)

Financial Report
30 June 2015

DEXUS
PROPERTY GROUP

Contents Page

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

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

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Industrial Trust present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2015. The consolidated Financial Statements represents DEXUS Industrial Trust and its consolidated entities (DIT or the Trust).

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

1 Directors and Secretaries

1.1 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
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Penny Bingham-Hall	10 June 2014
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2015 are as follows:

Brett D Cameron LLB/BA (Science & Technology), GAICD
Appointed: 31 October 2014

Brett is the General Counsel and Company Secretary of DEXUS Property Group companies and is responsible for the legal function, company secretarial services and compliance, risk 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 19 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.

Scott D Mahony B Bus (Acc) MBA (e-commerce) Grad Dip (Applied Corporate Governance) AGIA, RMIA
Appointed: 1 April 2014

Scott is the General Manager, Compliance, Risk and Governance and is responsible for the development, implementation and oversight of DEXUS's compliance, property & corporate risk management and corporate governance 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.

Scott graduated from Charles Sturt University with a Bachelor of Business (Accountancy), a Graduate Diploma in Business Administration and an MBA. He has completed a Graduate Diploma in Applied Corporate Governance through the Governance Institute of Australia, and is a member of both the Risk Management Institution of Australasia and the Governance Institute of Australia.

2 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 11 times during the year. Ten Board meetings were main meetings and one meeting was held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	10	10	1	1
Elizabeth A Alexander, AM	10	10	1	1
Penny Bingham-Hall	10	10	1	1
John C Conde, AO	10	10	1	1
Tonianne Dwyer	10	10	1	1
Craig D Mitchell	10	10	1	1
W Richard Sheppard	10	10	1	1
Darren J Steinberg	10	10	1	1
Peter B St George	10	10	1	1

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.

During 2014, the Group undertook a detailed review of its Board Committee structure which resulted in the implementation of a streamlined Board Committee structure from 1 September 2014.

The table below sets out the number of Board Committee meetings held during the year for the Committees in place between 1 September 2014 and 30 June 2015 and each Director's attendance at those meetings.

	Board Audit Committee		Board Risk Committee		Board Nomination Committee		Board People & Remuneration Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	-	-	-	-	3	3	4	4
Elizabeth A Alexander, AM	3	3	-	-	-	-	-	-
Penny Bingham-Hall	-	-	4	4	-	-	4	4
John C Conde, AO	-	-	-	-	3	3	4	4
Tonianne Dwyer	3	3	4	4	-	-	-	-
Craig D Mitchell	-	-	-	-	-	-	-	-
W Richard Sheppard	3	3	4	4	3	3	-	-
Darren J Steinberg	-	-	-	-	-	-	-	-
Peter B St George	3	3	4	4	-	-	-	-

Craig D Mitchell and Darren J Steinberg were not members of any Board Committees during the year ended 30 June 2015.

2 Attendance of Directors at Board meetings and Board Committee meetings (continued)

The table below sets out the number of Board Committee meetings held during the year for the Committees in place between 1 July 2014 and 31 August 2014 and each Director's attendance at those meetings.

	Board Audit, Risk & Sustainability Committee		Board Compliance Committee		Board Nomination, Remuneration & Governance Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	1	1	-	-	1	1	1	1
Elizabeth A Alexander, AM	1	1	-	-	-	-	-	-
Penny Bingham-Hall	-	-	-	-	-	-	-	-
John C Conde, AO	-	-	-	-	1	1	-	-
Tonianne Dwyer	-	-	1	1	1	1	-	-
Craig D Mitchell	-	-	-	-	-	-	-	-
W Richard Sheppard	1	1	-	-	-	-	1	1
Darren J Steinberg	-	-	-	-	-	-	-	-
Peter B St George	-	-	-	-	-	-	1	1

3 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
Christopher T Beare	16,667
Elizabeth A Alexander, AM	16,667
Penny Bingham-Hall	8,334
John C Conde, AO	16,667
Tonianne Dwyer	16,667
Craig D Mitchell	300,834[1]
W Richard Sheppard	70,090
Darren J Steinberg	604,928[1]
Peter B St George	17,333

1 Includes interests held directly and through performance rights.

4 Review and results of operations

The results for the year ended 30 June 2015 were:

- profit attributable to unitholders was $56.6 million (2014: $40.0 million profit);
- total assets were $1,082.4 million (2014: $944.3 million); and
- net assets were $924.9 million (2014: $868.0 million).

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

5 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	Date resigned
Christopher T Beare	Mnemon Group Limited	6 November 2009	27 May 2013
	Flexigroup Limited	1 July 2014	
Elizabeth A Alexander, AM	Medibank Private Limited[2]	31 October 2008	
Penny Bingham-Hall	Bluescope Steel Limited	29 March 2011	
John C Conde, AO	Whitehaven Coal Limited	3 May 2007	
	Cooper Energy Limited	25 February 2013	
Tonianne Dwyer	Cardno Limited	25 June 2012	
	Metcash Limited	24 June 2014	
W Richard Sheppard	Echo Entertainment Group	21 November 2012	
Peter B St George	Boart Longyear Limited	21 February 2007	21 May 2013
	First Quantum Minerals Limited[1]	20 October 2003	

1 Listed for trading on the Toronto Stock Exchange in Canada and the London Stock Exchange in the United Kingdom.

2 Listed for trading on the Australian Securities Exchange since 24 November 2014.

6 Principal activities

During the year the principal activity of the Trust was investment in real estate assets. There were no significant changes in the nature of the Trust's activities during the year.

7 Total value of Trust assets

The total value of the assets of the Trust as at 30 June 2015 was $1,082.4 million (2014: $944.3 million). Details of the basis of this valuation are outlined in the Notes to the Financial Statements and form part of this Directors' Report.

8 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 Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Trust.

9 Significant changes in the state of affairs

The Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the 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 years.

10 Matters subsequent to the end of the financial year

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the 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 years.

11 Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2015 are outlined in note 7 of the Notes to the Financial Statements and form part of the Directors' Report.

12 DXFM fees

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2015 are outlined in note 17 of the Notes to the Financial Statements and form part of this Directors' Report.

13 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 2015 are detailed in note 12 of the Notes to the Financial Statements and form part of this Directors' report.

Details of the number of interests in the Trust held by DXFM or its associates as at the end of the financial year are outlined in note 17 of the Notes to the Financial Statements and form part of this Directors' report.

The trust did not have any options on issue as at 30 June 2015 (2014: nil).

14 Environmental regulation

The Group's senior management, through its Board Risk Committee, oversee 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.

15 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 DEXUS Holdings Pty Limited (DXH).

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 Trust inappropriately uses or discloses a report prepared by PwC. The Auditor, PwC, is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

16 Audit

16.1 Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

16.2 Non-audit services

The Trust may decide to employ the Auditor on assignments, in addition to their statutory audit duties, where the Auditor's expertise and experience with the Trust and/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 15 of the Notes to the Financial Statements.

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*.

16 Audit (continued)

16.2 Non-audit services (continued)

The reasons for the Directors being satisfied are:

- a Charter of Audit Independence provides guidelines under which the Auditor may be engaged to provide non-audit services without impairing the Auditor's objectivity or independence.
- the Charter states that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
  - the preparation of tax provisions, accounting records and financial statements;
  - the design, implementation and operation of information technology systems;
  - the design and implementation of internal accounting and risk management controls;
  - conducting valuation, actuarial or legal services;
  - consultancy services that include direct involvement in management decision making functions;
  - investment banking, borrowing, dealing or advisory services;
  - acting as trustee, executor or administrator of trust or estate;
  - prospectus independent expert reports and being a member of the due diligence committee; and
  - providing internal audit services.
- the Board Audit Committee regularly reviews the performance and independence of the Auditor and whether the independence of this function has been maintained having regard to the provision of non-audit services. The Auditor has provided a written declaration to the Board regarding its independence at each reporting period and Board Audit Committee approval is required before the engagement of the Auditor to perform any non-audit service for a fee in excess of $100,000.

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

16.3 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of this Directors' Report.

17 Corporate governance

DXFM's Corporate Governance Statement is set out in a separate section of the DEXUS Property Group Annual Report.

18 Rounding of amounts and currency

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

19 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 11 August 2015. The Directors have the power to amend and reissue the Financial Statements.

Christopher T Beare	**Darren J Steinberg**
Chair	Chief Executive Officer
11 August 2015	11 August 2015

Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Industrial Trust for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

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

E A Barron
Partner
PricewaterhouseCoopers

Sydney
11 August 2015

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	Note	2015 $'000	2014 $'000
Revenue from ordinary activities			
Property revenue	2	**66,737**	87,069
Interest revenue	3	**3,850**	19
Total revenue from ordinary activities		**70,587**	87,088
Net fair value gain of investment properties		**20,405**	-
Net gain on sale of investment properties		**62**	-
Net fair value gain of derivatives		**38**	-
Net foreign exchange gain		**-**	596
Other income		**-**	26
Total income		**91,092**	87,710
Expenses			
Property expenses	2	**(14,608)**	(19,529)
Management fee expense		**(2,183)**	(2,567)
Finance costs	4	**(7,325)**	(20,731)
Net fair value loss of derivatives		**-**	(252)
Net fair value loss of investment properties		**-**	(683)
Net loss on sale of investment properties		**-**	(4,892)
Net foreign exchange loss		**(9,596)**	-
Corporate and administration expenses		**(775)**	(813)
Total expenses		**(34,487)**	(49,467)
Profit/(loss) before tax		**56,605**	38,243
Income tax benefit	5	**-**	973
Profit after tax from continuing operations		**56,605**	39,216
Profit/(loss) from discontinued operations		**-**	812
Profit/(loss) for the year		**56,605**	40,028
Other comprehensive income/(loss):			
Foreign currency translation reserve transfer on disposal of foreign operations	13(a)	**-**	(812)
Exchange differences on translating foreign operations	13(a)	**-**	132
Total other comprehensive income/(loss)		**-**	(680)
Total comprehensive income/(loss) for the year		**56,605**	39,348

		Cents	Cents [1]
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity			
Basic earnings per unit	6	**6.20**	5.02
Diluted earnings per unit	6	**6.20**	5.02

[1] Restated to reflect the one-for-six security consolidation

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

Consolidated Statement of Financial Position

As at 30 June 2015

	Note	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	14(a)	**1,979**	2,197
Receivables	14(b)	**4,293**	5,758
Non-current assets classified as held for sale	9	**102,200**	-
Loans with related parties	10(b)(iv)	**138,948**	138,948
Derivative financial instruments	10(c)	**742**	4,375
Other		**1,447**	1,095
Total current assets		**249,609**	152,373
Non-current assets			
Investment properties	8	**655,646**	726,391
Loans with related parties	10(b)(iv)	**168,299**	59,962
Derivative financial instruments	10(c)	**8,834**	5,566
Total non-current assets		**832,779**	791,919
Total assets		**1,082,388**	944,292
Current liabilities			
Payables	14(c)	**68,258**	54,679
Provisions	14(d)	**67,356**	-
Derivative financial instruments	10(c)	**3,961**	-
Total current liabilities		**139,575**	54,679
Non-current liabilities			
Derivative financial instruments	10(c)	**17,931**	21,401
Other		**4**	201
Total non-current liabilities		**17,935**	21,602
Total liabilities		**157,510**	76,281
Net assets		**924,878**	868,011
Equity			
Contributed equity	12	**1,258,587**	1,190,969
Retained profits/(accumulated losses)	13	**(333,709)**	(322,958)
Total equity		**924,878**	868,011

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 2015

	Note	Contributed equity $'000	Retained profits/ (losses) $'000	Reserves $'000	Total equity $'000
Opening balance as at 1 July 2013		1,082,464	(362,986)	680	720,158
Profit/(loss) for the year		-	40,028	-	40,028
Other comprehensive income/(loss) for the year		-	-	(680)	(680)
Total comprehensive income for the year		-	40,028	(680)	39,348
Transactions with owners in their capacity as unitholders:					
Issue of additional equity, net of transaction costs	12	118,969	-	-	118,969
Buy-back of contributed equity, net of transaction costs	12	(10,464)	-	-	(10,464)
Total transactions with owners in their capacity as owners		108,505	-	-	108,505
Closing balance as at 30 June 2014		1,190,969	(322,958)	-	868,011
Opening balance as at 1 July 2014		**1,190,969**	**(322,958)**	**-**	**868,011**
Profit/(loss) for the year		**-**	**56,605**	**-**	**56,605**
Other comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**56,605**	**-**	**56,605**
Transactions with owners in their capacity as unitholders:					
Issue of additional equity, net of transaction costs	12	**67,618**	**-**	**-**	**67,618**
Distributions paid or provided for		**-**	**(67,356)**	**-**	**(67,356)**
Total transactions with owners in their capacity as owners		**67,618**	**(67,356)**	**-**	**262**
Closing balance as at 30 June 2015		**1,258,587**	**(333,709)**	**-**	**924,878**

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

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**72,536**	98,192
Payments in the course of operations (inclusive of GST)		**(21,495)**	(31,791)
Interest received		**20**	19
Finance costs paid to financial institutions		**(7,371)**	(8,739)
Income and withholding taxes received/(paid)		**-**	276
Net cash inflow/(outflow) from operating activities	16	**43,690**	57,957
Cash flows from investing activities			
Proceeds from sale of investment properties		**1,345**	210,263
Payments for capital expenditure on investment properties		**(8,866)**	(11,648)
Net cash inflow/(outflow) from investing activities		**(7,521)**	198,615
Cash flows from financing activities			
Borrowings provided to related parties		**(192,430)**	(421,693)
Borrowings received from related parties		**88,391**	65,954
Payments for buy-back of contributed equity		**-**	(10,464)
Proceeds from issue of additional equity		**67,618**	118,969
Distributions paid to unitholders		**-**	(10,000)
Net cash inflow/(outflow) from financing activities		**(36,421)**	(257,234)
Net increase/(decrease) in cash and cash equivalents		**(252)**	(662)
Cash and cash equivalents at the beginning of the year		**2,197**	2,836
Effects of exchange rate changes on cash and cash equivalents		**34**	23
Cash and cash equivalents at the end of the year		**1,979**	2,197

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

About this Report

In this section

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

Specific accounting policies are described in their respective notes to the 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.

(a) Basis of preparation

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

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

These general purpose Financial Statements have been prepared in accordance with the requirements of the Constitution of the entities within the Group, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements and interpretations of the Australia Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes also comply with International Financial Reporting Standards (IFRS). The Trust is a for-profit entity for the purpose of preparing Financial Statements.

Amounts in these Financial Statements have been presented in Australian dollars and rounded off in accordance with ASIC Class Order 98/100 to the nearest thousand dollars, unless otherwise indicated.

These Financial Statements are prepared on a going concern basis, using historical cost conventions except for investment properties and derivative financial instruments which are stated at their fair value. Refer to the specific accounting policies within the notes to the Financial Statements for the basis of valuation of assets and liabilities measured at fair value.

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

Critical accounting estimates

In the process of applying the Group's accounting policies, management have made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are discussed in the following notes:

Note 8	Investment properties	Page 18
Note 10(c)	Derivative financial instruments	Page 30

(b) Principles of consolidation

These consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2015.

(i) 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) Principles of consolidation (continued)

(ii) Joint arrangements

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

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

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

(c) Foreign currency

The 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 Statement of Comprehensive Income.

(d) 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 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.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The Trust's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* (effective 1 July 2018).
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting and impairment of financial assets. The Trust intends to apply the standard from 1 July 2018. Application of this standard will not affect any of the amounts recognised in the Financial Statements but will require the disclosure of additional information.

AASB 15 *Revenue from Contracts with Customers* (effective 1 July 2018).
AASB 15 *Revenue from Contracts with Customers* clarifies the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Trust intends to apply the standard from 1 July 2018 and does not expect any significant impacts.

(f) Notes to the Financial Statements

The notes include information which is required to understand the Financial Statements and is material and relevant to the operations, financial position and performance of the Trust. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Trust;
- it helps to explain the impact of significant changes in the Trust's business;
- it relates to an aspect of the Trust's operations that is important to its future performance.

The notes to the Financial Statements have been re-ordered and re-written in order to provide more meaningful information to the readers of the Financial Statements. 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	8. Investment properties	10. Capital and financial risk management	15. Audit, taxation and transaction services fees
2. Property revenue and expenses	9. Non-current assets classified as held for sale	11. Commitments and contingencies	16. Reconciliation of net profit to net cash flows from operating activities
3. Interest revenue		12. Contributed equity	17. Related parties
4. Finance costs		13. Reserves and retained profits	18. Parent entity disclosures
5. Taxation		14. Working capital	19. Subsequent events
6. Earnings per unit			
7. Distributions paid and payable			

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 Financial Statements that the Directors consider most relevant in the context of the operations of the Trust, including: operating segments, property revenue and expenses, interest revenue, finance costs, taxation and earnings per unit.

Note 1

Operating segments

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

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

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

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

Note 2

Property revenue and expenses

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. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs. 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.

	2015	2014
	$'000	$'000
Rent and recoverable outgoings	64,358	86,406
Incentive amortisation	(6,653)	(7,050)
Other revenue	9,032	7,713
Total property revenue	66,737	87,069

Property expenses include rates, taxes and other property outgoings incurred in relation to investment properties.

Note 3

Interest revenue

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the Statement of Financial Position as a receivable.

	2015	2014
	$'000	$'000
Interest revenue from financial insititutions	20	19
Interest revenue from related parties	3,830	-
Total interest revenue	3,850	19

Note 4

Finance costs

Borrowing costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings and net fair value movements of interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

Qualifying assets include investment properties which take more than 12 months to develop for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and develop the asset for its intended use or sale. 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 a weighted average capitalisation rate.

	2015	2014
	$'000	$'000
Interest paid/payable	1,042	2,297
Interest paid to related parties	-	11,287
Net fair value loss of interest rate swaps	5,975	6,900
Other finance costs	308	247
Total finance costs	7,325	20,731

Note 5

Taxation

Under current Australian income tax legislation, DIT is not liable for income tax provided it satisfies certain legislative requirements, which were met in the current and previous financial years.

No tax expense was recognised during the year ended 30 June 2015. A reversal of a prior year tax liability during the year ended 30 June 2014 resulted in an income tax benefit of $973,000.

Note 6

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.

The weighted average number of units has been adjusted to reflect the one-for-six security consolidation.

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

	2015	2014
	$'000	$'000
Profit attributable to unitholders of the parent entity	**56,750**	41,157

(b) Weighted average number of units used as a denominator

	2015	2014
	No. of units	No. of units
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	**915,462,824**	820,257,691

Note 7

Distributions paid and payable

Distributions are recognised when declared.

(a) Distribution to unitholders

	2015	2014
	$'000	$'000
30 June (payable 31 August 2015)	**67,356**	-
Total distributions to unitholders	**67,356**	-

(b) Distribution rate

	2015	2014
	Cents per security	Cents per security
30 June (payable 31 August 2015)	**6.94**	-
Total distributions	**6.94**	-

Property portfolio assets

In this section

Property portfolio assets are used to generate the Trust's performance and are considered to be the most relevant to the operations of the Trust. The assets are detailed in the following notes:
- *Investment properties*: relates to investment properties, both stabilised and under development.
- *Non-current assets classified as held for sale:* relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently being marketed for sale.

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

Note 8

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 in the Financial Statements.

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 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 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	Industrial	Development	2015	2014
	$'000	$'000	$'000	$'000	$'000
Opening balance at the beginning of the year	150,764	565,424	10,203	726,391	925,526
Additions	1,380	3,700	470	5,550	7,578
Lease incentives	3,318	9,120	-	12,438	8,820
Amortisation of lease incentives	(3,168)	(3,485)	-	(6,653)	(7,050)
Rent straightlining	188	1,176	-	1,364	552
Disposals	-	(1,649)	-	(1,649)	(208,352)
Transfer to non-current assets classified as held for sale[1]	-	(102,200)	-	(102,200)	-
Net fair value gain/(loss) of investment properties	3,168	17,910	(673)	20,405	(683)
Closing balance at the end of the year	155,650	489,996	10,000	655,646	726,391

1 As at 30 June 2015, certain properties have been contracted to transfer within the DXS Group. These transfers eliminate on consolidation in the DXS Group Financial Statements.

Disposals

- On 23 January 2015, 79A Egerton Street, Silverwater, NSW, was disposed of for gross proceeds of $1.7 million (carrying value of $1.6 million).

Note 8

Investment properties (continued)

(b) Valuation process

Independent valuations are carried out for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations. Independent valuations may be undertaken earlier where the Responsible Entity believes there is potential for a material change in the fair value of the property being the greatest of 5% of the asset value, or $5 million.

