DEXUS Property Group - ASX release

17 August 2011

DEXUS Property Group (ASX: DXS) 2011 Results announcement to the market for the year ending 30 June 2011

DEXUS Funds Management Limited, as responsible entity for DEXUS Property Group (DXS), provides the following documents to the Australian Securities Exchange:

- Appendix 4E - Results for announcement to the market
- Financial Report for the year ending 30 June 2011

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About DEXUS
DEXUS is one of Australia's leading property groups specialising in world-class office, industrial and retail properties with total assets under management of $13.7bn. In Australia, DEXUS is the market leader in office and industrial and, on behalf of third party clients, a leading manager and developer of shopping centres. DEXUS is committed to being a market leader in Corporate Responsibility and Sustainability. **www.dexus.com**

DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)

DEXUS Property Group (ASX: DXS) Appendix 4E

Results for announcement to the market

DEXUS Property Group
ARSN 089 324 541

Financial reporting for the year ended 30 June 2011

DEXUS Diversified Trust	**Note 1**			
		30 June 2011	**30 June 2010**	**%**
		$'000	**$'000**	**change**
Revenue from ordinary activities		684,651	716,140	-4.4%
Net profit attributable to security holders after tax		553,012	31,420	1,660.1%
Funds from operations (FFO)[1]		358,006	350,000	2.3%
Distribution to security holders		250,662	244,411	2.6%
		CPS	**CPS**	
Funds from operations per security		**7.40**	**7.30**	**1.4**
Distributions per security for the period ending				
31 December		2.59	2.65	-2.3%
30 June		2.59	2.45	5.7%
Total distributions	**Note 2**	**5.18**	**5.10**	**1.6%**
Payout ratio (distributions as a % of FFO)		70%	70%	
Basic and diluted earnings per security[2]		11.44	0.66	
		$'000	**$'000**	
Total assets		7,987,644	7,871,028	1.5%
Total borrowings		2,215,056	2,240,082	-1.1%
Security holders equity		5,102,813	4,801,172	6.3%
Market capitalisation		4,258,341	3,712,033	14.7%
		$ per unit	**$ per unit**	
Net tangible assets (excluding non-controlling interests)		1.01	0.95	6.3%
Securities price		0.88	0.77	14.3%
Securities on issue ('000)		4,839,024	4,820,822	
Record date		30 June 2011	30 June 2010	
Payment date		31 August 2011	27 August 2010	

DEXUS
PROPERTY GROUP

[1] FFO is often used as a measure of real estate operating performance after finance costs and taxes. It represents AIFRS profit after tax attributable to stapled security holders adjusted for property revaluations, impairments, derivative and FX mark to market movements, amortisation of certain tenant incentives, profit and loss on sale of assets, straight line rent adjustments, deferred tax expense and DEXUS RENTS Trust capital distribution.

[2] This calculation is based on the consolidated profit attributable to stapled security holders of the Group.

Results commentary

Refer to the Directors' Report of the Group Financial Statements and the attached media release for a commentary on the results of the Group.

Distribution Reinvestment Plan (DRP)

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

Notes

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

Note 2: The distribution for the period 1 July 2010 to 30 June 2011 is the aggregate of the distributions from DEXUS Diversified Trust, DEXUS Industrial Trust and DEXUS Office Trust (DEXUS Operations Trust did not pay a distribution during the period). The Annual Tax Statement, issued as at 30 June 2011, will provide details of the components of DXS' distributions.

Note 3: The distribution includes foreign sourced income of $0.00067 per security.

2011

DEXUS Property Group

Financial Report

30 June 2011

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

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

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

OPERATING AND FINANCIAL REVIEW

Total revenue from ordinary activities for the year to 30 June 2011 decreased by $31.4 million to $684.7 million (2010 $716.1 million). The key drivers include:

- The disposal of property assets totalling $177.8 million in 2011 and $594.9 million in 2010, offset by the acquisition of property assets totalling $78.1 million in 2010 and $307.2 million in 2010.
- An increase in like-for-like property income from the Australian office and Australian industrial portfolios, offset by a reduction in like-for-like property income for the US industrial portfolio.
- Favourable movements in the US dollar currency rate.