The Trust's investment properties are required to be internally valued at least every six months unless they have been independently valued during the current reporting period. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine 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) 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	Fair value 2015 $'000	Fair value 2014 $'000	Inputs used to measure fair value	Range of unobservable inputs 2015	Range of unobservable inputs 2014
Office[1]	Level 3	**155,650**	150,764	Adopted capitalisation rate	**8.25%**	8.50%
				Adopted discount rate	**9.00%**	9.25%
				Adopted terminal yield	**8.25%**	8.50%
				Current net market rental (per sqm)	**$378**	$370
				10 year average market rental growth	**2.84%**	3.05%
Industrial	Level 3	**489,996**	565,424	Adopted capitalisation rate	**7.00% - 11.00%**	7.25% - 11.00%
				Adopted discount rate	**8.25% - 11.50%**	9.00% - 11.50%
				Adopted terminal yield	**7.50% - 11.00%**	7.75% - 11.00%
				Current net market rental (per sqm)	**$40 - $305**	$43 - $300
				10 year average market rental growth	**2.45% - 3.25%**	2.52% - 3.26%
Development	Level 3	**10,000**	10,203	Land rate (per sqm)	**$418**	$418
Total		**655,646**	726,391			

1 Excludes car parks.

Note 8

Investment properties (continued)

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 regards 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 regards 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 regards to market evidence and the prior external valuation.
- **Net market rental (per sqm)**: 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.
- **10 year average market rental growth**: The expected annual rate of change in market rent over a 10 year forecast period in alignment with expected market movements. The rate is determined with reference to forecast market movements.
- **Land rate (per sqm)**: The land rate is the market land value per sqm.

(d) 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:

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Adopted capitalisation rate Adopted discount rate Adopted terminal yield	Decrease	Increase
Net market rental (per sqm) 10 year average market rental growth Land rate (per sqm)	Increase	Decrease

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 total net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the total net market rent. A directionally opposite change in the total 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 cashflow 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.

Note 8

Investment properties (continued)

(d) Sensitivity information (continued)

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

Note 9

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

Assets classified as held for sale relate to investment properties and are measured at fair value.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

Capital and financial risk management and working capital

In this section

The Trust's overall risk management program focuses on reducing volatility from impacts in movements of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust. Note 10 *Capital and financial risk management* outlines how the Trust manages its exposure to a variety of financial risks (interest rate risk, foreign currency risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Trust.

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 shareholders (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: *Commitments and contingencies* in note 11;
- Equity: *Contributed equity* in note 12 and *Reserves and retained profits* in note 13.

Note 14 provides a breakdown of the working capital balances held in the Statement of Financial Position.

Note 10

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 Trust. The Group Management Committee generally meets weekly. 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 DXS Group's credit rating; and
- other market factors.

The trust is not rated by rating 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, the Responsible Entity for the Trust, 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.

Note 10

Capital and financial risk management (continued)

(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, other than derivatives, comprise cash and related party loans. The main purpose of financial instruments is to manage liquidity and hedge the Trust's exposure to financial risks namely:

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

The Trust uses derivatives to reduce the Trust's exposure to fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation or a right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative financial instruments that the Trust may use to hedge its risks include:

- interest rate swaps;
- cross currency interest rate swaps;
- foreign exchange contracts; and
- option contracts (interest rate).

The Trust does not trade in derivative instruments for speculative purposes. The Trust uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure and conducting sensitivity analysis.

(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 predominately 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 as variable interest rates may increase.

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.

The Trust maintains a mix of offshore and local currency fixed rate and variable rate debt, as well as a mix of long term and short term debt. The Trust primarily enters into interest rate swaps and cross currency interest rate swap agreements to manage the associated interest rate risk. The Trust hedges the interest rate and currency risk on the majority of its foreign currency borrowings by entering into cross currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings at contracted rates. The derivative contracts are recorded at fair value in the Statement of Financial Position, being the market value as quoted in an active market.

Interest rate swaps require settlement of net interest receivable or payable each 90 or 180 days. The settlement dates coincide with the dates on which the interest is payable on the underlying debt. The receivable and payable legs on interest rate swap contracts are settled on a net basis. The net notional amount of average fixed rate debt and interest rate swaps in place in each year and the weighted average effective hedge rate is set out below.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(i) Market risk (continued)

Interest rate risk (continued)

	June 2016 $'000	June 2017 $'000	June 2018 $'000	June 2019 $'000	June 2020 $'000	> June 2021 $'000
Interest rate swaps						
A$ hedged[1]	261,667	220,000	150,833	170,000	40,000	-
A$ hedge rate (%)	4.64%	4.20%	5.62%	6.03%	2.04%	0.00%
Combined fixed debt and swaps (A$ equivalent)	261,667	220,000	150,833	170,000	40,000	-
Hedge rate (%)	4.64%	4.20%	5.62%	6.03%	2.04%	0.00%

1 Amounts do not include fixed rate debt that has been swapped to floating rate debt through cross currency swaps.

Sensitivity analysis on interest expense

The table below shows the impact on the Trust's net interest expense of a 50 basis point increase or decrease 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 and derivative cash flows. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

		2015 (+/-) $'000	2014 (+/-) $'000
+/- 0.50% (50 basis points)	A$	**652**	432
Total A$ equivalent		**652**	432

The increase or decrease in interest expense is proportional to the increase or decrease in interest rates.

Sensitivity analysis on fair value of interest rate swaps

The sensitivity analysis on interest rate swaps below shows the effect on net profit or loss for changes in the fair value of interest rate swaps for a 50 basis point increase or decrease in short-term and long-term market interest rates. The sensitivity on fair value arises from the impact that changes in market rates will have on the valuation of the interest rate swaps.

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows on the instruments. Although interest rate swaps are transacted for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting to these instruments. Accordingly, gains or losses arising from changes in the fair value are reflected in the profit or loss.

		2015 (+/-) $'000	2014 (+/-) $'000
+/- 0.50% (50 basis points)	A$	**3,538**	4,217
+/- 0.50% (50 basis points)	US$	**(150)**	(328)
Total A$ equivalent		**3,388**	3,889

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(i) Market risk (continued)

Interest rate risk (continued)

Sensitivity on fair value of cross currency swaps

The sensitivity analysis on cross currency interest rates swaps below shows the effect on net profit or loss for changes in the fair value for a 50 basis points increase and decrease in market rates. The sensitivity on fair value arises from the impact that changes in short-term and long-term market rates will have on the valuation of the cross currency swaps.

	2015	2014
	(+/-) $'000	(+/-) $'000
+/- 0.50% (50 basis points)	17	77
Total A$ equivalent	**17**	77

1 The above analysis does not include sensitivity to movements in BILLS LIBOR

Foreign currency risk

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Trust's foreign currency risk arises primarily from:

- highly probable forecast transactions denominated in foreign currency; and
- borrowings denominated in foreign currency.

The objective of the Trust's foreign exchange risk management policy is to ensure that movements in exchange rates have minimal adverse impact on the Trust's foreign currency assets and liabilities.

Foreign currency assets and liabilities

Where foreign currency borrowings are used to fund Australian investments, the Trust transacts cross currency swaps to reduce the risk that movements in foreign exchange rates will have an impact on security holder's equity and net tangible assets.

(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.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

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 Group'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.

	2015					2014				
	Within one year	Between one and two years	Between two and five years	After five years	Total	Within one year	Between one and two years	Between two and five years	After five years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash	1,979	-	-	-	1,979	2,197	-	-	-	2,197
Receivables	4,293	-	-	-	4,293	5,758	-	-	-	5,758
Payables	(68,258)	-	-	-	(68,258)	(54,679)	-	-	-	(54,679)
	(61,986)	-	-	-	(61,986)	(46,724)	-	-	-	(46,724)
Interest bearing liabilities & interest										
Loans receivable/(payable) with related parties and interest[1]	(8,270)	(8,270)	(176,569)	-	(193,108)	2,898	2,898	65,758	-	71,554
Derivative financial instruments										
Derivative assets	2,165	27,458	-	-	29,623	49,929	1,222	22,384	-	73,535
Derivative liabilities	(7,212)	(22,558)	(20,660)	-	(50,430)	(51,319)	(6,149)	(26,812)	(1,652)	(85,932)
Total net derivative financial instruments[2]	(5,047)	4,900	(20,660)	-	(20,807)	(1,390)	(4,927)	(4,428)	(1,652)	(12,397)

1 Includes estimated interest.
2 The notional maturities on derivatives are shown for cross currency interest rate swaps (refer to foreign exchange rate risk) as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. Refer to note 10(c) for fair value of derivatives. Refer to note 11(b) for financial guarantees.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(iii) Credit risk

Credit risk is the risk that 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 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 a S&P, Moody's and Fitch credit rating. The exposure includes the current market value of in-the-money contracts as well as potential exposure, which is measured with reference to credit conversion factors as per APRA guidelines;
- entering into ISDA Master Agreements once a financial institution counterparty is approved;
- monitoring tenant exposure within approved credit limits;
- 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.

A minimum S&P rating of A– (or Moody's or Fitch 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 and on derivative financial instruments with financial institutions. The Trust has a policy that sets limits as to the amount of credit exposure to each financial institution. New derivatives and 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 2015 is the carrying amounts of financial assets recognised on the Statement of Financial Position.

As at 30 June 2015, there were no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are monitored on an ongoing basis. The tables below show the ageing analysis of loans and receivables net of provisions of the Trust.

	2015	2014
	$'000	$'000
0-30 days	**2,343**	5,393
31-60 days	**146**	133
61-90 days	**64**	54
Over 91 days	**1,740**	178
Total receivables net of provisions	**4,293**	5,758

Amounts over 31 days are past due, however, no receivables are impaired. The credit quality of financial assets that are neither past due nor impaired is monitored to make sure there are no adverse changes in credit quality.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(iv) Fair value

The Trust has classified its financial assets and liabilities as follows:

Financial asset/liability	Classification	Valuation basis	Reference
Receivables[1]	Loans and receivables	Amortised cost	Refer to note 14(b)
Payables[1]	Financial liability at amortised cost	Amortised cost	Refer to note 14(c)
Non-interest bearing loan from related party	Loans and receivables	Amortised cost	Refer to note 17
Derivatives	Fair value through profit or loss	Fair value	Refer to note 10(c)

1 The face value of these is approximately equal to their fair value; these amounts are unsecured and are usually paid within 30 days of recognition.

Financial assets and liabilities are classified in accordance with the purpose for which they were acquired. As noted in section (c) below, derivative financial instruments are initially recognised in the Statement of Financial Position at fair value on the date on which the derivative contract is entered into and subsequently remeasured to fair value.

The valuation techniques applied by the Trust are consistent with those applied in prior year financial reports. The valuation technique used to measure the various financial instruments namely foreign currency contracts and interest rate contracts is based on market observable spot exchange rates and interest rate yield curves. This method records any change in fair value of a derivative in the Financial Statements.

The carrying amounts and estimated fair value of all the Group's financial assets and liabilities recognised in the Financial Statements are as follows:

	2015 Carrying amount[1] $'000	**2015 Fair value[2] $'000**	2014 Carrying amount[1] $'000	2014 Fair value[2] $'000
Financial assets				
Cash and cash equivalents	**1,979**	**1,979**	2,197	2,197
Loans and receivables (current)	**4,293**	**4,293**	5,758	5,758
Derivative assets	**9,576**	**9,576**	9,941	9,941
Non-interest bearing loans with related parties[3]	**138,948**	**138,948**	138,948	138,948
Interest bearing loans with related parties[4]	**168,299**	**168,299**	59,962	59,962
Total financial assets	**323,095**	**323,095**	216,806	216,806
Financial liabilities				
Trade payables	**68,258**	**68,258**	54,679	54,679
Derivative liabilities	**21,892**	**21,892**	21,401	21,401
Total financial liabilities	**90,150**	**90,150**	76,080	76,080

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.
2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.
3 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DDF, DOT and DXO. These loan balances eliminate on consolidation within DXS.
4 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(iv) Fair value (continued)

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

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

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

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

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

(v) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where the Trust currently has 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. The Trust has also entered into arrangements that do not meet the criteria for offsetting except in certain circumstances such as bankruptcy or the termination of the underlying contract.

The Trust does not have any agreements in place with derivative counterparties that allow for offsetting financial assets and financial liabilities.

Master netting arrangements - not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Trust does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Statement of Financial Position.

(c) Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables including interest rates or exchange rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure and the Trust uses derivatives to manage its exposure to interest rates and foreign exchange risk accordingly.

Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity continually reviews the Trust's exposures and updates its treasury policies and procedures. The Trust does not trade in derivative instruments for speculative purposes.

Derivatives including interest rate swaps, the interest rate component of cross currency swaps, and foreign exchange contracts, are measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income.

At inception the Trust can elect to formally designate and document the relationship between certain hedge derivative instruments (cross currency interest rate swaps only) and the associated hedged items (foreign currency bonds only). The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Note 10

Capital and financial risk management (continued)

(c) Derivative financial instruments (continued)

	2015 $'000	2014 $'000
Current assets		
Interest rate swap contracts	742	1,174
Cross currency swap contracts	-	3,201
Total current assets - derivative financial instruments	742	4,375
Non-current assets		
Interest rate swap contracts	1,766	3,479
Cross currency swap contracts	7,068	2,087
Total non-current assets - derivative financial instruments	8,834	5,566
Current liabilities		
Interest rate swap contracts	3,953	-
Cross currency swap contracts	8	-
Total current liabilities - derivative financial instruments	3,961	-
Non-current liabilities		
Interest rate swap contracts	17,931	21,401
Total non-current liabilities - derivative financial instruments	17,931	21,401
Net derivative financial instruments	(12,316)	(11,460)

Key assumptions: fair value of derivatives

The fair value of derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates and currency basis) and applying a credit or debit valuation adjustment based on the current credit worthiness of counterparties and the Group.
Refer to note 10(b)(iv) *Capital and financial Risk Management* for further detail.

Note 11

Commitments and contingencies

(a) Commitments

(i) Capital commitments

The following amounts represent remaining capital expenditure on investment properties and inventories contracted at the end of each reporting period but not recognised as liabilities payable:

	2015 $'000	2014 $'000
Investment properties	**1,196**	539
Total capital commitments	**1,196**	539

(ii) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	2015 $'000	2014 $'000
Within one year	**42,095**	41,352
Later than one year but not later than five years	**117,016**	114,438
Later than five years	**71,716**	70,521
Total lease receivable commitments	**230,827**	226,311

(b) Contingencies

The Trust, together with DDF, DOT and DXO, is a guarantor of a total of A$3,572.4 million of interest bearing liabilities (refer note 13 of the DEXUS Property Group Financial Report). The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

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

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

Note 12

Contributed equity

(a) Contributed equity

	2015 $'000	2014 $'000
Opening balance at the beginning of the year	**1,190,969**	1,082,464
Issue of additional equity, net of transaction costs	**67,618**	118,969
Buy-back of contributed equity, net of transaction costs	**-**	(10,464)
Closing balance at the end of the year	**1,258,587**	1,190,969

(b) Number of units on issue

	2015 No. of units	2014 No. of units
Opening balance at the beginning of the year	**5,433,110,810**	4,701,957,390
Issue of additional equity	**65,274,552**	804,882,384
One-for-six security consolidation	**(4,527,579,013)**	-
Buy-back of contributed equity	**-**	(73,728,964)
Closing balance at the end of the year	**970,806,349**	5,433,110,810

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 issue 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 issue of those equity instruments and which would not have been incurred had those instruments not been issued.

On 29 October 2014, the Group announced a one-for-six consolidation of DEXUS Property Group stapled securities. The consolidation was completed on 14 November 2014. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.

Note 13

Reserves and retained profits

(a) Reserves

	2015 $'000	2014 $'000
Foreign currency translation reserve	-	-
Total reserves	-	-
Movements:		
Opening balance at the beginning of the year	-	680
Exchange differences on translating foreign operations	-	132
Foreign currency translation reserve transfer on disposal of foreign operations	-	(812)
Closing balance at the end of the year	-	-

Note 13

Reserves and retained profits (continued)

(b) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of foreign operations.

(c) Retained profits/(accumulated losses)

	2015 $'000	2014 $'000
Opening balance at the beginning of the year	(322,958)	(362,986)
Net profit/(loss) attributable to security holders	56,606	40,028
Distributions provided for or paid	(67,356)	-
Closing balance at the end of the year	**(333,708)**	(322,958)

Note 14

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 and interest revenue are brought to account on an accruals basis. Dividends and distributions are recognised when declared and, if not received at the end of the reporting period, reflected in the 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 doubtful debts. 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 doubtful debts is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables.

	2015 $'000	2014 $'000
Rent receivable	1,966	2,458
Total rental receivables	**1,966**	2,458
Interest receivable	489	-
Other receivables	1,838	3,300
Total other receivables	**2,327**	3,300
Total receivables	**4,293**	5,758

Note 14

Working capital (continued)

(c) Payables

Expenses are brought to account on an accruals basis and, if not paid at the end of the reporting period, are reflected in the Statement of Financial Position as a payable.

These amounts represent liabilities for amounts owing at the end of the reporting period. The amounts are unsecured and are usually paid within 30 days of recognition.

	2015	2014
	$'000	$'000
Trade creditors	**4,248**	5,110
Accruals	**2,455**	2,821
Accrued capital expenditure	**2,417**	909
Prepaid income	**1,121**	1,746
Management fee payable	**185**	392
Accrued interest	**-**	1,409
Other payable to related parties	**52,279**	40,944
Other payables	**5,553**	1,348
Total payables	**68,258**	54,679

(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.

	2015	2014
	$'000	$'000
Provision for distribution	**67,356**	-
Total current provisions	**67,356**	-

Movements in the provision for distribution during the financial year are set out below:

	2015	2014
	$'000	$'000
Provision for distribution		
Opening balance at the beginning of the year	**-**	10,000
Additional provisions	**67,356**	-
Payment of distributions	**-**	(10,000)
Closing balance at the end of the year	**67,356**	-

A provision for distribution has been raise for the period ended 30 June 2015. This distribution is to be paid on 31 August 2015.

Other disclosures

In this section

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

Note 15

Audit, taxation and transaction services fees

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

	2015 $	2014 $
Audit fees		
PwC Australia - audit and review of Financial Statements	**300,000**	285,214
PwC fees paid in relation to outgoings audits	**3,200**	9,000
PwC Australia - regulatory audit and compliance services	**8,500**	7,240
Audit fees paid to PwC	**311,700**	301,454
Taxation fees		
Fees paid to PwC Australia	**-**	5,000
Taxation fees paid to PwC	**-**	5,000
Total audit and taxation fees paid to PwC	**311,700**	306,454
Total audit, taxation and transaction services fees paid to PwC	**311,700**	306,454

Note 16
Reconciliation of net profit to net cash flows from operating activities

(a) Reconciliation

	2015 $'000	2014 $'000
Net profit/(loss) for the year	**56,605**	40,028
Net fair value (gain)/loss of investment properties	**(20,405)**	683
Net fair value (gain)/loss of derivatives	**(38)**	252
Net fair value (gain)/loss of interest rate swaps	**4,549**	6,619
Net (gain)/loss on sale of investment properties	**(62)**	4,892
Net foreign exchange (gain)/loss	**9,596**	(596)
Foreign currency translation reserve transfer on disposal of foreign operations	**-**	(812)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**184**	(317)
(Increase)/decrease in prepaid expenses	**(352)**	1,055
(Increase)/decrease in other non-current assets	**(676)**	2,927
Increase/(decrease) in payables	**(5,514)**	(2,244)
Increase/(decrease) in other non-current liabilities	**(197)**	5,470
Net cash inflow/(outflow) from operating activities	**43,690**	57,957

Note 17
Related parties

Responsible Entity and Investment Manager

DXFM is the Responsible Entity of the Trust.

Management fees

Under the terms of the Trust's Constitutions, the Responsible Entity is 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.

Related party transactions

Responsible Entity fees in relation to the Trust assets are on a cost recovery basis.