Net profit attributable to stapled security holders is $553.0 million or 11.4 cents per security, an increase of $521.6 million from the prior year (2010: $31.4 million). The key drivers are:

- Fair value adjustments to property assets during the period of $182.0 million[1], compared to loss of $235.6 million in 2010. This increase in the value of the Group's property portfolio reflects primarily a 30 basis point tightening in the weighted average capitalisation rate, at which properties were valued, to 7.7%.
- Unrealised net fair value gain on derivatives totalling $44.2 million (2010: loss of $57.6 million) primarily as a result of higher market interest rates.
- Gain on sale of investment properties of $7.1 million (2010: loss of $53.3 million). The Group disposed of $177.8 million of properties during the year resulting in the $7.1 million realised gain.
- Deferred tax expense of $18.6 million (2010: benefit of $29.2 million) associated primarily with the positive revaluation of our North American property assets.
- Operationally, Funds From Operations (FFO)[2] increased 2.3% to $358.0 million (2010: $350.0 million). Further details are outlined in the Operational Result commentary below.

Operational result

Funds From Operations (FFO) for the year to 30 June 2011 are $358.0 million, an increase of 2.3% on the prior year. FFO per security is 7.40 cents (2010: 7.30 cents per security). The key drivers impacting FFO are:

- The Australian office portfolio income increased by $10.1 million (4.1%) primarily driven by strong like-for-like growth of 3.3%. This increase was underpinned by strong leasing success particularly in the Sydney market as our market scale and tougher stance on leasing delivered benefits. Occupancy[6] for the Australian Office portfolio remains high at 96.2% (2010: 95.7%) with a tenant retention rate of 53%.
- The Australian industrial portfolio's income increased by $6.5 million underpinned by stable like-for-like growth of 1.1%, the impact of property transactions during 2010 and 2011, and the completion of two developments at Greystanes during the year now valued at $54.8 million. The industrial portfolio ended the year with occupancy[6] at 96.2% (June 2010: 98.4%) and a tenant retention rate of 61%.
- The US industrial portfolio's income decreased by $19.5 million through a combination of like-for-like income (down 4.5%), the impact of a strengthening Australian dollar on US earnings and property sales. In a two-tiered market, the core portfolio continues to perform well with occupancy[5] increasing from 95% to 99%. The central-east portfolio remains weaker with occupancy at 74.0%. During the year 11 properties totalling $143.6 million were sold including $67.7 million in the central-east portfolio together with the Group's only Canadian asset, sold for C$78.7 million ($75.9 million).
- Financing costs for distributable earnings reduced by $33.1 million primarily driven by the repayment of debt from asset sales in 2010 and 2011 and favourable foreign currency movements.
- Management business EBIT decreased by $2.6 million primarily due to costs associated with the establishment of our US office and local restructuring costs.

Based on our current distribution policy of 70% of Funds From Operations, the distribution paid for the year to 30 June 2011 was 5.18 cents per security (2010: 5.10 cents per security).

	June 2010 $m	June 2011 $m	Change $m
Funds From Operations (FFO)	**350.0**	**358.0**	**8.0**
Retained earnings[3]	(105.6)	(107.3)	(1.7)
Distribution to security holders	244.4	250.7	6.3
Fair value adjustments of property	(235.6)	182.0	417.6
Other NTA changes in comprehensive income[4]	1.5	110.8	109.3
Other[5]	21.1	9.5	(11.6)
Net profit attributable to stapled security holders	**31.4**	**553.0**	**521.6**

1 Including DXS's share of equity accounted investments.
2 Funds From Operations (FFO) or distributable income is often used as a measure of real estate operating performance after finance costs and taxes. DXS's FFO comprises profit/loss after tax attributable to stapled security holders measured under Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, amortisation of certain tenant incentives, gain/(loss) on sale of assets, straight line rent adjustments, deferred tax expense/benefit and DEXUS RENTS Trust capital distribution.
3 Based on the current distribution policy of 70% of FFO.
4 Includes fair value movement of derivatives, loss on sale of assets, deferred tax expense and amortisation of tenant incentives.
5 Includes RENTS capital distribution (classified as an equity related movement in the financial statements) and movements in intangibles.
6 Occupancy by area.