Note 17

Related parties (continued)

There were a number of transactions and balances between the Trust and the Responsible Entity and its related entities, as detailed below:

DEXUS Funds Management Limited and its related entities

	2015 $	2014 $
Responsible Entity fees paid and payable	**2,229,262**	2,566,697
Property management fees paid and payable to DXPS	**1,710,226**	1,869,777
Responsible Entity fees payable at the end of each reporting period (included above)	**184,866**	193,384
Property management fees payable at the end of each reporting period (included above)	**1,174,176**	244,950
Administration expenses payable at the end of each reporting period (included above)	**50,667**	50,879
Sale of 1-55 Rothchild Ave, Rosebery, NSW to DXO	**-**	34,514,275
Sale of 5-13 Rosebery Ave, Rosebery, NSW to DXO	**-**	58,887,127

Entities within DXS

Aggregate amounts included in the determination of profit that resulted from transactions with each class of other related parties:

	2015 $	2014 $
Interest revenue	**3,829,655**	-
Interest expense	**-**	11,287,303
Interest bearing loans advanced from entities within DXS	**88,391,440**	65,954,000
Interest bearing loans advanced to entities within DXS	**192,429,525**	421,693,000

Directors

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD [1,2,3,5,6,7]
E A Alexander, AM, BComm, FCA, FAICD, FCPA [1,3,8]
P Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin) [1,7,9]
J C Conde, AO, BSc, BE (Hons), MBA [1,2,6,7]
T Dwyer, BJuris (Hons), LLB (Hons) [1,2,4,8,9]
C D Mitchell, BComm, MBA (Exec), FCPA , HBS (AMP)
W R Sheppard, BEc (Hons) [1,3,5,6,8,9]
D J Steinberg, BEc, FRICS, FAPI
P B St George, CA(SA), MBA [1,5,8,9]

1 Independent Director.
2 Board Nomination, Remuneration & Governance Committee Member until 31 August 2014.
3 Board Audit, Risk & Sustainability Committee Member until 31 August 2014.
4 Board Compliance Committee Member until 31 August 2014.
5 Board Finance Committee Member until 31 August 2014.
6 Board Nomination Committee Member from 1 September 2014.
7 Board People & Remuneration Committee Member from 1 September 2014.
8 Board Audit Committee Member from 1 September 2014.
9 Board Risk Committee Member from 1 September 2014.

Note 17

Related parties (continued)

Other key management personnel

In addition to the Directors listed above, the following persons were deemed by the Board People & Remuneration Committee to be key management personnel during all or part of the financial year:

Name	Title
Ross Du Vernet	Executive General Manager, Strategy, Transactions & Research
Kevin George	Executive General Manager, Office & Industrial

Key management personnel compensation

	2015 $	2014 $
Compensation		
Short-term employee benefits	**7,453,029**	7,428,170
Post employment benefits	**219,677**	189,291
Other long-term benefits	**-**	47,700
Security-based payments	**2,595,615**	1,995,116
	10,268,321	9,660,277

Equity instrument disclosures relating to key management personnel

The relevant interest in DXS stapled securities held during the financial year by each key management personnel, including their personally related parties, are set out below:

	Opening Balance 1 July 2014	One-for-six security consolidation	Purchases	Performance rights granted	Other change	Opening Balance 30 June 2015
Directors	3,993,960	(3,328,298)	8,334	394,191	-	1,068,187
Other key management personnel	1,324,458	(1,103,715)	-	127,653	-	348,396
Total	5,318,418	(4,432,013)	8,334	521,844	-	1,416,583

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants (refer to note 21 of the DEXUS Property Group Financial Report).

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2015 and 30 June 2014.

Note 18

Parent entity disclosures

The financial information for the parent entity, DEXUS Diversified 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.

(a) Summary financial information

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

	2015	2014
	$'000	$'000
Total current assets	**246,634**	164,251
Total assets	**1,075,781**	940,322
Total current liabilities	**135,262**	53,145
Total liabilities	**153,194**	74,747
Equity		
Contributed equity	**1,258,587**	1,190,969
Retained profits	**(336,000)**	(325,394)
Total equity	**922,587**	865,575
Profit/(loss) for the year	**56,750**	41,157
Total comprehensive income/(loss) for the year	**56,750**	41,157

(b) Investments in controlled entities

The parent entity has the following investments:

		Ownership interest	
		2015	2014
Name of entity	**Principal activity**	**%**	%
Foundation Macquarie Park Trust	Industrial property investment	**100.0**	100.0
DEXUS PID Trust	Industrial property investment	**100.0**	100.0
DIT Subtrust No. 1	Industrial property investment	**100.0**	100.0

(c) Guarantees entered into by the parent entity

Refer to note 11 for details of guarantees entered into by the parent entity.

(c) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 (2014: nil).

(d) Capital commitments

The following amounts represent capital expenditure of the parent entity on investment properties contracted at the end of the reporting period but not recognised as liabilities payable:

	2015	2014
	$'000	$'000
Investment properties	**907**	136
Total capital commitments	**907**	136

Note 19

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 Financial Statements that has significantly or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future financial periods.

The Directors of DEXUS Funds Management Limited as Responsible Entity of DEXUS Industrial Trust declare that the Financial Statements and notes set out on pages 8 to 40:

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

(ii) give a true and fair view of the Trust's financial position as at 30 June 2015 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

(a) the 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 1 August 1997 (as amended) during the year ended 30 June 2015.

The 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 Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Christopher T Beare
Chair
11 August 2015

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

Report on the financial report

We have audited the accompanying financial report of DEXUS Industrial Trust (the registered scheme), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for DEXUS Industrial Trust (the consolidated entity). The consolidated entity comprises the registered scheme and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In the Basis of preparation, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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

pwc

Auditor's opinion

In our opinion:

(a) the financial report of DEXUS Industrial Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the Basis of preparation.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of DEXUS Industrial Trust (the registered scheme) for the year ended 30 June 2015 included on DEXUS Industrial Trust's web site. The registered scheme's directors are responsible for the integrity of DEXUS Industrial Trust's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

E A Barron
Partner

Sydney
11 August 2015

DEXUS Office Trust

(ARSN 090 768 531)

Financial Report
30 June 2015

Contents

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

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

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Office Trust present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2015. The consolidated Financial Statements represents DEXUS Office Trust and its consolidated entities (DOT or the Trust).

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

1 Directors and Secretaries

1.1 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
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Penny Bingham-Hall	10 June 2014
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2015 are as follows:

Brett D Cameron LLB/BA (Science & Technology), GAICD
Appointed: 31 October 2014

Brett is the General Counsel and Company Secretary of DEXUS Property Group companies and is responsible for the legal function, company secretarial services and compliance, risk 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 19 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.

Scott D Mahony B Bus (Acc) MBA (e-commerce) Grad Dip (Applied Corporate Governance) AGIA, RMIA
Appointed: 1 April 2014

Scott is the General Manager, Compliance, Risk and Governance and is responsible for the development, implementation and oversight of DEXUS's compliance, property & corporate risk management and corporate governance 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.

Scott graduated from Charles Sturt University with a Bachelor of Business (Accountancy), a Graduate Diploma in Business Administration and an MBA. He has completed a Graduate Diploma in Applied Corporate Governance through the Governance Institute of Australia, and is a member of both the Risk Management Institution of Australasia and the Governance Institute of Australia.

2 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 11 times during the year. Ten Board meetings were main meetings and one meeting was held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	10	10	1	1
Elizabeth A Alexander, AM	10	10	1	1
Penny Bingham-Hall	10	10	1	1
John C Conde, AO	10	10	1	1
Tonianne Dwyer	10	10	1	1
Craig D Mitchell	10	10	1	1
W Richard Sheppard	10	10	1	1
Darren J Steinberg	10	10	1	1
Peter B St George	10	10	1	1

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.

During 2014, the Group undertook a detailed review of its Board Committee structure which resulted in the implementation of a streamlined Board Committee structure from 1 September 2014.

The table below sets out the number of Board Committee meetings held during the year for the Committees in place between 1 September 2014 and 30 June 2015 and each Director's attendance at those meetings.

	Board Audit Committee		Board Risk Committee		Board Nomination Committee		Board People & Remuneration Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	-	-	-	-	3	3	4	4
Elizabeth A Alexander, AM	3	3	-	-	-	-	-	-
Penny Bingham-Hall	-	-	4	4	-	-	4	4
John C Conde, AO	-	-	-	-	3	3	4	4
Tonianne Dwyer	3	3	4	4	-	-	-	-
Craig D Mitchell	-	-	-	-	-	-	-	-
W Richard Sheppard	3	3	4	4	3	3	-	-
Darren J Steinberg	-	-	-	-	-	-	-	-
Peter B St George	3	3	4	4	-	-	-	-

Craig D Mitchell and Darren J Steinberg were not members of any Board Committees during the year ended 30 June 2015.

2 Attendance of Directors at Board meetings and Board Committee meetings (continued)

The table below sets out the number of Board Committee meetings held during the year for the Committees in place between 1 July 2014 and 31 August 2014 and each Director's attendance at those meetings.

	Board Audit, Risk & Sustainability Committee		Board Compliance Committee		Board Nomination, Remuneration & Governance Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	1	1	-	-	1	1	1	1
Elizabeth A Alexander, AM	1	1	-	-	-	-	-	-
Penny Bingham-Hall	-	-	-	-	-	-	-	-
John C Conde, AO	-	-	-	-	1	1	-	-
Tonianne Dwyer	-	-	1	1	1	1	-	-
Craig D Mitchell	-	-	-	-	-	-	-	-
W Richard Sheppard	1	1	-	-	-	-	1	1
Darren J Steinberg	-	-	-	-	-	-	-	-
Peter B St George	-	-	-	-	-	-	1	1

3 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
Christopher T Beare	16,667
Elizabeth A Alexander, AM	16,667
Penny Bingham-Hall	8,334
John C Conde, AO	16,667
Tonianne Dwyer	16,667
Craig D Mitchell	300,832[1]
W Richard Sheppard	70,090
Darren J Steinberg	604,926[1]
Peter B St George	17,334

1 Includes interests held directly and through performance rights.

4 Review of results and operations

The results for the year ended 30 June 2015 were:

- profit attributable to unitholders was $318.8 million (2014: $192.8 million);
- total assets were $6,202.0 million (2014: $6,326.0 million); and
- net assets were $3,378.6 million (2014: $2,968.9 million).

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

5 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	Date resigned
Christopher T Beare	Mnemon Group Limited	6 November 2009	27 May 2013
	Flexigroup Limited	1 July 2014	
Elizabeth A Alexander, AM	Medibank Private Limited[2]	31 October 2008	
Penny Bingham-Hall	Bluescope Steel Limited	29 March 2011	
John C Conde, AO	Whitehaven Coal Limited	3 May 2007	
	Cooper Energy Limited	25 February 2013	
Tonianne Dwyer	Cardno Limited	25 June 2012	
	Metcash Limited	24 June 2014	
W Richard Sheppard	Echo Entertainment Group	21 November 2012	
Peter B St George	Boart Longyear Limited	21 February 2007	21 May 2013
	First Quantum Minerals Limited[1]	20 October 2003	

1 Listed for trading on the Toronto Stock Exchange in Canada and the London Stock Exchange in the United Kingdom.
2 Listed for trading on the Australian Securities Exchange since 24 November 2014.

6 Principal activities

During the year the principal activity of the Trust was investment in real estate assets. There were no significant changes in the nature of the Trust's activities during the year.

7 Total value of Trust assets

The total value of the assets of the Trust as at 30 June 2015 was $6,202.0 million (2014: $6,326.0 million). Details of the basis of this valuation are outlined in the Notes to the Financial Statements and form part of this Directors' Report.

8 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 Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Trust.

9 Significant changes in the state of affairs

The Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the 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 years.

10 Matters subsequent to the end of the financial year

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the 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 years.

11 Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2015 are outlined in note 6 of the Notes to the Financial Statements and form part of this Directors' Report.

12 DXFM fees

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2015 are outlined in note 17 of the Notes to the Financial Statements and form part of this Directors' Report.

13 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 2015 are detailed in note 12 of the Notes to the Financial Statements and form part of this Directors' Report.

Details of the number of interests in the Trust held by DXFM or its associates as at the end of the financial year are outlined in note 17 of the Notes to the Financial Statements and form part of this Directors' Report.

The Trust did not have any options on issue as at 30 June 2015 (2014: nil).

14 Environmental regulation

The Group's senior management, through its Board Risk Committee, oversee 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.

15 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 DEXUS Holdings Pty Limited (DXH).

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 Trust inappropriately uses or discloses a report prepared by PwC. The Auditor, PwC, is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

16 Audit

16.1 Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

16.2 Non-audit services

The Trust may decide to employ the Auditor on assignments, in addition to their statutory audit duties, where the Auditor's expertise and experience with the Trust and/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 15 of the Notes to the Financial Statements.

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:

- a Charter of Audit Independence provides guidelines under which the Auditor may be engaged to provide non-audit services without impairing the Auditor's objectivity or independence.

16 Audit (continued)

16.2 Non-audit services (continued)

- the Charter states that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
  - the preparation of tax provisions, accounting records and financial statements;
  - the design, implementation and operation of information technology systems;
  - the design and implementation of internal accounting and risk management controls;
  - conducting valuation, actuarial or legal services;
  - consultancy services that include direct involvement in management decision making functions;
  - investment banking, borrowing, dealing or advisory services;
  - acting as trustee, executor or administrator of trust or estate;
  - prospectus independent expert reports and being a member of the due diligence committee; and
  - providing internal audit services.
- the Board Audit Committee regularly reviews the performance and independence of the Auditor and whether the independence of this function has been maintained having regard to the provision of non-audit services. The Auditor has provided a written declaration to the Board regarding its independence at each reporting period and Board Audit Committee approval is required before the engagement of the Auditor to perform any non-audit service for a fee in excess of $100,000.

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

16.3 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 and forms part of this Directors' Report.

17 Corporate governance

DXFM's Corporate Governance Statement is set out in a separate section of the DEXUS Property Group Annual Report.

18 Rounding of amounts and currency

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

19 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 11 August 2015. The Directors have the power to amend and reissue the Financial Statements.

Christopher T Beare	**Darren J Steinberg**
Chair	Chief Executive Officer
11 August 2015	11 August 2015

Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Office Trust for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

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

E A Barron
Partner
PricewaterhouseCoopers

Sydney
11 August 2015

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Revenue from ordinary activities			
Property revenue	2	**277,210**	283,858
Interest revenue		**159**	92
Total revenue from ordinary activities		**277,369**	283,950
Net fair value gain of investment properties		**63,639**	111,565
Share of net profit of investments accounted for using the equity method	8	**256,349**	58,442
Net fair value gain of derivatives		**-**	17,125
Total income		**597,357**	471,082
Expenses			
Property expenses	2	**(77,579)**	(77,442)
Management fee expense		**(13,484)**	(12,960)
Finance costs	3	**(184,417)**	(157,525)
Net loss on sale of investment properties		**(2,116)**	-
Impairment of investments accounted for using the equity method	8	**-**	(3,295)
Transaction costs		**-**	(23,918)
Net foreign exchange loss		**(137)**	(79)
Corporate and administration expenses		**(1,689)**	(1,178)
Total expenses		**(279,422)**	(276,397)
Foreign currency translation reserve transfer on disposal of foreign operations	13(a)	**(2,050)**	-
Profit/(loss) before tax		**315,885**	194,685
Income tax benefit/(expense)	4(a)	**2,943**	(1,904)
Profit/(loss) for the year		**318,828**	192,781
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations	13(a)	**(257)**	5,204
Foreign currency translation reserve transfer on disposal of foreign operations	13(a)	**2,050**	-
Other comprehensive income/(loss)		**1,793**	5,204
Total comprehensive income/(loss) for the year		**320,621**	197,985

		Cents	Cents [1]
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity			
Basic earnings per unit	5	**35.02**	24.14
Diluted earnings per unit	5	**35.02**	24.14

1 Restated to reflect the one-for-six security consolidation

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

	Note	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	14(a)	**7,073**	8,739
Receivables	14(b)	**18,124**	76,069
Non-current assets classified as held for sale	9	**-**	130,071
Derivative financial instruments	10(c)	**292**	-
Other	14(c)	**18,446**	2,855
Total current assets		**43,935**	217,734
Non-current assets			
Investment properties	7	**3,417,475**	3,310,615
Investments accounted for using the equity method	8	**2,738,474**	2,794,740
Derivative financial instruments	10(c)	**1,601**	2,003
Other		**523**	944
Total non-current assets		**6,158,073**	6,108,302
Total assets		**6,202,008**	6,326,036
Current liabilities			
Payables	14(d)	**43,287**	63,258
Current tax liabilities		**4,292**	1,327
Loans with related parties	10(b)(iv)	**55,684**	55,684
Provisions	14(e)	**29,503**	91,666
Derivative financial instruments	10(c)	**3,776**	-
Total current liabilities		**136,542**	211,935
Non-current liabilities			
Loans with related parties	10(b)(iv)	**2,596,928**	3,082,732
Derivative financial instruments	10(c)	**89,788**	54,948
Deferred tax liabilities	4(c)	**-**	6,766
Other		**156**	766
Total non-current liabilities		**2,686,872**	3,145,212
Total liabilities		**2,823,414**	3,357,147
Net assets		**3,378,594**	2,968,889
Equity			
Contributed equity	12	**2,442,563**	2,212,662
Reserves	13	**-**	(1,793)
Retained profits/(accumulated losses)	13	**936,031**	758,020
Total equity		**3,378,594**	2,968,889

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 2015

	Note	Contributed equity $'000	Retained profits/ (losses) $'000	Reserves $'000	Total equity $'000
Opening balance as at 1 July 2013		1,825,984	735,948	(6,997)	2,554,935
Profit/(loss) for the year		-	192,781	-	192,781
Other comprehensive income/(loss) for the year		-	-	5,204	5,204
Total comprehensive income for the year		-	192,781	5,204	197,985
Transactions with owners in their capacity as unitholders:					
Issue of additional equity, net of transaction costs	12	423,749	-	-	423,749
Buy-back of contributed equity, net of transaction costs	12	(37,071)	-	-	(37,071)
Distributions paid or provided for	6	-	(170,709)	-	(170,709)
Total transactions with owners in their capacity as owners		386,678	(170,709)	-	215,969
Closing balance as at 30 June 2014		2,212,662	758,020	(1,793)	2,968,889
Opening balance as at 1 July 2014		**2,212,662**	**758,020**	**(1,793)**	**2,968,889**
Profit/(loss) for the year		**-**	**318,828**	**-**	**318,828**
Other comprehensive income/(loss) for the year		**-**	**-**	**1,793**	**1,793**
Total comprehensive income for the year		**-**	**318,828**	**1,793**	**320,621**
Transactions with owners in their capacity as unitholders:					
Issue of additional equity, net of transaction costs	12	**229,901**	**-**	**-**	**229,901**
Distributions paid or provided for	6	**-**	**(140,817)**	**-**	**(140,817)**
Total transactions with owners in their capacity as owners		**229,901**	**(140,817)**	**-**	**89,084**
Closing balance as at 30 June 2015		**2,442,563**	**936,031**	**-**	**3,378,594**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		315,398	334,655
Payments in the course of operations (inclusive of GST)		(119,195)	(124,292)
Interest received		159	92
Finance costs paid to financial institutions		(14,384)	(21,652)
Distributions received from investments accounted for using the equity method		217,754	79,000
Income and withholding taxes paid		(858)	-
Net cash inflow/(outflow) from operating activities	16	398,874	267,803
Cash flows from investing activities			
Proceeds from sale of investment properties		126,887	-
Payments for capital expenditure on investment properties		(55,528)	(54,208)
Payments for acquisition of investment properties		(14,800)	-
Payments for investments accounted for using the equity method		(224,149)	(1,080,904)
Return of capital from investments accounted for using the equity method		372,555	-
Transaction costs paid		(13,629)	(7,879)
Net cash inflow/(outflow) from investing activities		191,336	(1,142,991)
Cash flows from financing activities			
Borrowings provided to related parties		(973,762)	(850,205)
Borrowings received from related parties		693,276	1,611,670
Repayment of borrowings		-	(26,252)
Repayment of loan with related party		(338,359)	-
Proceeds from loan with related party		-	338,359
Payments for buy-back of contributed equity		-	(37,071)
Proceeds from issue of additional equity		229,901	-
Distributions paid to security holders		(202,980)	(157,590)
Net cash inflow/(outflow) from financing activities		(591,924)	878,911
Net increase/(decrease) in cash and cash equivalents		(1,714)	3,723
Cash and cash equivalents at the beginning of the year		8,739	5,007
Effects of exchange rate changes on cash and cash equivalents		48	9
Cash and cash equivalents at the end of the year		7,073	8,739

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

About this Report

In this section

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

Specific accounting policies are described in their respective notes to the 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.

(a) Basis of preparation

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

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and the Australian Accounting Standards.

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

These general purpose Financial Statements have been prepared in accordance with the requirements of the Constitution of the entities within the Group, the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements and interpretations of the Australia Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes also comply with International Financial Reporting Standards (IFRS). The Trust is a for-profit entity for the purpose of preparing Financial Statements.

Amounts in these Financial Statements have been presented in Australian dollars and rounded off in accordance with ASIC Class Order 98/100 to the nearest thousand dollars, unless otherwise indicated.

These Financial Statements are prepared on a going concern basis, using historical cost conventions except for investment properties, investment properties within equity accounted investments and derivative financial instruments which are stated at their fair value. Refer to the specific accounting policies within the notes to the Financial Statements for the basis of valuation of assets and liabilities measured at fair value.