Five year financial summary

	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000
Statements of Comprehensive Income					
Profit and loss					
Property revenue	693,430	664,831	708,506	663,068	629,072
Management fees	–	26,760	63,663	51,588	50,655
Proceeds from sale of inventory	–	–	–	–	3,359
Property revaluations	831,330	184,444	–	–	148,433
Reversal of previous impairment	–	–	–	13,307	–
Interest revenue and net gain/(loss) on sale of investment properties	3,355	2,297	(1,880)	(53,342)	7,052
Contribution from equity accounted investments	52,715	2,467	31	(26,243)	34,053
Other income	19,168	12,829	5,739	10,144	5,486
Total income	**1,599,998**	**893,628**	**776,059**	**658,522**	**878,110**
Property expenses	(170,120)	(159,565)	(174,485)	(169,753)	(151,865)
Cost of sale of inventory	–	–	–	–	(3,353)
Finance costs	(133,055)	(213,233)	(384,241)	(190,685)	(52,744)
Employee benefit expense	–	(23,340)	(59,282)	(58,978)	(67,417)
Impairments and property devaluations	–	(61)	(1,685,733)	(209,367)	–
Other expenses	(53,559)	(44,266)	(47,970)	(28,132)	(26,298)
Total expenses	**(356,734)**	**(440,465)**	**(2,351,711)**	**(656,915)**	**(301,677)**
Profit/(loss) before tax	1,243,264	453,163	(1,575,652)	1,607	576,433
Income and withholding tax (expense)/benefit	(32,473)	(7,902)	120,236	29,983	(21,313)
Net profit/(loss)	**1,210,791**	**445,261**	**(1,455,416)**	**31,590**	**555,120**
Other non-controlling interests (including RENTS)	(41,972)	(6,984)	(3,695)	(170)	(2,108)
Net profit/(loss) to stapled security holders	**1,168,819**	**438,277**	**(1,459,111)**	**31,420**	**553,012**
Operating EBIT	n/a	485.9	514.5	461.3	437.2
Funds from operations (cents per security)	11.3	11.9	10.4	7.3	7.4
Distributions (cents per security)	11.3	11.9	7.3	5.1	5.2
Statements of Financial Position					
Cash and receivables	95,992	135,671	120,661	89,429	109,921
Property assets[1]	9,151,993	8,737,874	7,741,549	7,308,543	7,491,008
Other (including derivative financial instruments & intangibles)	238,851	475,442	488,900	473,056	386,715
Total assets	**9,486,836**	**9,348,987**	**8,351,110**	**7,871,028**	**7,987,644**
Payables and provisions	289,501	322,528	289,561	281,230	274,346
Interest bearing liabilities	3,353,327	3,006,919	2,509,012	2,240,082	2,215,056
Other (including financial instruments)	139,065	184,487	406,320	343,269	191,401
Total liabilities	**3,781,893**	**3,513,934**	**3,204,893**	**2,864,581**	**2,680,803**
Net assets	5,704,943	5,835,053	5,146,217	5,006,447	5,306,841
Minority interest	438,173	205,998	206,772	205,275	204,028
Net assets (after non-controlling interest)	**5,266,770**	**5,629,055**	**4,939,445**	**4,801,172**	**5,102,813**
NTA per security ($)	1.82	1.77	1.01	0.95	1.01
Gearing ratio (%)	35.6	33.2	31.2	29.8	28.4
Statements of Changes in Equity					
Total equity at the beginning of the year	4,715,513	5,704,943	5,835,053	5,146,217	5,006,447
Net profit/(loss)	1,210,791	445,261	(1,455,416)	31,590	555,120
Other comprehensive income/(loss)	(27,136)	77,929	(53,478)	(7,034)	(4,973)
Contributions of equity, net of transaction costs	145,328	243,524	1,129,971	90,360	14,528
Distributions provided for or paid	(324,638)	(355,380)	(296,648)	(244,411)	(250,662)
Other transactions with equity holders	–	402	–	–	–
Other non-controlling interest movements during the year	(14,915)	(281,626)	(13,265)	(10,275)	(13,619)
Total equity at the end of the year	**5,704,943**	**5,835,053**	**5,146,217**	**5,006,447**	**5,306,841**
Statements of Cash Flows					
Net cash inflow from operating activities	319,735	374,445	359,577	340,174	239,342
Net cash (outflow)/inflow from investing activities	(537,912)	11,065	(212,459)	90,592	(227,039)
Net cash inflow/(outflow) from financing activities	174,366	(342,514)	(170,190)	(444,382)	4,949
Net increase/(decrease) in cash and cash equivalents	(43,811)	42,996	(23,072)	(13,616)	17,252
Cash and cash equivalents at the beginning of the year	106,428	59,603	99,214	84,845	64,419
Effects of exchange rate changes on cash and cash equivalents	(3,014)	(3,385)	8,703	(6,810)	(7,925)
Cash and cash equivalents at the end of the year	**59,603**	**99,214**	**84,845**	**64,419**	**73,746**

1 Property assets include investment properties, non-current asset classified as held for sale, inventories, investments accounted for using the equity method, and property, plant and equipment.