As at 30 June 2015, the Trust had a net current asset deficiency of $92.6 million (2014: surplus of $5.8 million). The DXS Group has in place both external and internal funding arrangements to support the cashflow requirements of the Trust. The Trust is a going concern and the Financial Statements have been prepared on that basis.

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

Critical accounting estimates

In the process of applying the Trust's accounting policies, management have made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are discussed in the following notes:

Note 7	Investment properties	Page 21
Note 10(c)	Derivative financial instruments	Page 36

(b) Principles of consolidation

These consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2015.

(i) 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) Principles of consolidation (continued)

(ii) Joint arrangements

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

Joint operations

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

Joint ventures

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

(c) Foreign currency

The 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 Statement of Comprehensive Income.

On 18 November 2014, settlement occurred on the sale of Lumley Centre in New Zealand. The cumulative historical exchange differences recognised in the foreign currency translation reserve were recycled to the Statement of Comprehensive Income on disposal of this foreign operation.

As at 30 June 2015, the Trust has no investments in foreign operations.

(d) 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 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.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The Trust's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* (effective 1 July 2018).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting and impairment of financial assets. The Trust intends to apply the standards from 1 July 2018. Application of this standard will not affect any of the amounts recognised in the Financial Statements but will require the disclosure of additional information.

AASB 15 *Revenue from Contracts with Customers* (effective 1 July 2018).

AASB 15 *Revenue from Contracts with Customers* clarifies the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Trust intends to apply the standard from 1 July 2018 and does not expect any significant impacts.

(f) Notes to the Financial Statements

The notes include information which is required to understand the Financial Statements and is material and relevant to the operations, financial position and performance of the Trust. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Trust;
- it helps to explain the impact of significant changes in the Trust's business;
- it relates to an aspect of the Trust's operations that is important to its future performance.

The notes to the Financial Statements have been re-ordered and re-written in order to provide more meaningful information to the readers of the Financial Statements. 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	7. Investment properties	10. Capital and financial risk management	15. Audit, taxation and transaction services fees
2. Property revenue and expenses	8. Investments accounted for using the equity method	11. Commitments and contingencies	16. Reconciliation of net profit to net cash flows from operating activities
3. Finance costs	9. Non-current assets classified as held for sale	12. Contributed equity	17. Related parties
4. Taxation		13. Reserves and retained profits	18. Parent entity disclosures
5. Earnings per unit		14. Working capital	19. Subsequent events
6. Distributions paid and payable			

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 Financial Statements that the Directors consider most relevant in the context of the operations of the Trust, including: operating segments, property revenue and expenses, finance costs, taxation, earnings per unit and distributions paid and payable.

Note 1

Operating segments

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

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

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

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

Note 2

Property revenue and expenses

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. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs. 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.

	2015 $'000	2014 $'000
Rent and recoverable outgoings	**282,040**	290,816
Incentive amortisation	**(38,072)**	(34,990)
Other revenue	**33,242**	28,032
Total property revenue	**277,210**	283,858

Property expenses include rates, taxes and other property outgoings incurred in relation to investment properties.

Note 3

Finance costs

Borrowing costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings and net fair value movements of interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

Qualifying assets include investment properties which take more than 12 months to develop for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and develop the asset for its intended use or sale. 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 a weighted average capitalisation rate.

	2015 $'000	2014 $'000
Interest paid to related parties	**129,915**	110,398
Net fair value loss of interest rate swaps	**54,502**	47,127
Total finance costs	**184,417**	157,525

Note 4
Taxation

Under current Australian income tax legislation, DOT is not liable for income tax provided it satisfies certain legislative requirements, which were met in the current and previous financial years. The Trust may be liable for income tax in jurisdictions where foreign property is held.

DOT NZ Sub-Trust No.1, a wholly owned Australian sub-trust of DOT, is liable for New Zealand corporate tax on its New Zealand taxable income at the rate of 28%. In addition, until November 2014 when the Trust disposed of its property in New Zealand, a deferred tax liability and its related deferred tax expense was recognised on differences between the tax cost base and the accounting carrying value of the New Zealand property.

(a) Income tax expense

	Note	2015 $'000	2014 $'000
Current income tax (expense)/benefit		(542)	(1,319)
Deferred income tax (expense)/benefit		3,485	(585)
Total income tax (expense)/benefit	4(b)	2,943	(1,904)
Profit from continuing operations		2,943	(1,904)
Deferred income tax expense included in income tax (expense)/benefit comprises:			
(Increase)/decrease in deferred tax liabilities	4(c)	3,485	(585)
Total deferred tax expense		3,485	(585)

(b) Reconciliation of income tax expense to net profit

	$'000	$'000
Profit/(loss) before income tax	315,885	194,685
Less amounts not subject to income tax	(320,388)	(173,659)
	(4,503)	21,026
Prima facie tax (expense)/benefit at the New Zealand tax rate of 28% (2014: 28%)	1,261	(5,887)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	-	468
Movements in the carrying value and tax cost base of properties	2,810	1,695
Non-deductible interest expense	-	(133)
Other timing differences	(1,128)	1,953
	1,682	3,983
Income tax (expense)/benefit	2,943	(1,904)

Note 4

Taxation (continued)

(c) Deferred tax liabilities

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Investment properties	-	6,766
Total deferred tax liabilities	-	6,766
Movements:		
Opening balance at the beginning of the year	**6,766**	5,599
Movement in deferred tax liability arising from temporary differences	**(3,436)**	585
Foreign currency translation	**(49)**	582
Transfer to current tax liability	**(3,281)**	-
Charged/(credited) to the Statement of Comprehensive Income	**(6,766)**	1,167
Closing balance at the end of the year	-	6,766

Note 5

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.

The weighted average number of units has been adjusted to reflect the one-for-six security consolidation.

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

	2015 $'000	2014 $'000
Profit attributable to unitholders of the parent entity	**320,622**	197,984

(b) Weighted average number of units used as a denominator

	2015 No. of units	2014 No. of units
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	**915,462,824**	820,257,691

Note 6

Distributions paid and payable

Distributions are recognised when declared.

(a) Distribution to unitholders

	2015 **$'000**	2014 $'000
31 December (paid 27 February 2015)	**111,314**	79,043
30 June (payable 31 August 2015)	**29,503**	91,666
Total distributions to unitholders	**140,817**	170,709

(b) Distribution rate

	2015 **Cents per unit**	2014 Cents per unit[1]
31 December (paid 27 February 2015)	**12.29**	8.70
30 June (payable 31 August 2015)	**3.04**	10.14
Total distributions	**15.33**	18.84

1 Restated to reflect the one-for-six security consolidation

Property portfolio assets

In this section

Property portfolio assets are used to generate the Trust's performance and are considered to be the most relevant to the operations 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 material joint ventures and other joint ventures. The Trust's joint ventures primarily comprise interests in property portfolio assets held through investments in trusts.
- *Non-current assets classified as held for sale:* relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently being marketed for sale.

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

Note 7

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 in the Financial Statements.

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 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 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

		2015	2014
	Note	**$'000**	$'000
Opening balance at the beginning of the year		**3,310,615**	3,279,378
Additions		**32,791**	29,246
Lease incentives		**49,351**	43,174
Amortisation of lease incentives		**(37,936)**	(34,990)
Rent straightlining		**(854)**	1,237
Transfer to non-current assets classified as held for sale	**9**	**-**	(130,071)
Net fair value gain/(loss) of investment properties		**63,508**	111,565
Foreign exchange differences		**-**	11,076
Closing balance at the end of the year		**3,417,475**	3,310,615

Note 7

Investment properties (continued)

(b) Valuation process

Independent valuations are carried out for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations. Independent valuations may be undertaken earlier where the Responsible Entity believes there is potential for a material change in the fair value of the property being the greatest of 5% of the asset value, or $5 million.

The Trust's investment properties are required to be internally valued at least every six months unless they have been independently valued during the current reporting period. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine 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.

The valuation methodology utilised by the Trust 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.

(c) 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	Fair value 2015 $'000	Fair value 2014 $'000	Inputs used to measure fair value	Range of unobservable inputs 2015	Range of unobservable inputs 2014
Office	Level 3	**3,417,475**	3,310,615	Adopted capitalisation rate	**5.83% - 7.75%**	6.05% - 8.25%
				Adopted discount rate	**7.76% - 8.75%**	8.09% - 9.00%
				Adopted terminal yield	**5.87% - 7.75%**	6.05% - 8.25%
				Current net market rental (per sqm)	**$356 - $1,141**	$359 - $1,065
				10 year average market rental growth	**2.14% - 3.84%**	2.10% - 3.79%

Note 7

Investment properties (continued)

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 income is capitalised to determine the value of a property. The rate is determined with regards 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 regards to market evidence and the prior external valuation.
- **Adopted terminal yield**: The capitalisation rate used to convert the future net market income 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 regards to market evidence and the prior external valuation.
- **Net market rental (per sqm)** 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.
- **10 year average market rental growth**: The expected annual rate of change in market rent over a 10 year forecast period in alignment with expected market movements. The rate is determined with reference to forecast market movements.
- **Land rate (per sqm)**: The land rate is the market land value per sqm.

(d) 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:

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Adopted capitalisation rate Adopted discount rate Adopted terminal yield	Decrease	Increase
Net market rental (per sqm) 10 year average market rental growth Land rate (per sqm)	Increase	Decrease

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.

Note 7

Investment properties (continued)

(d) Sensitivity information (continued)

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 total net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the total net market rent. A directionally opposite change in the total 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 cashflow 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 whilst a strengthening may have a positive impact on the value under the same approach.

Note 8

Investments accounted for using the equity method

Investments are accounted for in the Financial Statements using the equity method of accounting (refer to the 'About this Report' section).

Information relating to these entities is set out below:

	Ownership interest			
	2015	2014	**2015**	2014
Name of entity	**%**	%	**$'000**	$'000
Bent Street Trust	**33.3**	33.3	**264,164**	250,183
DEXUS Creek Street Trust	**50.0**	50.0	**131,542**	131,839
DEXUS Martin Place Trust	**50.0**	50.0	**89,751**	81,472
Grosvenor Place Holding Trust[1,2]	**50.0**	50.0	**303,279**	293,487
Site 6 Homebush Bay Trust[1]	**50.0**	50.0	**37,236**	37,549
Site 7 Homebush Bay Trust[1]	**50.0**	50.0	**49,786**	50,812
DEXUS 480 Q Holding Trust	**50.0**	50.0	**149,651**	82,853
DEXUS Kings Square Trust	**50.0**	50.0	**165,688**	88,781
DEXUS Office Trust Australia	**50.0**	50.0	**1,546,301**	1,777,764
DEXUS Eagle Street Pier Trust	**50.0**	-	**1,076**	-
Total investments accounted for using the equity method			**2,738,474**	2,794,740

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

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

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

Note 8

Investments accounted for using the equity method (continued)

The table below provides summarised financial information for the Trust's share of joint ventures that are material, as well as other individually immaterial joint ventures.

	DEXUS Office Trust Australia		Grosvenor Place Holding Trust		Bent Street Trust		Other joint ventures		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Summarised Statement of Financial Position	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Current assets										
Cash and cash equivalents	**6,579**	21,721	**844**	372	**1,306**	777	**2,334**	3,034	**11,063**	25,904
Other current assets	**3,948**	6,716	**647**	464	**367**	2,832	**4,832**	1,443	**9,794**	11,455
Total current assets	**10,527**	28,437	**1,491**	836	**1,673**	3,609	**7,166**	4,477	**20,857**	37,359
Non-current assets										
Investment properties	**1,567,866**	1,506,906	**304,611**	295,504	**265,643**	250,260	**650,073**	475,982	**2,788,193**	2,528,652
Investments accounted for using the equity method	**195,151**	188,204	**-**	-	**-**	-	**-**	-	**195,151**	188,204
Loan to related party[1]	**-**	338,359	**-**	-	**-**	-	**-**	-	**-**	338,359
Other non-current assets	**426**	-	**-**	-	**2**	-	**102**	65	**530**	65
Total non-current assets	**1,763,443**	2,033,469	**304,611**	295,504	**265,645**	250,260	**650,175**	476,047	**2,983,874**	3,055,280
Current liabilities										
Provision for distribution	**10,958**	63,744	**-**	1,814	**1,773**	2,268	**125**	945	**12,856**	68,771
Borrowings	**172,050**	73,534	**-**	-	**-**	-	**-**	-	**172,050**	73,534
Other current liabilities	**33,596**	34,721	**2,804**	1,030	**1,381**	1,410	**32,463**	6,249	**70,244**	43,410
Total current liabilities	**216,604**	171,999	**2,804**	2,844	**3,154**	3,678	**32,588**	7,194	**255,150**	185,715
Non-current liabilities										
Borrowings	**11,054**	112,143	**-**	-	**-**	-	**-**	-	**11,054**	112,143
Other non-current liabilities	**11**	-	**19**	9	**-**	8	**23**	24	**53**	41
Total non-current liabilities	**11,065**	112,143	**19**	9	**-**	8	**23**	24	**11,107**	112,184
Net assets	**1,546,301**	1,777,764	**303,279**	293,487	**264,164**	250,183	**624,730**	473,306	**2,738,474**	2,794,740
Reconciliation of carrying amounts:										
Opening balance at the beginning of the year	**1,777,764**	-	**293,487**	289,086	**250,183**	248,291	**473,306**	369,391	**2,794,740**	906,768
Additions	**56,205**	1,878,647	**8,823**	2,421	**-**	3,129	**156,752**	93,778	**221,780**	1,977,975
Share of net profit/(loss) after tax	**182,633**	(8,998)	**14,678**	18,167	**29,248**	13,703	**29,790**	35,570	**256,349**	58,442
Impairment	**-**	(3,295)	**-**	-	**-**	-	**-**	-	**-**	(3,295)
Distributions received/receivable	**(97,746)**	(88,590)	**(13,709)**	(16,187)	**(15,267)**	(14,940)	**(35,118)**	(25,433)	**(161,840)**	(145,150)
Return of capital	**(372,555)**	-	**-**	-	**-**	-	**-**	-	**(372,555)**	-
Closing balance at the end of the year	**1,546,301**	1,777,764	**303,279**	293,487	**264,164**	250,183	**624,730**	473,306	**2,738,474**	2,794,740

1 Refer to note 10(b)(iv). Represents the Trust's share of proceeds from the sale of four properties by DEXUS Office Trust Australia.

Note 8

Investments accounted for using the equity method (continued)

The table below provides summarised financial information for the Trust's share of joint ventures that are material, as well as other individually immaterial joint ventures.

	DEXUS Office Trust Australia		Grosvenor Place Holding Trust		Bent Street Trust		Other joint ventures		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Summarised Statement of Comprehensive Income	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Property revenue	**143,781**	63,686	**20,288**	22,600	**16,318**	17,036	**27,363**	24,065	**207,750**	127,387
Property revaluations	**91,183**	2,977	**(660)**	-	**16,326**	-	**8,059**	16,768	**114,909**	19,745
Interest income	**449**	319	**36**	16	**37**	56	**78**	52	**601**	443
Finance costs	**(7,957)**	(5,421)	**-**	-	**-**	-	**-**	-	**(7,957)**	(5,421)
Other expenses	**(44,824)**	(70,559)	**(4,986)**	(4,449)	**(3,433)**	(3,389)	**(5,710)**	(5,315)	**(58,954)**	(83,712)
Net profit/(loss) for the year	**182,633**	(8,998)	**14,678**	18,167	**29,248**	13,703	**29,790**	35,570	**256,349**	58,442
Total comprehensive income/(loss) for the year	**182,633**	(8,998)	**14,678**	18,167	**29,248**	13,703	**29,790**	35,570	**256,349**	58,442

Note 9

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

Assets classified as held for sale relate to investment properties and are measured at fair value.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

Disposals

- On 18 November 2014, Lumley Centre, 88 Shortland Street, Auckland, New Zealand, was disposed of for gross proceeds of NZ$146 million.

Capital and financial risk management and working capital

In this section

The Trusts's overall risk management program focuses on reducing volatility from impacts in movements of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust. Note 10 *Capital and financial risk management* outlines how the Trust manages its exposure to a variety of financial risks (interest rate risk, foreign currency risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Trust.

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 shareholders (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: *Commitments and contingencies* in note 11;
- Equity: *Contributed equity* in note 12 and *Reserves and retained profits* in note 13.

Note 14 provides a breakdown of the working capital balances held in the Statement of Financial Position.

Note 10

Capital and financial risk management

Capital and 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 Trust. The Group Management Committee generally meets weekly. 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 DXS Group's credit rating; and
- other market factors.

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

Note 10

Capital and financial risk management (continued)

(a) Capital risk management (continued)

DXFM, the Responsible Entity for the Trust, 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.

(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, other than derivatives, comprise cash and related party loans. The main purpose of financial instruments is to manage liquidity and hedge the Trust's exposure to financial risks namely:

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

The Trust uses derivatives to reduce the Group's exposure to fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation or a right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative financial instruments that the Group may use to hedge its risks include:

- interest rate swaps;
- cross currency interest rate swaps;
- foreign exchange contracts; and
- option contracts (interest rate).

The Trust does not trade in derivative instruments for speculative purposes. The Trust uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure and conducting sensitivity analysis.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(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 predominately 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 as variable interest rates may increase.

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.

The Trust maintains a mix of offshore and local currency fixed rate and variable rate debt, as well as a mix of long term and short term debt. The Trust primarily enters into interest rate swaps and cross currency interest rate swap agreements to manage the associated interest rate risks. The Trust hedges the interest rate and currency risk on the majority of its foreign currency borrowings by entering into cross currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings at contracted rates. The derivative contracts are recorded at fair value in the Statement of Financial Position, being the market value as quote in an active market.

Interest rate swaps require settlement of net interest receivable or payable each 90 or 180 days. The settlement dates coincide with the dates on which the interest is payable on the underlying debt. The receivable and payable legs on interest rate swap contracts are settled on a net basis. The net notional amount of average fixed rate debt and interest rate swaps in place in each year and the weighted average effective hedge rate is set out below.

	June 2016 $'000	June 2017 $'000	June 2018 $'000	June 2019 $'000	June 2020 $'000	> June 2021 $'000
Interest rate swaps						
A$ hedged[1]	**1,540,417**	**1,602,500**	**1,418,750**	**1,128,333**	**560,833**	**12,083**
A$ hedge rate (%)	3.88%	3.80%	3.88%	3.96%	3.86%	2.69%

1 Amounts do not include fixed rate debt that has been swapped to floating rate debt through cross currency swaps.

Sensitivity analysis on interest expense

The table below shows the impact on the Trust's net interest expense of a 50 basis point increase or decrease 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 and derivative cash flows. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

		2015 **(+/-) $'000**	2014 (+/-) $'000
+/- 0.50% (50 basis points)	A$	**6,035**	8,091
+/- 0.50% (50 basis points)	NZ$	**-**	625
Total A$ equivalent		**6,035**	8,631

The increase or decrease in interest expense is proportional to the increase or decrease in interest rates.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(i) Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis on fair value of interest rate swaps

The sensitivity analysis on interest rate swaps below shows the effect on net profit or loss for changes in the fair value of interest rate swaps for a 50 basis point increase or decrease in short-term and long-term market interest rates. The sensitivity on fair value arises from the impact that changes in market rates will have on the valuation of the interest rate swaps.

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows on the instruments. Although interest rate swaps are transacted for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting to its interest rate derivatives. Accordingly, gains or losses arising from changes in the fair value are reflected in the profit or loss.

		2015	2014
		(+/-) $'000	(+/-) $'000
+/- 0.50% (50 basis points)	A$	**31,381**	34,772

Foreign currency risk

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Trust's foreign currency risk arises primarily from:

- highly probable forecast transactions denominated in foreign currency; and
- borrowings denominated in foreign currency.

The objective of the Trust's foreign exchange risk management policy is to ensure that movements in exchange rates have minimal adverse impact on the Trust's foreign currency assets and liabilities.

Foreign currency assets and liabilities

Where foreign currency borrowings are used to fund Australian investments, the Trust transacts cross currency swaps to reduce the risk that movements in foreign exchange rates will have an impact on security holder's equity and net tangible assets.

Note 10

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 Group'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.

	2015				2014			
	Within one year $'000	**Between one and two years $'000**	**Between two and five years $'000**	**After five years $'000**	Within one year $'000	Between one and two years $'000	Between two and five years $'000	After five years $'000
Cash	7,073	-	-	-	8,739	-	-	-
Receivables	18,124	-	-	-	76,069	-	-	-
Payables	(43,287)	-	-	-	(63,258)	-	-	-
	(18,090)	**-**	**-**	**-**	21,550	-	-	-
Loans with related parties and interest[1]	**130,106**	**130,106**	**2,727,034**	**-**	141,469	141,469	3,027,311	-
Derivative financial instruments								
Derivative assets	**12,902**	**138**	**-**	**-**	897	897	34	-
Derivative liabilities	**(47,577)**	**(35,539)**	**(69,236)**	**-**	(16,370)	(21,324)	(52,680)	(7,686)
Total net derivative financial instruments[2]	**(34,675)**	**(35,401)**	**(69,236)**	**-**	(15,473)	(20,427)	(52,646)	(7,686)

1 Includes estimated interest.
2 The notional maturities on derivatives are shown for cross currency interest rate swaps (refer to foreign exchange rate risk) as they are the only instruments where a principal amount is exchanged. For interest rate swaps, only the net interest cash flows (not the notional principal) are included. Refer to note 10(c) for fair value of derivatives. Refer to note 11(b) for financial guarantees.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(iii) Credit risk

Credit risk is the risk that 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 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 a S&P, Moody's and Fitch credit rating. The exposure includes the current market value of in-the-money contracts as well as potential exposure, which is measured with reference to credit conversion factors as per APRA guidelines;
- entering into ISDA Master Agreements once a financial institution counterparty is approved;
- monitoring tenant exposure within approved credit limits;
- 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.

A minimum S&P rating of A- (or Moody's or Fitch 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 and on derivative financial instruments with financial institutions. The Trust has a policy that sets limits as to the amount of credit exposure to each financial institution. New derivatives and 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 2015 is the carrying amounts of financial assets recognised on the Statement of Financial Position.

As at 30 June 2015, there were no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are monitored on an ongoing basis. The tables below show the ageing analysis of loans and receivables net of provisions of the Trust.

	2015	2014
	$'000	$'000
0-30 days	**17,346**	75,249
31-60 days	**149**	275
61-90 days	**102**	103
Over 91 days	**527**	442
Total receivables net of provisions	**18,124**	76,069

Amounts over 31 days are past due, however, no receivables are impaired. The credit quality of financial assets that are neither past due nor impaired are monitored to make sure there are no adverse changes in credit quality.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(iv) Fair value

The Trust has classified its financial assets and liabilities as follows:

Financial asset/liability	Classification	Valuation basis	Reference
Receivables[1]	Loans and receivables	Amortised cost	Refer to note 14(b)
Payables[1]	Financial liability at amortised cost	Amortised cost	Refer to note 14(d)
Non-interest bearing loan from related party	Loans and receivables	Amortised cost	Refer to note 18
Derivatives	Fair value through profit or loss	Fair value	Refer to note 10(c)

1 The face value of these is approximately equal to their fair value; these amounts are unsecured and are usually paid within 30 days of recognition.

Financial assets and liabilities are classified in accordance with the purpose for which they were acquired. As noted in section (c) below, derivative financial instruments are initially recognised in the Statement of Financial Position at fair value on the date on which the derivative contract is entered into and subsequently remeasured to fair value.

The valuation techniques applied by the Trust are consistent with those applied in prior year financial reports. The valuation technique used to measure the various financial instruments namely foreign currency contracts and interest rate contracts is based on market observable spot exchange rates and interest rate yield curves. This method records any change in fair value of a derivative in the financial statements.

The carrying amounts and estimated fair value of all the Trust's financial assets and liabilities recognised in the Financial Statements are as follows:

	2015 Carrying amount[1] $'000	2015 Fair value[2] $'000	2014 Carrying amount[1] $'000	2014 Fair value[2] $'000
Financial assets				
Cash and cash equivalents	7,073	7,073	8,739	8,739
Loans and receivables (current)	18,124	18,124	76,069	76,069
Derivative assets	1,893	1,893	2,003	2,003
Total financial assets	**27,090**	**27,090**	86,811	86,811
Financial liabilities				
Trade payables	43,287	43,287	63,258	63,258
Non-interest bearing loans with related parties[3]	55,684	55,684	55,684	55,684
Interest bearing loans with related parties[4]	2,596,928	2,596,928	3,082,732	3,082,732
Derivative liabilities	93,564	93,564	54,948	54,948
Total financial liabilities	**2,789,463**	**2,789,463**	3,256,622	3,256,622

1 Carrying value is equal to the value of the financial instruments on the Statement of Financial Position.
2 Fair value is the price that would be received to transfer the asset or liability in an orderly transaction between market participants at the measurement date. Where there is a difference between the carrying amount and fair value, the difference is not recognised in the Statement of Financial Position.
3 Non-interest bearing loans with entities within DXS were created to effect the stapling of the Trust, DIT, DDF and DXO. These loan balances eliminate on consolidation within DXS.
4 Interest bearing loans with DEXUS Finance Pty Limited (DXF). These loan balances eliminate on consolidation within DXS. This also includes a loan of $338.4m from DEXUS Office Australia which was repaid during the year.

Note 10

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(iv) Fair value (continued)

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

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

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

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

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

(v) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where the Trust currently has 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. The Trust has also entered into arrangements that do not meet the criteria for offsetting except in certain circumstances, such as bankruptcy or the termination of the underlying contract.

The Trust does not have any agreements in place with derivative counterparties that allow for offsetting financial assets and financial liabilities.

Master netting arrangements - not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Trust does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Statement of Financial Position.

(c) Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables including interest rates or exchange rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure and the Trust uses derivatives to manage its exposure to interest rates and foreign exchange risk accordingly.

Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity continually reviews the Trust's exposures and updates its treasury policies and procedures. The Trust does not trade in derivative instruments for speculative purposes.

Derivatives including interest rate swaps, the interest rate component of cross currency swaps, and foreign exchange contracts, are measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income.

At inception the Trust can elect to formally designate and document the relationship between the hedge derivative instruments (cross currency interest rate swaps only) and the associated hedged items (foreign currency bonds only). The Trust also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Note 10

Capital and financial risk management (continued)

(c) Derivative financial instruments (continued)

	2015 $'000	2014 $'000
Current assets		
Interest rate swap contracts	292	-
Total current assets - derivative financial instruments	292	-
Non-current assets		
Interest rate swap contracts	1,601	2,003
Total non-current assets - derivative financial instruments	1,601	2,003
Current liabilities		
Interest rate swap contracts	3,776	-
Total current liabilities - derivative financial instruments	3,776	-
Non-current liabilities		
Interest rate swap contracts	89,788	54,948
Total non-current liabilities - derivative financial instruments	89,788	54,948
Net derivative financial instruments	(91,671)	(52,945)

Key assumptions: fair value of derivatives

The fair value of derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates and currency basis) and applying a credit or debit valuation adjustment based on the current credit worthiness of counterparties and the Trust.
Refer to note 10(b)(iv) *Capital and Financial Risk Management* for further detail.

Note 11
Commitments and contingencies

(a) Commitments

(i) Capital commitments

The following amounts represent remaining capital expenditure on investment properties contracted at the end of each reporting period but not recognised as liabilities payable:

	2015 $'000	2014 $'000
Investment properties	**41,134**	51,018
Investments accounted for using the equity method	**176,684**	284,797
Total capital commitments	**217,818**	335,815

(ii) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	2015 $'000	2014 $'000
Within one year	**167,044**	172,909
Later than one year but not later than five years	**395,200**	401,251
Later than five years	**153,121**	146,968
Total lease receivable commitments	**715,365**	721,128

(b) Contingencies

The Trust, together with DDF, DIT and DXO, is a guarantor of a total of A$3,572.4 million of interest bearing liabilities (refer note 13 of the DEXUS Property Group Financial Report). The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

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

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

Note 12

Contributed equity

(a) Contributed equity

	2015 $'000	2014 $'000
Opening balance at the beginning of the year	**2,212,662**	1,825,984
Issue of additional equity, net of transaction costs	**229,901**	423,749
Buy-back of contributed equity, net of transaction costs	-	(37,071)
Closing balance at the end of the year	**2,442,563**	2,212,662

(b) Number of units on issue

	2015 No. of units	2014 No. of units
Opening balance at the beginning of the year	**5,433,110,810**	4,701,957,390
Issue of additional equity	**65,274,552**	804,882,384
One-for-six security consolidation	**(4,527,579,013)**	
Buy-back of contributed equity	-	(73,728,964)
Closing balance at the end of the year	**970,806,349**	5,433,110,810

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 Constitution and the *Corporations Act 2001*.

Transaction costs arising on the issue 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 issue of those equity instruments and which would not have been incurred had those instruments not been issued.

On 29 October 2014, the Group announced a one-for-six consolidation of DEXUS Property Group stapled securities. The consolidation was completed on 14 November 2014. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.

Note 13

Reserves and retained profits

(a) Reserves

	2015 $'000	2014 $'000
Foreign currency translation reserve	-	(1,793)
Total reserves	-	(1,793)
Movements:		
Foreign currency translation reserve		
Opening balance at the beginning of the year	**(1,793)**	(6,997)
Exchange differences on translating foreign operations	**(257)**	5,204
Foreign currency translation reserve transfer on disposal of foreign operations	**2,050**	-
Closing balance at the end of the year	-	(1,793)

(b) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of foreign operations.

(c) Retained profits

	2015 $'000	2014 $'000
Opening balance at the beginning of the year	**758,020**	735,948
Net profit/(loss) attributable to security holders	**318,828**	192,781
Distributions provided for or paid	**(140,817)**	(170,709)
Closing balance at the end of the year	**936,031**	758,020

Note 14

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 and interest revenue are brought to account on an accruals basis. Dividends and distributions are recognised when declared and, if not received at the end of the reporting period, reflected in the Statement of Financial Position as a receivable.

Note 14

Working capital (continued)

(b) Receivables (continued)

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 doubtful debts. 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 doubtful debts is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables.

	2015 $'000	2014 $'000
Rent receivable	5,177	3,934
Less: provision for doubtful debts	(222)	(94)
Total rental receivables	4,955	3,840
Distributions receivable	12,857	68,770
Other receivables	312	3,459
Total other receivables	13,169	72,229
Total receivables	18,124	76,069

(c) Other current assets

	2015 $'000	2014 $'000
Prepayments	3,646	2,855
Deposit for the acquisition of investment property	14,800	-
Total other current assets	18,446	2,855

(d) Payables

Expenses are brought to account on an accruals basis and, if not paid at the end of the reporting period, are reflected in the Statement of Financial Position as a payable.

These amounts represent liabilities for amounts owing at the end of the reporting period. The amounts are unsecured and are usually paid within 30 days of recognition.

	2015 $'000	2014 $'000
Trade creditors	13,475	28,230
Accruals	1,796	1,659
Accrued capital expenditure	10,050	5,913
Prepaid income	6,146	10,249
Accrued interest	10,135	14,252
Other payables	1,685	2,955
Total payables	43,287	63,258

Note 14

Working capital (continued)

(e) 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.

	2015	2014
	$'000	$'000
Provision for distribution	**29,503**	91,666
Total current provisions	**29,503**	91,666

Movements in the provision for distribution during the financial year are set out below:

	2015	2014
	$'000	$'000
Opening balance at the beginning of the year	**91,666**	78,547
Additional provisions	**140,817**	170,709
Payment of distributions	**(202,980)**	(157,590)
Closing balance at the end of the year	**29,503**	91,666

A provision for distribution has been raised for the period ended 30 June 2015. This distribution is to be paid on 31 August 2015.

Other disclosures

In this section

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

Note 15

Audit, taxation and transaction services fees

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

	2015	2014
	$	$
Audit fees		
PwC Australia - audit and review of Financial Statements	**289,300**	302,616
PwC fees paid in relation to outgoings audits	**59,825**	99,250
PwC Australia - regulatory audit and compliance services	**4,250**	3,620
PwC Australia - audit of DOTA	**95,275**	212,500
Audit fees paid to PwC	**448,650**	617,986
Taxation fees		
Fees paid to PwC Australia and New Zealand	**21,147**	17,894
Fees paid to PwC Australia in respect of the CPA acquisition	**-**	200,000
Taxation fees paid to PwC	**21,147**	217,894
Total audit and taxation fees paid to PwC	**469,797**	835,880
Transaction services fees		
Fees paid to PwC Australia in respect of the CPA acquisition	**-**	225,000
Total transaction services fees paid to PwC	**-**	225,000
Total audit, taxation and transaction services fees paid to PwC	**469,797**	1,060,880

Note 16

Reconciliation of net profit to net cash flows from operating activities

(a) Reconciliation

	2015 $'000	2014 $'000
Net profit/(loss) for the year	**318,828**	192,781
Net fair value (gain)/loss of investment properties	**(63,639)**	(111,565)
Share of net (profit)/loss of investments accounted for using the equity method	**(256,349)**	(58,442)
Net fair value (gain)/loss of interest rate swaps	**40,790**	18,931
Net (gain)/loss on sale of investment properties	**2,116**	-
Net foreign exchange (gain)/loss	**137**	(849)
Foreign currency translation reserve transfer on disposal of foreign operations	**2,050**	-
Impairment of investments accounted for using the equity method	**-**	3,295
Transaction costs	**-**	23,918
Provision for doubtful debts	**128**	-
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**57,818**	(64,185)
(Increase)/decrease in prepaid expenses	**(791)**	853
(Increase)/decrease in other non-current assets - investments	**176,710**	160,618
(Increase)/decrease in other non-current assets	**420**	(49)
Increase/(decrease) in payables	**(4,175)**	(8)
Increase/(decrease) in current liabilities	**2,965**	1,327
Increase/(decrease) in other non-current liabilities	**128,632**	100,011
Increase/(decrease) in deferred tax liabilities	**(6,766)**	1,167
Net cash inflow/(outflow) from operating activities	**398,874**	267,803

Note 17

Related parties

Responsible Entity

DXFM is the Responsible Entity of the Trust.

Responsible Entity fees

Under the terms of the Trust's Constitution, the Responsible Entity is 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.

Related party transactions

Responsible Entity fees in relation to the Trust assets are on a cost recovery basis.

A loan of $338.4m from DEXUS Office Trust Australia was repaid during the year.

Note 17

Related parties (continued)

There were a number of transactions and balances between the Trust and the Responsible Entity and its related entities, as detailed below:

DEXUS Funds Management Limited and its related entities

	2015 $	2014 $
Responsible Entity fees paid and payable	**13,483,677**	12,960,239
Property management fees paid and payable to DXPS	**12,286,117**	11,066,146
Responsible Entity fees payable at the end of each reporting period (included above)	**1,134,334**	301,853
Property management fees payable at the end of each reporting period (included above)	**4,474,715**	1,443,769
Administration expenses payable at the end of each reporting period (included above)	**88,035**	-
Capex contribution payable at the end of each reporting period	**59,764**	-
Rent paid	**1,025,976**	-

Entities within DXS

Aggregate amounts included in the determination of profit that resulted from transactions with each class of other related parties:

	2015 $	2014 $
Interest expense	**131,579,910**	115,986,659
Interest bearing loans advanced from entities within DXS	**828,674,881**	2,038,309,586
Interest bearing loans advanced to entities within DXS	**976,120,381**	850,205,456

Note 17

Related parties (continued)

Directors

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD [1,2,3,5,6,7]
E A Alexander, AM, BComm, FCA, FAICD, FCPA [1,3,8]
P Bingham-Hall, BA, (Industrial Design), FAICD, SF (Fin) [1,7,9]
J C Conde, AO, BSc, BE (Hons), MBA [1,2,6,7]
T Dwyer, BJuris (Hons), LLB (Hons) [1,2,4,8,9]
C D Mitchell, BComm, MBA (Exec), FCPA, HBS (AMP)
W R Sheppard, BEc (Hons) [1,3,5,6,8,9]
D J Steinberg, BEc, FRICS, FAPI
P B St George, CA(SA), MBA [1,5,8,9]

1 Independent Director
2 Board Nomination, Remuneration & Governance Committee Member until 31 August 2014.
3 Board Audit, Risk & Sustainability Committee Member until 31 August 2014.
4 Board Compliance Committee Member until 31 August 2014.
5 Board Finance Committee Member until 31 August 2014.
6 Board Nomination Committee Member from 1 September 2014.
7 Board People & Remuneration Committee Member from 1 September 2014.
8 Board Audit Committee Member from 1 September 2014.
9 Board Risk Committee Member from 1 September 2014.

Other key management personnel

In addition to the Directors listed above, the following persons were deemed by the Board People & Remuneration Committee to be key management personnel during all or part of the financial year:

Name	Title
Ross Du Vernet	Executive General Manager, Strategy, Transactions & Research
Kevin George	Executive General Manager, Office & Industrial

Key management personnel compensation

	2015	2014
	$	$
Compensation		
Short-term employee benefits	**7,453,029**	7,428,170
Post employment benefits	**219,677**	189,291
Other long-term benefits	**-**	47,700
Security-based payments	**2,595,615**	1,995,116
	10,268,321	9,660,277

Note 17

Related parties (continued)

Equity instrument disclosures relating to key management personnel

The relevant interests in DXS stapled securities held during the financial year by each key management personnel, including their personally related parties, are set out below:

	Opening Balance 1 July 2014	One-for-six security consolidation	Purchases	Performance rights granted	Other change	Closing Balance 30 June 2015
Directors	3,993,960	**(3,328,298)**	8,334	394,191	-	1,068,187
Other key management personnel	1,324,458	**(1,103,715)**	-	127,653	-	348,396
Total	**5,318,418**	**(4,432,013)**	**8,334**	**521,844**	**-**	**1,416,583**

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants (refer note 21 of the DEXUS Property Group Financial Report).

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2015 and 30 June 2014.

Note 18

Parent entity disclosures

The financial information for the parent entity 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.

(a) Summary financial information

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

	2015 **$'000**	2014 $'000
Total current assets	**1,343,551**	1,628,932
Total assets	**6,171,004**	5,941,809
Total current liabilities	**127,490**	187,617
Total liabilities	**2,814,352**	2,994,864
Equity		
Contributed equity	**2,442,563**	2,212,662
Retained profits	**914,089**	734,283
Total equity	**3,356,652**	2,946,945
Net profit/(loss) for the year	**320,622**	197,984
Total comprehensive income/(loss) for the year	**320,622**	197,984

Note 18

Parent entity disclosures (continued)

(b) Investments in controlled entities

The parent entity has the following investments:

		Ownership interest	
		2015	2014
Name of entity	**Principal activity**	**%**	%
DOT Commercial Trust	Office property investment	**100.0**	100.0
DOT NZ Sub-Trust No 1	Office property investment	**100.0**	100.0
DOT NZ Sub-Trust No 2	Office property investment	**100.0**	100.0
DOT Subtrust No. 2	Office property investment	**100.0**	100.0

(c) Guarantees entered into by the parent entity

Refer to note 11 for details of guarantees entered into by the parent entity.

(d) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 (2014: nil).

(e) Capital commitments

The following amounts represent capital expenditure of the parent entity on investment properties contracted at the end of the reporting period but not recognised as liabilities payable:

	2015	2014
	$'000	$'000
Investment properties	**34,364**	38,548
Total capital commitments	**34,364**	38,548

Note 19

Subsequent events

On 1 July, the Group and DWPF exchanged contracts to jointly acquire Waterfront Place at 1 Eagle Street and Eagle Street Pier at 45 Eagle Street Brisbane, QLD, for $635.0 million excluding acquisition costs.

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

The Directors of DEXUS Funds Management Limited as Responsible Entity of DEXUS Office Trust (the Trust) declare that the Financial Statements and notes set out on pages 9 to 47:

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

(ii) give a true and fair view of the Trust's financial position as at 30 June 2015 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

(a) the 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 17 June 1998 (as amended) during the year ended 30 June 2015.

The 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 Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Christopher T Beare
Chair
11 August 2015

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

Report on the financial report

We have audited the accompanying financial report of DEXUS Office Trust (the registered scheme), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for DEXUS Office Trust (the consolidated entity). The consolidated entity comprises the registered scheme and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In the Basis of preparation, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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

Auditor's opinion

In our opinion:

(a) the financial report of DEXUS Office Trust is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the Basis of preparation.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of DEXUS Office Trust for the year ended 30 June 2015 included on DEXUS Office Trust's web site. The registered scheme's directors are responsible for the integrity of DEXUS Office Trust's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

E A Barron
Partner

Sydney
11 August 2015

DEXUS Operations Trust

(ARSN 110 521 223)

Financial Report
30 June 2015

DEXUS
PROPERTY GROUP

Contents **Page**

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

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

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Operations Trust present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2015. The consolidated Financial Statements represents DEXUS Operations Trust and its consolidated entities (DXO or the Trust).