BOARD OF DIRECTORS

Christopher T Beare

Chair and Independent Director

BSc, BE (Hons), MBA, PhD, FAICD

Chris Beare is both the Chair and an Independent Director of DEXUS Funds Management Limited (appointed 4 August 2004). He is also a member of the Board Nomination and Remuneration Committee and the Board Finance Committee.

Chris has significant experience in international business, technology, strategy, finance and management. Previously Chris was Executive Director of the Melbourne based Advent Management venture capital firm prior to joining investment bank Hambros Australia in 1991. Chris became Head of Corporate Finance in 1994 and joint Chief Executive in 1995, until Hambros was acquired by Société Générale in 1998. Chris remained a Director of SG Australia until 2002. From 1998 onwards, Chris helped form Radiata, a technology start-up in Sydney and Silicon Valley – and as Chair and Chief Executive Officer, Chris steered it to a successful sale to Cisco Systems in 2001 and continued part time for four years as Director Business Development for Cisco. Chris has previously been a director of a number of companies in the finance, infrastructure and technology sectors. Chris is currently Chair of Mnet Group an ASX listed company.

Elizabeth A Alexander AM

Independent Director

BComm, FCA, FAICD, FCPA

Elizabeth Alexander is an Independent Director of DEXUS Funds Management Limited (appointed 1 January 2005), Chair of DEXUS Wholesale Property Limited and a member of the Board Audit and Board Risk & Sustainability Committees.

Elizabeth brings to the Board extensive experience in accounting, finance, corporate governance and risk management and was formerly a partner with PricewaterhouseCoopers. Elizabeth's previous appointments include National Chair of the Australian Institute of Company Directors, National President of the Australian Society of Certified Practising Accountants and Deputy Chairman of the Financial Reporting Council. Elizabeth was also on the Boards of Boral Limited and AMCOR Limited.

Elizabeth is currently Chair of CSL Limited and a director of Medibank Private. Elizabeth is also Chancellor of the University of Melbourne.

Barry R Brownjohn

Independent Director

BComm

Barry Brownjohn is an Independent Director of DEXUS Funds Management Limited (appointed 1 January 2005) and is Chair of the Board Audit and Board Risk & Sustainability Committees and a member of the Board Finance Committee.

Barry has over 20 years' experience in Australia, Asia and North America in international banking and previously held positions with the Bank of America including heading global risk management for the capital markets business, the Asia capital markets business and was the Australasian CEO between 1991 and 1996. Following his career with Bank of America, Barry has been active in advising companies in Australia and overseas on strategic expansion and capital raising strategies. Barry has also held numerous industry positions including Chairing the International Banks and Securities Association in Australia and the Asia Pacific Managed Futures Association.

Barry is an Independent Director of Citigroup Pty Limited, an Advisory Board Member of the South Australian Financing Authority and a Director of Bakers Delight Holdings Pty Limited. He also serves as a Board Governor of the Heart Research Institute.

John C Conde AO

Independent Director

BSc, BE (Hons), MBA

John Conde is an Independent Director of DEXUS Funds Management Limited (appointed 29 April 2009), is the Chair of the Board Nomination and Remuneration Committee and a member of the Board Compliance Committee.

John brings to the Board extensive experience across diverse sectors including commerce, industry and government. John was previously a Director of BHP Billiton and Excel Coal Limited, Managing Director of Broadcast Investment Holdings Pty Limited, Director of Lumley Corporation and President of the National Heart Foundation of Australia.

John is Chairman of Ausgrid, the Bupa Australia Group and Whitehaven Coal Limited. John is President of the Commonwealth Remuneration Tribunal and Chairman of the Sydney Symphony. John is Chairman of the Australian Olympic Committee (NSW) Fundraising Committee, Chairman of the Homebush Motor Racing Authority Advisory Board and Chairman of Events NSW.