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

1 Directors and Secretaries

1.1 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
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Penny Bingham-Hall	10 June 2014
John C Conde, AO	29 April 2009
Tonianne Dwyer	24 August 2011
Craig D Mitchell	12 February 2013
W Richard Sheppard	1 January 2012
Darren J Steinberg	1 March 2012
Peter B St George	29 April 2009

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2015 are as follows:

Brett D Cameron LLB/BA (Science & Technology), GAICD
Appointed: 31 October 2014

Brett is the General Counsel and Company Secretary of DEXUS Property Group companies and is responsible for the legal function, company secretarial services and compliance, risk 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 19 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.

Scott D Mahony B Bus (Acc) MBA (e-commerce) Grad Dip (Applied Corporate Governance) AGIA, RMIA
Appointed: 1 April 2014

Scott is the General Manager, Compliance, Risk and Governance and is responsible for the development, implementation and oversight of DEXUS's compliance, property & corporate risk management and corporate governance 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.

Scott graduated from Charles Sturt University with a Bachelor of Business (Accountancy), a Graduate Diploma in Business Administration and an MBA. He has completed a Graduate Diploma in Applied Corporate Governance through the Governance Institute of Australia, and is a member of both the Risk Management Institution of Australasia and the Governance Institute of Australia.

2 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 11 times during the year. Ten Board meetings were main meetings and one meeting was held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	10	10	1	1
Elizabeth A Alexander, AM	10	10	1	1
Penny Bingham-Hall	10	10	1	1
John C Conde, AO	10	10	1	1
Tonianne Dwyer	10	10	1	1
Craig D Mitchell	10	10	1	1
W Richard Sheppard	10	10	1	1
Darren J Steinberg	10	10	1	1
Peter B St George	10	10	1	1

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.

During 2014, the Group undertook a detailed review of its Board Committee structure which resulted in the implementation of a streamlined Board Committee structure from 1 September 2014.

The table below sets out the number of Board Committee meetings held during the year for the Committees in place between 1 September 2014 and 30 June 2015 and each Director's attendance at those meetings.

	Board Audit Committee		Board Risk Committee		Board Nomination Committee		Board People & Remuneration Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	-	-	-	-	3	3	4	4
Elizabeth A Alexander, AM	3	3	-	-	-	-	-	-
Penny Bingham-Hall	-	-	4	4	-	-	4	4
John C Conde, AO	-	-	-	-	3	3	4	4
Tonianne Dwyer	3	3	4	4	-	-	-	-
Craig D Mitchell	-	-	-	-	-	-	-	-
W Richard Sheppard	3	3	4	4	3	3	-	-
Darren J Steinberg	-	-	-	-	-	-	-	-
Peter B St George	3	3	4	4	-	-	-	-

Craig D Mitchell and Darren J Steinberg were not members of any Board Committees during the year ended 30 June 2015.

Elizabeth A Alexander and Tonianne Dwyer were also Directors of DWPL (refer Note 23 Related parties) and attended Board Meetings during the year ended 30 June 2015.

2 Attendance of Directors at Board meetings and Board Committee meetings (continued)

The table below sets out the number of Board Committee meetings held during the year for the Committees in place between 1 July 2014 and 31 August 2014 and each Director's attendance at those meetings.

	Board Audit, Risk & Sustainability Committee		Board Compliance Committee		Board Nomination, Remuneration & Governance Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	1	1	-	-	1	1	1	1
Elizabeth A Alexander, AM	1	1	-	-	-	-	-	-
Penny Bingham-Hall	-	-	-	-	-	-	-	-
John C Conde, AO	-	-	-	-	1	1	-	-
Tonianne Dwyer	-	-	1	1	1	1	-	-
Craig D Mitchell	-	-	-	-	-	-	-	-
W Richard Sheppard	1	1	-	-	-	-	1	1
Darren J Steinberg	-	-	-	-	-	-	-	-
Peter B St George	-	-	-	-	-	-	1	1

3 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
Christopher T Beare	16,667
Elizabeth A Alexander, AM	16,667
Penny Bingham-Hall	8,334
John C Conde, AO	16,667
Tonianne Dwyer	16,667
Craig D Mitchell	300,832[1]
W Richard Sheppard	70,090
Darren J Steinberg	604,926[1]
Peter B St George	17,334

1 Includes interests held directly and through performance rights (refer note 22).

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	Date resigned
Christopher T Beare	Mnemon Group Limited	6 November 2009	27 May 2013
	Flexigroup Limited	1 July 2014	
Elizabeth A Alexander, AM	Medibank Private Limited[2]	31 October 2008	
Penny Bingham-Hall	Bluescope Steel Limited	29 March 2011	
John C Conde, AO	Whitehaven Coal Limited	3 May 2007	
	Cooper Energy Limited	25 February 2013	
Tonianne Dwyer	Cardno Limited	25 June 2012	
	Metcash Limited	24 June 2014	
W Richard Sheppard	Echo Entertainment Group	21 November 2012	
Peter B St George	Boart Longyear Limited	21 February 2007	21 May 2013
	First Quantum Minerals Limited[1]	20 October 2003	

1 Listed for trading on the Toronto Stock Exchange in Canada and the London Stock Exchange in the United Kingdom.
2 Listed for trading on the Australian Securities Exchange since 24 November 2014.

4 Principal activities

During the year the principal activity of the Trust was to own, manage and develop high quality real estate assets and manage real estate funds on behalf of third party investors. There were no significant changes in the nature of the Trust's activities during the year.

5 Review of results and operations

The results for the year ended 30 June 2015 were:

- profit attributable to unitholders was $68.9 million (2014: $31.9 million);
- total assets were $1,058.4 million (2014: $990.1 million); and
- net assets were $278.9million (2014: $192.9 million).

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

6 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 Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Trust.

7 Significant changes in the state of affairs

The Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the 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 years.

8 Matters subsequent to the end of the financial year

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the 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 years.

9 Distributions

Distributions paid or payable by the Trust for the year ended 30 June 2015 are outlined in note 8 of the Notes to the Financial Statements and form part of this Director's report.

10 DXFM fees

Details of fees paid or payable by the Trust to DXFM for the year ended 30 June 2015 are outlined in note 23 of the Notes to the Financial Statements and form part of this Directors' Report.

11 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 2015 are detailed in note 14 of the Notes to the Financial Statements and form part of this Directors' Report.

Details of the number of interests in the Trust held by DXFM or its associates as at the end of the financial year are outlined in note 23 of the Notes to the Financial Statements and form part of this Directors' Report.

The Trust did not have any options on issue as at 30 June 2015 (2014: nil).

12 Environmental regulation

DXS senior management, through its Board Risk Committee, oversee 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.

13 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 DEXUS Holdings Pty Limited (DXH).

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 Trust inappropriately uses or discloses a report prepared by PwC. The Auditor, PwC, is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

14 Audit

14.1 Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

14.2 Non-audit services

The Trust may decide to employ the Auditor on assignments, in addition to their statutory audit duties, where the Auditor's expertise and experience with the Group and/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 20 of the Notes to the Financial Statements.

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:

- a Charter of Audit Independence provides guidelines under which the Auditor may be engaged to provide non-audit services without impairing the Auditor's objectivity or independence.
- the Charter states that the Auditor will not provide services where the Auditor may be required to review or audit its own work, including:
  - the preparation of tax provisions, accounting records and financial statements;
  - the design, implementation and operation of information technology systems;
  - the design and implementation of internal accounting and risk management controls;
  - conducting valuation, actuarial or legal services;
  - consultancy services that include direct involvement in management decision making functions;
  - investment banking, borrowing, dealing or advisory services;
  - acting as trustee, executor or administrator of trust or estate;
  - prospectus independent expert reports and being a member of the due diligence committee; and
  - providing internal audit services.
- the Board Audit Committee regularly reviews the performance and independence of the Auditor and whether the independence of this function has been maintained having regard to the provision of non-audit services. The Auditor has provided a written declaration to the Board regarding its independence at each reporting period and Board Audit Committee approval is required before the engagement of the Auditor to perform any non-audit service for a fee in excess of $100,000.

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

14.3 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 and forms part of this Directors' Report.

15 Corporate governance

DXFM's Corporate Governance Statement is set out in a separate section of the DEXUS Property Group Annual Report.

16 Rounding of amounts and currency

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

17 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 11 August 2015. The Directors have the power to amend and reissue the Financial Statements.

Christopher T Beare
Chair
11 August 2015

Darren J Steinberg
Chief Executive Officer
11 August 2015

pwc

Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Operations Trust for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

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

E A Barron
Partner
PricewaterhouseCoopers

Sydney
11 August 2015

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	Note	2015 $'000	2014 $'000
Revenue from ordinary activities			
Property revenue	3	**55,979**	47,923
Proceeds from sale of inventory		**220,125**	69,326
Distribution revenue		**480**	305
Interest revenue		**118**	46
Management fee revenue	2	**126,226**	91,836
Total revenue from ordinary activities		**402,928**	209,436
Net fair value gain of investment properties	9(a)	**10,807**	11,201
Net gain on sale of investment properties		**-**	775
Reversal of previous impairment of management rights	18	**-**	7,309
Net foreign exchange gain		**316**	-
Other income		**-**	4
Total income		**414,051**	228,725
Expenses			
Property expenses	3	**(15,236)**	(9,575)
Cost of sale of inventory	10	**(172,156)**	(65,307)
Finance costs	5	**(30,065)**	(30,117)
Impairment of goodwill	18	**(99)**	(99)
Net loss on sale of investment properties		**(727)**	-
Management operations, corporate and administration expenses	4	**(98,299)**	(79,835)
Total expenses		**(316,582)**	(184,933)
Profit/(loss) before tax		**97,469**	43,792
Income tax expense	6(a)	**(28,575)**	(11,908)
Profit/(loss) for the year		**68,894**	31,884
Other comprehensive income/(loss):			
Fair value gain of available-for-sale financial assets	15	**341**	321
Total comprehensive income/(loss) for the year		**69,235**	32,205

		Cents	Cents [1]
Earnings per unit on profit/(loss) attributable to unitholders of the parent entity			
Basic earnings per unit	7	**1.15**	2.58
Diluted earnings per unit	7	**1.15**	2.58

1 Restated to reflect the one-for-six security consolidation

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

	Note	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	16(a)	**1,389**	1,269
Receivables	16(b)	**38,037**	40,633
Non-current assets classified as held for sale	11	**-**	9,500
Inventories	10	**118,495**	80,346
Other		**3,209**	2,268
Total current assets		**161,130**	134,016
Non-current assets			
Investment properties	9	**407,731**	275,397
Plant and equipment	17	**20,494**	10,797
Inventories	10	**156,297**	235,931
Deferred tax assets	6(c)	**10,800**	35,836
Intangible assets	18	**292,157**	292,586
Available-for-sale financial assets	19	**8,994**	5,470
Other		**832**	90
Total non-current assets		**897,305**	856,107
Total assets		**1,058,435**	990,123
Current liabilities			
Payables	16(c)	**28,342**	16,610
Loans with related parties	12(b)	**48,932**	48,932
Provisions	16(d)	**27,269**	39,411
Derivative financial instruments	12(c)	**148**	166
Total current liabilities		**104,691**	105,119
Non-current liabilities			
Loans with related parties	12(b)	**650,201**	668,052
Derivative financial instruments	12(c)	**-**	297
Deferred tax liabilities	6(d)	**15,066**	11,527
Provisions	16(d)	**6,450**	9,543
Other		**3,147**	2,672
Total non-current liabilities		**674,864**	692,091
Total liabilities		**779,555**	797,210
Net assets		**278,880**	192,913
Equity			
Contributed equity	14	**238,829**	222,086
Reserves	15	**43,394**	43,064
Retained profits/(accumulated losses)	15	**(3,343)**	(72,237)
Total equity		**278,880**	192,913

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

	Note	Contributed equity $'000	Asset revaluation reserve $'000	Treasury securities reserve $'000	Security-based payments reserve $'000	Available-for-sale financial assets $'000	Retained profits/ (losses) $'000	Total equity $'000
Opening balance as at 1 July 2013		197,775	42,738	(56)	37	13	(89,121)	151,386
Profit/(loss) for the year		-	-	-	-	-	31,884	31,884
Other comprehensive income/(loss) for the year		-	-	-	-	321	-	321
Transactions with owners in their capacity as unitholders:								
Issue of additional equity, net of transaction costs	14	26,532	-	-	-	-	-	26,532
Buy-back of contributed equity, net of transaction costs	14	(2,221)	-	-	-	-	-	(2,221)
Purchase of securities, net of transaction costs	15	-	-	(109)	-	-	-	(109)
Security-based payments expense	15	-	-	-	120	-	-	120
Distributions paid or provided for	8	-	-	-	-	-	(15,000)	(15,000)
Closing balance as at 30 June 2014		222,086	42,738	(165)	157	334	(72,237)	192,913
Opening balance as at 1 July 2014		**222,086**	**42,738**	**(165)**	**157**	**334**	**(72,237)**	**192,913**
Profit/(loss) for the year		**-**	**-**	**-**	**-**	**-**	**68,894**	**68,894**
Other comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**341**	**-**	**341**
Transactions with owners in their capacity as unitholders:								
Issue of additional equity, net of transaction costs	14	**16,743**	**-**	**-**	**-**	**-**	**-**	**16,743**
Purchase of securities, net of transaction costs	15	**-**	**-**	**(184)**	**-**	**-**	**-**	**(184)**
Security-based payments expense	15	**-**	**-**	**-**	**173**	**-**	**-**	**173**
Closing balance as at 30 June 2015		**238,829**	**42,738**	**(349)**	**330**	**675**	**(3,343)**	**278,880**

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

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**184,356**	137,333
Payments in the course of operations (inclusive of GST)		**(105,624)**	(101,105)
Interest received		**118**	46
Finance costs paid to financial institutions		**(503)**	(2,355)
Income and withholding taxes paid		**-**	(18)
Proceeds from sale of property classified as inventory		**221,852**	69,326
Payments for property classified as inventory		**(83,722)**	(124,094)
Net cash inflow/(outflow) from operating activities	21	**216,477**	(20,867)
Cash flows from investing activities			
Proceeds from sale of investment properties		**15,624**	5,147
Payments for capital expenditure on investment properties		**(6,285)**	(18,640)
Payments for acquisition of investment properties		**-**	(77,173)
Payments for acquisition of subsidiaries		**(160,001)**	-
Payments for management rights		**-**	(42,000)
Payments for plant and equipment		**(12,175)**	(4,000)
Net cash inflow/(outflow) from investing activities		**(162,837)**	(136,666)
Cash flows from financing activities			
Borrowings provided to related parties		**(843,697)**	(358,566)
Borrowings received from related parties		**792,041**	491,148
Payments for buy-back of contributed equity		**-**	(2,221)
Proceeds from issue of additional equity		**16,743**	26,532
Purchase of securities for security-based payments plans		**(3,985)**	(3,059)
Distributions received		**378**	220
Distributions paid to security holders		**(15,000)**	-
Net cash inflow/(outflow) from financing activities		**(53,520)**	154,054
Net increase/(decrease) in cash and cash equivalents		**120**	(3,479)
Cash and cash equivalents at the beginning of the year		**1,269**	4,748
Cash and cash equivalents at the end of the year		**1,389**	1,269

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

About this Report

In this section

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

Specific accounting policies are described in their respective notes to the 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.

(a) Basis of preparation

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

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

These general purpose Financial Statements have been prepared in accordance with the requirements of the Trust's Constitutions, the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements and interpretations of the Australia Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes also comply with International Financial Reporting Standards (IFRS). The Trust is a for-profit entity for the purpose of preparing Financial Statements.

Amounts in these Financial Statements have been presented in Australian dollars and rounded off in accordance with ASIC Class Order 98/100 to the nearest thousand dollars, unless otherwise indicated.

These Financial Statements are prepared on a going concern basis, using historical cost conventions except for investment properties, security-based payments, derivative financial instruments and other financial liabilities which are stated at their fair value. Refer to the specific accounting policies within the notes to the Financial Statements for the basis of valuation of assets and liabilities measured at fair value.

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

Critical accounting estimates

In the process of applying the Trust's accounting policies, management have made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are discussed in the following notes:

Note 9	Investment properties	Page 22
Note 10	Inventories	Page 25
Note 12(c)	Derivative financial instruments	Page 35
Note 18	Intangible assets	Page 44
Note 22	Security-based payments	Page 47

(b) Principles of consolidation

These consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2015.

(i) 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.

(ii) Joint arrangements

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

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

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

(iii) Employee share trust

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

(c) Foreign currency

Items included in the Financial Statements of the Trust are measured using the currency of the primary economic environment in which the entity operates. The Financial Statements are presented in Australian dollars.

(d) 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 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.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The Trust's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* (effective 1 July 2018).
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting and impairment of financial assets. The Trust intends to apply the standard from 1 July 2018. Application of this standard will not affect any of the amounts recognised in the Financial Statements but will require the disclosure of additional information.

AASB 15 *Revenue from Contracts with Customers* (effective 1 July 2018).
AASB 15 *Revenue from Contracts with Customers* clarifies the principles for recognising revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Trust intends to apply the standard from 1 July 2018 and does not expect any significant impacts.

(f) Notes to the Financial Statements

The notes include information which is required to understand the Financial Statements and is material and relevant to the operations, financial position and performance of the Trust. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Trust;
- it helps to explain the impact of significant changes in the Trust's business;
- it relates to an aspect of the Trust's operations that is important to its future performance.

The notes to the Financial Statements have been re-ordered and re-written in order to provide more meaningful information to the readers of the Financial Statements. 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	17. Plant and equipment
2. Management fee revenue	10. Inventories	13. Commitments and contingencies	18. Intangible assets
3. Property revenue and expenses	11. Non-current assets classified as held for sale	14. Contributed equity	19. Available-for-sale financial assets
4. Management operations, corporate and administration expenses		15. Reserves and accumulated losses	20. Audit, taxation and transaction services fees
5. Finance costs		16. Working capital	21. Reconciliation of net profit to net cash flows from operating activities
6. Taxation			22. Security-based payments
7. Earnings per unit			23. Related parties
8. Distributions paid and payable			24. Parent entity disclosures
			25. Subsequent events

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 Financial Statements that the Directors consider most relevant in the context of the operations of the Trust, including: operating segments, management fee 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

(a) Description of segments

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

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

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

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

Note 2

Management fee revenue

Management fees are brought to account on an accruals basis.

	2015 $'000	2014 $'000
Investment management & responsible entity fees	**65,944**	53,705
Rent and lease renewal fees	**9,918**	3,534
Property management fees	**30,896**	24,982
Capital works and development fees	**8,333**	1,736
Wages recovery and other fees	**11,135**	7,879
Total management fee revenue	**126,226**	91,836

Note 3

Property revenue and expenses

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. These incentives may take various forms including cash payments, rent free periods, or a contribution to certain lessee costs such as fit-out costs or relocation costs. 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.

Property expenses include rates, taxes and other property outgoings incurred in relation to investment properties.

Note 4

Management operations, corporate and administration expenses

	2015 $'000	2014 $'000
Audit, taxation, legal and other professional fees	**4,637**	3,972
Depreciation and amortisation	**2,808**	2,315
Employee benefits expense and other staff expenses	**83,517**	66,769
Administration and other expenses	**7,337**	6,779
Management operations, corporate and administration expenses	**98,299**	79,835

Note 5

Finance costs

Borrowing costs include interest, amortisation or ancillary costs incurred in connection with arrangement of borrowings, and net fair value movements of interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

Qualifying assets include investment properties and inventories which take more than 12 months to develop for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset during the period of time that is required to complete and develop the asset for its intended use or sale. 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 a weighted average capitalisation rate.

Note 5

Finance costs (continued)

	2015 $'000	2014 $'000
Interest paid to related parties	**32,842**	35,864
Net fair value loss of interest rate swaps	**129**	343
Amount capitalised	**(2,966)**	(6,125)
Other finance costs	**60**	35
Total finance costs	**30,065**	30,117

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.00% (2014: 7.00%).

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 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 the balance sheet 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

	2015 $'000	2014 $'000
Current income tax (expense)/benefit	**-**	(18)
Deferred income tax (expense)/benefit	**(28,575)**	(11,890)
Total income tax (expense)/benefit	**(28,575)**	(11,908)
Total income tax (expense)/benefit attributable to:		
Profit/(loss) from continuing operations	**(28,575)**	(11,908)
Total income tax (expense)/benefit	**(28,575)**	(11,908)
Deferred income tax expense included in income tax (expense)/benefit comprises:		
(Decrease)/increase in deferred tax assets	**(25,036)**	(3,578)
(Increase)/decrease in deferred tax liabilities	**(3,539)**	(8,312)
Total deferred tax expense	**(28,575)**	(11,890)

Note 6

Taxation (continued)

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

	2015 $'000	2014 $'000
Profit/(loss) before income tax	**97,469**	43,792
Prima facie tax (expense)/benefit at the Australian tax rate of 30% (2014: 30%)	**(29,241)**	(13,138)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	**2,088**	1,739
Reversal of previous impairment	**-**	2,192
Movements in the carrying value and tax cost base of properties	**4,863**	1,180
Accounting loss on sale of assets	**(7,153)**	(1,421)
Other timing differences	**868**	(2,460)
	666	1,230
Income tax (expense)/benefit	**(28,575)**	(11,908)

(c) Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Derivative financial instruments	**37**	104
Tax losses	**951**	25,199
Employee provisions	**8,318**	9,589
Other	**1,494**	944
Total non-current assets - deferred tax assets	**10,800**	35,836
Movements:		
Opening balance at the beginning of the year	**35,836**	39,414
(Utilisation)/recognition of tax losses	**(24,226)**	(2,296)
Movement in deferred tax asset arising from temporary differences	**(810)**	(1,282)
(Charged)/credited to the Statement of Comprehensive Income	**(25,036)**	(3,578)
Closing balance at the end of the year	**10,800**	35,836

The tax losses are expected to be fully utilised by 30 June 2016.

Note 6

Taxation (continued)

(d) Deferred tax liabilities

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Intangible assets	**1,909**	2,008
Investment properties	**12,729**	-
Inventories	**-**	9,169
Other	**428**	350
Total non-current liabilities - deferred tax liabilities	**15,066**	11,527
Movements		
Opening balance at the beginning of the year	**11,527**	3,215
Charged/(credited) to the Statement of Comprehensive Income	**3,539**	8,312
Closing balance at the end of the year	**15,066**	11,527

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.

The weighted average number of units has been adjusted to reflect the one-for-six security consolidation.

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

	2015 $'000	2014 $'000
Profit attributable to unitholders of the parent entity	**10,484**	21,145

(b) Weighted average number of units used as a denominator

	2015 No. of units	2014 No. of units[1]
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	**915,462,824**	820,257,691

1 Restated to reflect the one-for-six security consolidation.

Note 8

Distributions paid and payable

Distributions are recognised when declared.

(a) Distribution to unitholders

	2015 $'000	2014 $'000
30 June	-	15,000
Total distribution to unitholders	-	15,000

(b) Distribution rate

	2015 Cents per unit	2014 Cents per unit[1]
30 June	-	1.66
Total distributions	-	1.66

1 Restated to reflect the one-for-six security consolidation.

(c) Franked dividends

	2015 $'000	2014 $'000
Opening balance at the beginning of the year	**9,752**	16,181
Franking credits utilised for payment of distribution	-	(6,429)
Closing balance at the end of the year	**9,752**	9,752

Property portfolio assets

In this section

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

30 June 2015	Note	Office $'000	Industrial $'000	Development $'000	Total $'000
Investment properties	**9**	83,799	292,809	31,123	**407,731**
Inventories	**10**	42,886	231,906	-	**274,792**
Assets held for sale	**11**	-	-	-	**-**
Total		**126,685**	**524,715**	**31,123**	**682,523**

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

- *Investment properties*: relates to investment properties, both stabilised and under development.
- *Inventories*: relates to the Trust's ownership of industrial and office assets or land held for repositioning, development and sale;
- *Non-current assets classified as held for sale:* relates to Office and Industrial investment properties which are expected to be sold within 12 months of the balance sheet date and are currently being marketed for sale.

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

Note 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 in the Financial Statements.

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 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 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.

Note 9

Investment properties (continued)

(a) Reconciliation

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	Office $'000	Industrial $'000	Development $'000	2015 $'000	2014 $'000
Opening balance at the beginning of the year	78,500	168,087	28,810	275,397	176,279
Additions	1,933	113	10,740	12,786	22,613
Acquisitions	-	114,428	-	114,428	77,173
Lease incentives	302	2,673	-	2,975	1,793
Amortisation of lease incentives	(21)	(1,392)	-	(1,413)	(1,110)
Rent straightlining	42	1,181	-	1,223	1,320
Disposals	-	-	(6,851)	(6,851)	(4,372)
Transfer to inventory	-	-	(1,621)	(1,621)	-
Transfers to non-current assets classified as held for sale	-	-	-	-	(9,500)
Net fair value gain/(loss) of investment properties	3,043	7,719	45	10,807	11,201
Closing balance at the end of the year	83,799	292,809	31,123	407,731	275,397

Acquisitions

- On 16 January 2015, settlement occurred on the acquisition of Lakes Business Park, 2-13 Lord Street, Botany, for $153.5 million excluding acquisition costs. This comprises $109.8 million ($114.4 million including acquisition costs) classified as investment property and $43.7million ($45.6 million including acquisition costs) classified as inventory classified as inventory. Refer note 10.

Disposals

- During the year, three land parcels of Quarry Greystanes, NSW, were disposed of for gross proceeds of $6.3 million (carrying value of $6.9 million).

(b) Valuation process

Independent valuations are carried out for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations. Independent valuations may be undertaken earlier where the Responsible Entity believes there is potential for a material change in the fair value of the property being the greatest of 5% of the asset value, or $5 million.

The Trust's investment properties are required to be internally valued at least every six months unless they have been independently valued during the current reporting period. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine 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.

Note 9

Investment properties (continued)

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) 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	Fair value 2015 $'000	Fair value 2014 $'000	Inputs used to measure fair value	Range of unobservable inputs 2015	Range of unobservable inputs 2014
Office	Level 3	**83,799**	78,500	Adopted capitalisation rate	**8.25%**	8.25%
				Adopted discount rate	**9.50%**	9.50%
				Adopted terminal yield	**8.50%**	8.50%
				Current net market rental (per sqm)	**$405**	$407
				10 year average market rental growth	**3.02%**	3.60%
Industrial	Level 3	**292,809**	168,087	Adopted capitalisation rate	**6.75% - 7.75%**	7.13% - 8.25%
				Adopted discount rate	**8.25% - 8.75%**	9.00% - 9.50 %
				Adopted terminal yield	**7.00% - 8.00%**	7.63% - 8.25%
				Current net market rental (per sqm)	**$71 - $272**	$75 - $199
				10 year average market rental growth	**2.96% - 3.10%**	3.20% - 3.26%
Development	Level 3	**31,123**	28,810	Adopted capitalisation rate	**6.50% - 6.50%**	7.13%
				Land rate (per sqm)	**$35 - $350**	$50 - $250
Total		**407,731**	275,397			

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 regards 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 regards 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 regards to market evidence and the prior external valuation.
- **Net market rental (per sqm)**: 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.
- **10 year average market rental growth**: The expected annual rate of change in market rent over a 10 year forecast period in alignment with expected market movements. The rate is determined with reference to forecast market movements.
- **Land rate (per sqm)**: The land rate is the market land value per sqm.

Note 9

Investment properties (continued)

(d) 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:

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Adopted capitalisation rate Adopted discount rate Adopted terminal yield	Decrease	Increase
Net market rental (per sqm) 10 year average market rental growth Land rate (per sqm)	Increase	Decrease

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 total net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the total net market rent. A directionally opposite change in the total 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 cashflow 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 whilst a strengthening may have a positive impact on the value under the same approach.

Note 10

Inventories

Land and properties held for repositioning, development and sale are recorded at the lower of cost and 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.

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. Key estimates have been reviewed and no impairment provisions have been recognised.

Note 10

Inventories (continued)

(a) Land and properties held for resale

	2015 $'000	2014 $'000
Current assets		
Land and properties held for resale	**118,495**	80,346
Total current assets - inventories	**118,495**	80,346
Non-current assets		
Land and properties held for resale	**156,297**	235,931
Total non-current assets - inventories	**156,297**	235,931
Total assets - inventories	**274,792**	316,277

(b) Reconciliation

	2015 $'000	2014 $'000
Opening balance at the beginning of the year	**316,277**	252,910
Transfer from investment property	**1,621**	-
Disposals	**(172,156)**	(65,307)
Acquisitions and additions	**129,050**	128,674
Closing balance at the end of the year	**274,792**	316,277

Acquisitions

- On 16 January 2015, settlement occurred on the acquisition of Lakes Business Park, 2-13 Lord Street, Botany, for $153.5 million excluding acquisition costs. This comprises $109.8 million ($114.4 million including acquisition costs) classified as investment property and $43.7 million ($45.6 million including acquisition costs) classified as inventory. Refer note 9.
- On 30 November 2014, HWT Car Park, 32-44 Flinders Street, Melbourne, was acquired from DDF for $30.4 million excluding acquisition costs.

Disposals

- On 1 July 2014, 30 Distribution Drive, Laverton, VIC was disposed of for gross proceeds of $19.0 million. 50% of this property was classified as investment property at 30 June 2014 (carrying value of $8.5 million in inventory). Refer note 9.
- On 13 August 2014, the Trust exchanged contracts for the sale of 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery, NSW for $190.0 million, represented by a $19.0 million option fee and $171.0 million settlement payment. The Trust will recognise the option fee over the term of the option and has therefore recognised $17.3 million during the year ended 30 June 2015. The balance of $1.7 million and the settlement amount of $171.0 million will be recognised in the year ended 30 June 2016.
- On 1 December 2014, 50 Carrington Street, Sydney, NSW was disposed of for gross proceeds of $88.0 million (carrying value of $75.8 million).
- On 22 May 2015, 40 Market Street, Melbourne, VIC was disposed of for gross proceeds of $105.3 million (carrying value of $87.9 million).

Note 11

Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

Non-current assets classified as held for sale relate to investment properties and are measured at fair value. As at 30 June 2015, the balance related to Units 10/11, 108 Silverwater Road, Silverwater, NSW. Refer note 24.

Disposals

- On 1 July 2014, 30 Distribution Drive, Laverton, VIC was disposed of for gross proceeds of $19.0 million. 50% of this property was classified as inventory at 30 June 2014. Refer note 10.

Capital and financial risk management and working capital

In this section

The Trust's overall risk management program focuses on reducing volatility from impacts in movements of 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 Trust manages its exposure to a variety of financial risks (interest rate risk, foreign currency risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Trust.

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 shareholders (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: *Commitments and contingencies* in note 13;
- Equity: *Contributed equity* in note 14 and *Reserves and accumulated losses* in note 15.

Note 16 provides a breakdown of the working capital balances held in the 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. The Group Management Committee generally meets weekly. 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 unit 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 DXS's credit rating; and
- other market factors.

Note 12

Capital and financial risk management (continued)

(a) Capital risk management (continued)

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.

The Responsible Entity for the Trust, DXFM (a wholly owned entity), 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.

DWPL, a wholly owned entity, has been issued with an AFSL as it is the Responsible Entity for DEXUS Wholesale Property Fund (DWPF). 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. 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, other than derivatives, comprise cash, bank loans and capital markets issuance. The main purpose of financial instruments is to manage liquidity and hedge the Trust's exposure to financial risks namely:

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

The Trust uses derivatives to reduce the Trust's exposure to fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation or a right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative financial instruments that the Trust may use to hedge its risks include:

- interest rate swaps;
- cross currency interest rate swaps;
- foreign exchange contracts; and
- option contracts (interest rates).

The Trust does not trade in derivative instruments for speculative purposes. The Trust uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure and conducting sensitivity analysis.

(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 predominately 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 as variable interest rates may increase.

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.

Note 12

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(i) Market risk (continued)

Interest rate risk (continued)

The Trust maintains a mix of offshore and local currency fixed rate and variable rate debt, as well as a mix of long term and short term debt. The Trust primarily enters into interest rate swaps and cross currency interest rate swap agreements to manage the associated interest rate risk. The Trust hedges the interest rate and currency risk on the majority of its foreign currency borrowings by entering into cross currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings at contracted rates. The derivative contracts are recorded at fair value in the Statement of Financial Position, being the market value as quoted in an active market.

Interest rate swaps require settlement of net interest receivable or payable each 90 or 180 days. The settlement dates coincide with the dates on which the interest is payable on the underlying debt. The receivable and payable legs on interest rate swap contracts are settled on a net basis. The net notional amount of average fixed rate debt and interest rate swaps in place in each year and the weighted average effective hedge rate is set out below:

	June 2016	June 2017	June 2018	June 2019	June 2020	> June 2021
	$'000	$'000	$'000	$'000	$'000	$'000
Interest rate swaps						
A$ hedged[1]	5,000	-	-	-	-	-
A$ hedge rate (%)[2]	0.27%	-	-	-	-	-

1 Amounts do not include fixed rate debt that has been swapped to floating rate debt through cross currency swaps.

Sensitivity analysis on interest expense

The table below shows the impact on the Trust's net interest expense of a 50 basis point increase or decrease 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 and derivative cash flows. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

		2015	2014
		(+/-) $'000	(+/-) $'000
+/- 0.50% (50 basis points)	A$	2,951	3,090

The increase or decrease in interest expense is proportional to the increase or decrease in interest rates.

Note 12

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(i) Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis on fair value of interest rate swaps

The sensitivity analysis on interest rate swaps below shows the effect on net profit or loss for changes in the fair value of interest rate swaps for a 50 basis point increase or decrease in short-term and long-term market interest rates. The sensitivity on fair value arises from the impact that changes in market rates will have on the valuation of the interest rate swaps.

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows on the instruments. Although interest rate swaps are transacted for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting to its interest rate derivatives. Accordingly, gains or losses arising from changes in the fair value are reflected in the profit or loss.

		2015	2014
		(+/-) $'000	(+/-) $'000
+/- 0.50% (50 basis points)	A$	**-**	297

Equity price risk

Equity price risk is the risk that the fair value of investments in listed entities fluctuates due to changes in the underlying unit price. The Trust's equity price risk arises from investments in DXS securities purchased in order to fulfil the future requirements of the security-based payments plans. These investments are classified as available for-sale assets, with any resultant fair value movement recognised in other comprehensive income.

Sensitivity analysis on equity price risk

The following sensitivity analysis shows the effect on the Statement of Comprehensive Income if the market price of the underlying equity securities/units at balance date had been 10% higher/lower with all other variables held constant.

	2015	2014
	(+/-) $'000	(+/-) $'000
+/- 10%	**817**	547

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 Group'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.

	2015				2014			
	Within one year $'000	**Between one and two years $'000**	**Between two and five years $'000**	**After five years $'000**	Within one year $'000	Between one and two years $'000	Between two and five years $'000	After five years $'000
Cash	**1,389**	**-**	**-**	**-**	1,269	-	-	-
Receivables	**38,037**	**-**	**-**	**-**	40,633	-	-	-
Payables	**28,342**	**-**	**-**	**-**	16,610	-	-	-
	11,084	-	-	-	25,292	-	-	-
Interest bearing loans with related parties and interest[1]	**-**	**7,121**	**7,121**	**-**	34,672	34,672	737,396	-
Derivative financial instruments								
Derivative assets	**-**	**-**	**-**	**-**	50	-	-	-
Derivative liabilities	**-**	**-**	**-**	**-**	226	33	-	-
Total net derivative financial instruments[2]	**-**	**-**	**-**	**-**	(176)	(33)	-	-

1 Includes estimated interest.

2 For interest rate swaps, only the net interest cash flows (not the notional principal) are included. For derivative assets and liabilities that have floating interest cash flows, future cash flows have been calculated using static interest and exchange rates prevailing at the end of each reporting period. Refer to note 12(c) for fair value of derivatives. Refer to note 13 for financial guarantees.

Note 12

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(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 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 a S&P, Moody's and Fitch 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 ISDA Master Agreements once a financial institution counterparty is approved;
- monitoring tenant exposure within approved credit limits;
- 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.

A minimum S&P rating of A– (or Moody's or Fitch 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 and on derivative financial instruments with financial institutions. The Trust has a policy that sets limits as to the amount of credit exposure to each financial institution. New derivatives and 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 2015 is the carrying amounts of financial assets recognised on the Statement of Financial Position.

As at 30 June 2015, there were no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are monitored on an ongoing basis. The tables below show the ageing analysis of loans and receivables net of provisions of the Trust.

	2015	2014
	$'000	$'000
0-30 days	**32,716**	36,805
31-60 days	**3,130**	2,626
61-90 days	**283**	478
Over 91 days	**1,908**	724
Total receivables net of provisions	**38,037**	40,633

Amounts over 31 days are past due, however, no receivables are impaired. The credit quality of financial assets that are neither past due nor impaired is monitored to make sure there are no adverse changes in credit quality.

Note 12

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(iv) Fair value

The Trust has classified its financial assets and liabilities as follows:

Financial asset/liability	Classification	Valuation basis	Reference
Receivables[1]	Loans and receivables	Amortised cost	Refer to note [16(b)]
Other financial assets	Available-for-sale	Fair value	Refer to note [19]
Payables[1]	Financial liability at amortised cost	Amortised cost	Refer to note [16(c)]
Interest bearing liabilities loan from related party	Financial liability at amortised cost	Amortised cost	Refer to note [12(b)]
Non-interest bearing loans from related party	Loans and receivables	Amortised cost	Refer to note [12(b)]
Derivatives	Fair value through profit or loss	Fair value	Refer to note 12(c)

1 The face value of these is approximately equal to their fair value; these amounts are unsecured and are usually paid within 30 days of recognition.

Financial assets and liabilities are classified in accordance with the purpose for which they were acquired. As noted in section (c) below, derivative financial instruments are initially recognised in the Statement of Financial Position at fair value on the date on which the derivative contract is entered into and subsequently remeasured to fair value.

The valuation techniques applied by the Trust are consistent with those applied in prior year financial reports. The valuation technique used to measure the various financial instruments namely foreign currency contracts and interest rate contracts is based on market observable spot exchange rates and interest rate yield curves. This method records any change in fair value of a derivative in the Financial Statements.

The carrying amounts and estimated fair value of all the Trust's financial assets and liabilities recognised in the Financial Statements are as follows:

	2015 Carrying amount[1] $'000	**2015 Fair value[2] $'000**	2014 Carrying amount[1] $'000	2014 Fair value[2] $'000
Financial assets				
Cash and cash equivalents	**1,389**	**1,389**	1,269	1,269
Loans and receivables (current)	**38,037**	**38,037**	40,633	40,633
Available-for-sale financial assets	**8,994**	**8,994**	5,470	5,470
Total financial assets	**48,420**	**48,420**	47,372	47,372
Financial liabilities				
Trade payables	**28,342**	**28,342**	16,610	16,610
Non-interest bearing loans with related parties[3]	**48,932**	**48,932**	48,932	48,932
Interest bearing loans with related parties[4]	**650,201**	**650,201**	668,052	668,052
Derivative liabilities	**148**	**148**	463	463
Total financial liabilities	**727,623**	**727,623**	734,057	734,057

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

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

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

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

Note 12

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(iv) Fair value (continued)

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.

The following table presents the assets and liabilities measured and recognised as at fair value 30 June 2015 and 30 June 2014.

2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Available-for-sale financial assets	**8,994**	**-**	-	8,994
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	**-**	**148**	**-**	**148**

2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Available-for-sale financial assets	5,470	-	-	5,470
Financial liabilities				
Derivative liabilities				
Interest rate derivatives	-	463	-	463

(v) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where the Trust currently has a legally enforceable right of 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. The Trust has also entered into arrangements that do not meet the criteria for offsetting except in certain circumstances, such as bankruptcy or the termination of the underlying contract.

All derivatives held by the Trust are in a liability position and therefore disclosure of the offsetting arrangements is consistent with the amounts disclosed in the Statement of Financial Position.

Note 12

Capital and financial risk management (continued)

(b) Financial risk management (continued)

(v) Offsetting financial assets and financial liabilities (continued)

Master netting arrangements - not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Trust does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Statement of Financial Position.

(c) Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables including interest rates or exchange rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure and the Trust uses derivatives to manage its exposure to interest rates and foreign exchange risk accordingly.

Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity continually reviews the Trust's exposures and updates its treasury policies and procedures. The Trust does not trade in derivative instruments for speculative purposes.

Even though derivative financial instruments are entered into for the purpose of providing the Trust with an economic hedge, the Trust has elected not to apply hedge accounting under *AASB 139 Financial Instruments: Recognition and Measurement*. Accordingly, derivatives including interest rate swaps are measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income

	2015	2014
	$'000	$'000
Current liabilities		
Interest rate swap contracts	**148**	166
Total current liabilities - derivative financial instruments	**148**	166
Non-current liabilities		
Interest rate swap contracts	**-**	297
Total non-current liabilities - derivative financial instruments	**-**	297
Total liabilities - derivative financial instruments	**148**	463

Key assumptions: fair value of derivatives

The fair value of derivative financial instruments has been determined based on a discounted cash flow analysis using observable market inputs (interest rates, exchange rates and currency basis) and applying a credit or debit valuation adjustment based on the current credit worthiness of counterparties and the Group.
Refer to note 12(b)(iv) *Capital and financial Risk Management* for further detail.

Note 13

Commitments and contingencies

(a) Commitments

(i) Capital commitments

The following amounts represent remaining capital expenditure on investment properties and inventories contracted at the end of each reporting period but not recognised as liabilities payable:

	2015 $'000	2014 $'000
Investment properties	**13,936**	118
Inventories	**17,788**	790
Total capital commitments	**31,724**	908

(ii) Lease payable commitments

The future minimum lease payments payable by the Trust are:

	2015 $'000	2014 $'000
Within one year	**3,678**	3,294
Later than one year but not later than five years	**10,441**	11,452
Later than five years	**982**	1,264
Total lease payable commitments	**15,101**	16,010

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

No provisions have been recognised in respect of non-cancellable operating leases.

(iii) Lease receivable commitments

The future minimum lease payments receivable by the Trust are:

	2015 $'000	2014 $'000
Within one year	**45,812**	34,158
Later than one year but not later than five years	**133,198**	99,720
Later than five years	**85,017**	40,529
Total lease receivable commitments	**264,027**	174,407

Note 13

Commitments and contingencies (continued)

(b) Contingencies

The Trust, together with DDF, DIT and DOT, is a guarantor of a total of A$3,572.4 million of interest bearing liabilities (refer note 13 of the DEXUS Property Group Financial Report). The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Group has bank guarantees of $30.9 million, comprising $30.2 million held to comply with the terms of the Australian Financial Services Licenses (AFSL) and $0.7 million in respect of developments.

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

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

Note 14

Contributed equity

(a) Contributed equity

	2015 $'000	2014 $'000
Opening balance at the beginning of the year	**222,086**	197,775
Issue of additional equity, net of transaction costs	**16,743**	26,532
Buy-back of contributed equity, net of transaction costs	**-**	(2,221)
Closing balance at the end of the year	**238,829**	222,086

(b) Number of units on issue

	2015 No. of units	2014 No. of units
Opening balance at the beginning of the year	**5,433,110,810**	4,701,957,390
Issue of additional equity	**65,274,552**	804,882,384
One-for-six security consolidation	**(4,527,579,013)**	-
Buy-back of contributed equity	**-**	(73,728,964)
Closing balance at the end of the year	**970,806,349**	5,433,110,810

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 issue 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 issue of those equity instruments and which would not have been incurred had those instruments not been issued.

On 29 October 2014, the Trust announced a one-for-six consolidation of DEXUS Property Trust stapled securities. The consolidation was completed on 14 November 2014. Where the number of securities held by a security holder following the consolidation resulted in a fraction of a security, the fraction was rounded up to the nearest whole number.

Note 15

Reserves and accumulated losses

(a) Reserves

	2015	2014
	$'000	$'000
Asset revaluation reserve	42,738	42,738
Security-based payments reserve	330	157
Available-for-sale financial assets	675	334
Treasury securities reserve	(349)	(165)
Total reserves	**43,394**	43,064
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	157	37
Security-based payments expense	173	120
Closing balance at the end of the year	**330**	157
Available-for-sale financial assets		
Opening balance at the beginning of the year	334	13
Fair value gain of securities	341	321
Closing balance at the end of the year	**675**	334
Treasury securities reserve		
Opening balance at the beginning of the year	(165)	(56)
Purchase of securities	(184)	(109)
Closing balance at the end of the year	**(349)**	(165)

(b) 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 payments reserve

The security-based payments reserve is used to recognise the fair value of performance rights to be issued under the 2012 Transitional Performance Rights Plan, the Deferred Short Term Incentive Plans (DSTI) and the Long Term Incentive Plans (LTI). Refer to note 22 for further details.

Note 15

Reserves and accumulated losses (continued)

(b) Nature and purpose of reserves (continued)

Available-for-sale financial assets
Changes in the fair value arising on valuation of investments, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold, transferred or impaired.

Treasury securities reserve
The treasury securities reserve is used to record the acquisition of securities purchased to fulfil the obligations of the 2012 Transitional Performance Rights Plan, the Deferred Short Term Incentive Plans (DSTI) and the Long Term Incentive Plans (LTI). As at 30 June 2015, DXS held 1,170,525 stapled securities (2014: 847,825, restated to reflect the one-for-six security consolidation).

(c) Accumulated losses

	2015	2014
	$'000	$'000
Opening balance at the beginning of the year	**(72,237)**	(89,121)
Net profit/(loss) attributable to security holders	**68,894**	31,884
Distributions provided for or paid	**-**	(15,000)
Closing balance at the end of the year	**(3,343)**	(72,237)

Note 16

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, management fees and interest revenue are brought to account on an accruals basis. Dividends and distributions are recognised when declared and, if not received at the end of the reporting period, reflected in the 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 doubtful debts. 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 doubtful debts is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables.

Note 16

Working capital (continued)

(b) Receivables (continued)

	2015 $'000	2014 $'000
Rent receivable	**2,347**	2,949
Total rental receivables	**2,347**	2,949
Distributions receivable	**250**	148
Fee Receivable	**28,051**	20,147
Receivables from related entities	**2,768**	13,482
Other receivables	**4,621**	3,907
Total other receivables	**35,690**	37,684
Total current assets - receivables	**38,037**	40,633

(c) Payables

Expenses are brought to account on an accruals basis and, if not paid at the end of the reporting period, are reflected in the Statement of Financial Position as a payable.

These amounts represent liabilities for amounts owing at the end of the reporting period. The amounts are unsecured and are usually paid within 30 days of recognition.

	2015 $'000	2014 $'000
Trade creditors	**18,421**	6,680
Accruals	**3,433**	1,905
Accrued capital expenditure	**667**	274
GST payable	**766**	1,114
Other payable to related parties	**2,569**	3,531
Other payables	**2,486**	3,106
Total current liabilities - payables	**28,342**	16,610

Note 16

Working capital (continued)

(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.

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 incentive schemes whish are shown separately in note 22.

	2015	2014
	$'000	$'000
Provision for distribution	**-**	15,000
Provision for employee benefits	**27,269**	24,411
Total current provisions	**27,269**	39,411

Non-current provisions relate to employee benefits.

Other disclosures

In this section

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

Note 17

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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

	2015	2014
	$'000	$'000
Opening balance at the beginning of the year	**10,797**	8,781
Additions	**12,175**	4,000
Depreciation charge	**(2,478)**	(1,984)
Closing balance at the end of the year	**20,494**	10,797

	2015	2014
	$'000	$'000
Cost	**38,800**	26,626
Accumulated depreciation	**(18,306)**	(15,829)
Net book value as at the end of the year	**20,494**	10,797

Note 18

Intangible assets

Management rights represent the asset management rights owned by DXH, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of $4,725,145 (2014: $5,054,806)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 17 years. Management rights that are deemed to have an indefinite life are held at a value of $286,022,841 million (2014: $286,022,841 million).

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 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 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).

	2015	2014
	$'000	$'000
Management rights		
Opening balance at the beginning of the year	**291,078**	242,100
Acquisition of management rights	**-**	42,000
Amortisation charge	**(330)**	(331)
Reversal of previous impairment of management rights	**-**	7,309
Closing balance at the end of the year	**290,748**	291,078
Cost	**294,382**	294,382
Accumulated amortisation	**(3,634)**	(3,304)
Total management rights	**290,748**	291,078
Goodwill		
Opening balance at the beginning of the year	**1,508**	1,607
Impairment	**(99)**	(99)
Closing balance at the end of the year	**1,409**	1,508
Cost	**2,998**	2,998
Accumulated impairment	**(1,589)**	(1,490)
Total goodwill	**1,409**	1,508
Total non-current assets - intangible assets	**292,157**	292,586

Note 18

Intangible assets (continued)

During the current year, management carried out a review of the recoverable amount of its management rights. There was no change in the carrying value of the management rights in the current year. In the prior year there was a recognition of a reversal of previous impairments of $7,309,000 in the Statement of Comprehensive Income.

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

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 between 10.0% - 16.7% (2014: 12.5% – 16.7%) was used incorporating an appropriate risk premium for a management business.
- Cash flows have been discounted at 9.0% (2014: 9.5%) based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk. A 1.0% (2014: 1.0%) decrease in the discount rate would increase the valuation by $17.1 million (2014: $18.7 million).

Note 19

Available-for-sale financial assets

Available-for-sale financial assets comprise DXS securities acquired on-market in order to fulfil the future requirements of the security-based payments plans.

They are included in non-current assets except for those securities that will be used to fulfil security based payment plans that vest within 12 months, which are classified as current assets. Changes in fair value arising on valuation of investments are recognised in other comprehensive income net of tax, in a separate reserve in equity. Amounts are reclassified to profit or loss when the associated assets are sold, transferred or impaired.

Note 20

Audit, taxation and transaction services fees

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

	2015 $	2014 $
Audit fees		
PwC Australia - audit and review of Financial Statements	**250,159**	189,353
PwC fees paid in relation to outgoings audits	**20,600**	4,500
PwC Australia - regulatory audit and compliance services	**198,690**	192,078
Audit fees paid to PwC	**469,449**	385,931
Taxation fees		
Fees paid to PwC Australia	**125,470**	5,000
Taxation fees paid to PwC	**125,470**	5,000
Total audit and taxation fees paid to PwC	**594,919**	390,931

Note 21

Reconciliation of net profit to net cash flows from operating activities

(a) Reconciliation

	2015 $'000	2014 $'000
Net profit/(loss) for the year	**68,894**	31,884
Capitalised interest	**(1,976)**	(6,125)
Depreciation and amortisation	**2,808**	2,315
Impairment of goodwill	**99**	99
Net fair value (gain)/loss of investment properties	**(10,807)**	(11,201)
Net (gain)/loss on sale of investment properties	**727**	(775)
Lease incentives	**(5,110)**	(2,811)
Reversal of previous impairment of management rights	**-**	(7,309)
Distribution revenue	**(480)**	(305)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**2,698**	(10,171)
(Increase)/decrease in inventories	**87,058**	(63,367)
(Increase)/decrease in other current assets	**(941)**	(801)
(Increase)/decrease in other non-current assets	**(124)**	-
Increase/(decrease) in payables	**12,116**	3,137
Increase/(decrease) in current liabilities	**2,840**	1,577
Increase/(decrease) in other non-current liabilities	**30,100**	31,096
(Increase)/decrease in deferred tax assets	**25,036**	3,578
(Increase)/decrease in deferred tax liabilities	**3,539**	8,312
Net cash inflow/(outflow) from operating activities	**216,477**	(20,867)

Note 22

Security-based payments

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants. Awards, via the 2012 Transitional Performance Rights Plan, Deferred Short Term Incentive Plans (DSTI) and Long Term Incentive Plans (LTI), 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 Funds from Operations (FFO), Return on Equity (ROE) 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 payments 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 Payments*, fair value is determined independently using Black-Scholes 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) 2012 Transitional Performance Rights Plan

Subject to satisfying employment service conditions, the award has vested over a four year period ending 30 June 2015. No performance rights were granted in respect of the year ended 30 June 2015 (2014: nil).The total security-based payment expense recognised during the year ended 30 June 2015 was $435,970 (2014: $547,595).

(b) 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 Payments*, 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 2015 was 356,412 (2014: 374,448[1]) and the fair value of these performance rights is $7.30 (2014: $6.66[1]) per performance right. The total security-based payment expense recognised during the year ended 30 June 2015 was $2,230,210 (2014: $1,896,231).

[1] Restated to reflect the one-for-six security consolidation.

Note 22

Security-based payments (continued)

(c) 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 Payments*, 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 2015 was 533,328 (2014: 473,375[1]). The fair value of these performance rights is $5.43 (2014: $4.98[1]) per performance right. The total security-based payment expense recognised during the year ended 30 June 2015 was $1,550,694 (2014: $808,565).

Note 23

Related parties

Responsible Entity and Investment Manager

DXH is the parent entity of DXFM, the Responsible Entity of DDF, DIT, DOT and DXO, the trustee of DOTA and the investment manager of DITA.

DXH is the parent entity of DWPL, the Responsible Entity for DWPF.

DXH is the parent entity of DWML, the trustee of DITA.

DXH is the investment manager of DOTA.

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.

Related party transactions

Responsible entity fees in relation to DXS assets are on a cost recovery basis. DXPS has a contractual agreement to pay rent on one component of an investment property owned by DEXUS Office Trust (DOT). The agreement is conducted on normal commercial terms and conditions. Agreements with third party funds are conducted under normal commercial terms and conditions.

DEXUS Funds Management Limited and its related entities

There were a number of transactions and balances between the Trust and the Responsible Entity and its related entities as detailed below:

	2015 **$**	2014 $
Transactions with DEXUS Diversified Trust		
Responsible Entity fee income	**4,819,380**	4,956,471
Property management fee income	**4,595,419**	4,798,073
Purchase of investment properties	**30,400,000**	85,172,889
Responsible Entity fees receivable at the end of each reporting period (included above)	**402,194**	1,067,071
Property management fees receivable at the end of each reporting period (included above)	**2,250,332**	1,390,130
Rent paid	**23,271**	145,814

[1] Restated to reflect the one-for-six security consolidation.

Note 23

Related parties (continued)

	2015 $	2014 $
Transactions with DEXUS Industrial Trust		
Responsible Entity fee income	**2,229,262**	2,566,201
Property management fee income	**1,710,226**	1,902,373
Purchase of investment properties	**-**	93,404,272
Responsible Entity fees receivable at the end of each reporting period (included above)	**184,866**	585,838
Property management fees receivable at the end of each reporting period (included above)	**1,174,176**	772,935
Transactions with DEXUS Office Trust		
Responsible Entity fee income	**13,483,677**	12,960,239
Property management fee income	**12,286,117**	11,066,146
Responsible Entity fees receivable at the end of each reporting period (included above)	**1,134,334**	4,995,108
Property management fees receivable at the end of each reporting period (included above)	**4,474,715**	2,293,308
Rent paid	**1,025,976**	845,025
Transactions with DEXUS Finance Pty Limited		
Management fee revenue	**1,078,120**	1,084,131
Interest bearing loan receivable at the end of each reporting period	**650,200,633**	668,052,043
Transactions with DEXUS Wholesale Property Fund		
Responsible Entity fee income	**28,049,813**	24,114,535
Property management fee income	**12,405,145**	7,397,251
Property management fees receivable at the end of each reporting period (included above)	**1,742,245**	817,161
Rent paid	**62,692**	7,246
Transactions with Bent Street Trust		
Property management fee income	**434,330**	334,706
Transactions with Kent Street Joint Venture		
Asset management fee income	**590,250**	573,938
Property management fee income	**433,905**	440,803
Transactions with DEXUS Office Trust Australia		
Asset management fee income	**9,840,422**	2,330,849
Property management fee income	**13,731,521**	1,669,642
Responsible Entity fees receivable at the end of each reporting period (included above)	**2,493,892**	2,557,818
Property management fees receivable at the end of each reporting period (included above)	**2,775,758**	873,676
Rent paid	**1,235,319**	-
Transactions with DEXUS Industrial Trust Australia		
Responsible Entity fee income	**373,973**	-
Property management fee income	**989,794**	-
Responsible Entity fees receivable at the end of each reporting period (included above)	**99,611**	-
Property management fees receivable at the end of each reporting period (included above)	**13,481**	-

Note 23

Related parties (continued)

Entities within DXS

Aggregate amounts included in the determination of profit that resulted from transactions with each class of other related parties:

	2015	2014
	$	$
Interest expense	32,841,993	35,863,570

Directors

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD [1,2,3,5,6,7]
E A Alexander, AM, BComm, FCA, FAICD, FCPA [1,3,8]
P Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin) [1,7,9]
J C Conde, AO, BSc, BE (Hons), MBA [1,2,6,7]
T Dwyer, BJuris (Hons), LLB (Hons) [1,2,4,8,9]
C D Mitchell, BComm, MBA (Exec), FCPA , HBS (AMP)
W R Sheppard, BEc (Hons) [1,3,5,6,8,9]
D J Steinberg, BEc, FRICS, FAPI
P B St George, CA(SA), MBA [1,5,8,9]

1 Independent Director.
2 Board Nomination, Remuneration & Governance Committee Member until 31 August 2014.
3 Board Audit, Risk & Sustainability Committee Member until 31 August 2014.
4 Board Compliance Committee Member until 31 August 2014.
5 Board Finance Committee Member until 31 August 2014.
6 Board Nomination Committee Member from 1 September 2014.
7 Board People & Remuneration Committee Member from 1 September 2014.
8 Board Audit Committee Member from 1 September 2014.
9 Board Risk Committee Member from 1 September 2014.

Other key management personnel

In addition to the Directors listed above, the following persons were deemed by the Board Nomination Committee to be key management personnel during all or part of the financial year:

Name	**Title**
Ross Du Vernet	Executive General Manager, Strategy, Transactions & Research
Kevin George	Executive General Manager, Office & Industrial

Note 23

Related parties (continued)

Key management personnel compensation

	2015 $	2014 $
Compensation		
Short-term employee benefits	**7,453,029**	7,428,170
Post employment benefits	**219,677**	189,291
Other long-term benefits	**-**	47,700
Security-based payments	**2,595,615**	1,995,116
	10,268,321	9,660,277

Equity instrument disclosures relating to key management personnel

The relevant interest in DXS stapled securities held during the financial year by each key management personnel, including their personally related parties, are set out below:

	Opening Balance 1 July 2014	One-for-six security consolidation	Purchases	Performance rights granted	Other change	Opening Balance 30 June 2015
Directors	**3,993,960**	**(3,328,298)**	8,334	394,191	-	1,068,187
Other key management personnel	**1,324,458**	**(1,103,715)**	-	127,653	-	348,396
Total	**5,318,418**	**(4,432,013)**	**8,334**	**521,844**	**-**	**1,416,583**

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants (refer to note 22).

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2015 and 30 June 2014.

Note 24

Parent entity disclosures

The financial information for the parent entity, 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.

(a) Summary financial information

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

	2015 $'000	2014 $'000
Total current assets	**126,398**	55,147
Total assets	**769,517**	400,669
Total current liabilities	**446,098**	68,419
Total liabilities	**595,417**	253,797
Equity		
Contributed equity	**238,829**	222,086
Retained profits	**(64,729)**	(75,214)
Total equity	**174,100**	146,872
Net profit/(loss) for the year	**10,484**	21,145
Total comprehensive income/(loss) for the year	**10,484**	21,145

(b) Investments in controlled entities

The parent entity has the following investments:

		Ownership interest	
		2015	2014
Name of entity	**Principal activity**	**%**	%
Barrack Street Trust	Office property investment	**100.0**	100.0
DEXUS Holdings Pty Limited	Management services	**100.0**	100.0
DEXUS Projects Pty Limited	Industrial property development	**100.0**	100.0
DEXUS Office Projects Pty Limited	Office property development	**100.0**	100.0
DXO Subtrust No. 1	Holding Company	**100.0**	100.0
DEXUS US Holdings Pty Limited	Industrial property investment	**100.0**	100.0
LBP Holdings Pty Limited	Industrial property development	**100.0**	-

(c) Guarantees entered into by the parent entity

Refer to note 13 for details of guarantees entered into by the parent entity.

(d) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2015 (2014: nil).

Note 24

Parent entity disclosures (continued)

(e) Capital commitments

The following amounts represent capital expenditure of the parent entity on investment properties contracted at the end of the reporting period but not recognised as liabilities payable:

	2015 $'000	2014 $'000
Investment properties	4,148	-
Total capital commitments	**4,148**	-

Note 25

Subsequent events

On 31 July 2015, settlement occurred on the sale of 154 O'Riordan Street, Mascot, NSW for gross proceeds of $32.0 million.

On 21 July 2015, settlement occurred on the sale of 5-13 Rosebery Avenue and 25-55 Rothschild Avenue, Rosebery, NSW for gross proceeds of $171.0 million.

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

The Directors of DEXUS Funds Management Limited as Responsible Entity of DEXUS Diversified Trust declare that the Financial Statements and notes set out on pages 9 to 53:

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

(ii) give a true and fair view of the Trust's financial position as at 30 June 2015 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

(a) the 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 2015.

The 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 Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Christopher T Beare
Chair
11 August 2015

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

Report on the financial report

We have audited the accompanying financial report of DEXUS Operations Trust (the registered scheme), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for DEXUS Operations Trust (the consolidated entity). The consolidated entity comprises the registered scheme and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of DEXUS Funds Management Limited (the responsible entity) are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In the Basis of preparation, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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Auditor's opinion

In our opinion:

(a) the financial report of DEXUS Operations Trust is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in the Basis of preparation.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of DEXUS Operations Trust for the year ended 30 June 2015 included on DEXUS Operations Trust's web site. The registered scheme's directors are responsible for the integrity of DEXUS Operations Trust's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

E A Barron
Partner

Sydney
11 August 2015