Stewart F Ewen OAM

Independent Director

Stewart Ewen is an Independent Director of DEXUS Funds Management Limited (appointed 4 August 2004) and a member of the Board Nomination and Remuneration Committee.

Stewart has extensive property sector experience and started his property career with the Hooker Corporation in 1966. In 1983, Stewart established Byvan Limited which, by 2000, managed $8 billion in shopping centres in Australia, Asia and North America. In 2000, Stewart sold his interest in Byvan to the Savills Group. In 1990 he started NavyB Pty Ltd, which has completed in excess of $600 million of major residential and commercial property projects in Australia and New Zealand. Stewart was previously Managing Director of Enacon Ltd, a Director of the Abigroup and Chairman of Tuscan Pty Ltd, which developed and operated the Sydney University Village. Stewart was also a Director of CapitaCommercial Trust Management Limited in Singapore from 2004 to 2008.

Stewart was previously President of the Property Council of NSW, member of the NSW Heritage Council and Chair of the Cure Cancer Australia Foundation.

Victor P Hoog Antink

Executive Director and Chief Executive Officer

BComm, MBA, FAICD, FCA, FAPI, FRICS

Victor Hoog Antink is CEO and an Executive Director of DEXUS Funds Management Limited (appointed 1 October 2004).

Victor has over 30 years' experience in property and finance. Prior to joining DEXUS in November 2003, Victor held Executive positions at Westfield Holdings where he was the Director of Funds Management, responsible for both the Westfield Trust and the Westfield America Trust. Prior to joining Westfield in 1995, Victor held Executive management positions in a number of financial services and property companies in Australia. Victor has a Commerce degree from the University of Queensland and an MBA from the Harvard Business School. He is a fellow of the Australian Institute of Company Directors, the Institute of Chartered Accountants in Australia, the Australian Property Institute and the Royal Institute of Chartered Surveyors. Victor also holds a Real Estate Agent's licence.

Victor is a former National President of the Property Council of Australia and is the Chair of the Property Industry Foundation.

Brian E Scullin

Independent Director

BEc

Brian Scullin is an Independent Director of DEXUS Funds Management Limited (appointed 1 January 2005), DEXUS Wholesale Property Limited and Chair of the Board Compliance Committee.

Brian brings to the Board extensive domestic and international funds management knowledge as well as finance, corporate governance and risk management experience. Following a career in government and politics in Canberra, Brian was appointed the inaugural Executive Director of the Association of Superannuation Funds of Australia (ASFA) in 1987. He joined Bankers Trust in Australia in 1993 and held a number of senior positions, becoming President of Japan Bankers Trust in 1997. In 1999 Brian was appointed Chief Executive Officer, Asia/Pacific for Deutsche Asset Management and retired from this position in 2002.

Brian was appointed Chair of BT Investment Management Limited in 2007 and Independent Director of Spark Infrastructure in May 2011.

Peter B St George

Independent Director

CA(SA), MBA

Peter St George is an Independent Director of DEXUS Funds Management Limited (appointed 29 April 2009), is Chair of the Board Finance Committee and is a member of the Board Audit and Board Risk & Sustainability Committees.

Peter has more than 20 years' experience in senior corporate advisory and finance roles within NatWest Markets and Hill Samuel & Co in London. Peter acted as Chief Executive/Co-Chief Executive Officer of Salomon Smith Barney Australia/NatWest Markets Australia from 1995 to 2001. Peter was previously a Director of Spark Infrastructure Group and Chedha Holdings (Powercor and CitiPower, Victoria). Peter was also Chairman of Walter Turnbull Chartered Accountants and a Director of SFE Corporation Limited.

Peter is currently a Director of First Quantum Minerals Limited (listed on the Toronto Stock Exchange) and Boart Longyear Limited.

2011 CORPORATE GOVERNANCE STATEMENT

DEXUS Funds Management Limited (DXFM) is the Responsible Entity of each of the four Trusts that comprise DEXUS Property Group (DEXUS, the Group). DXFM is also responsible for the management of a number of third party funds and mandates.

This corporate governance framework applies to all DXFM funds and mandates, and is designed to support the strategic objectives of the Group by defining accountability and creating control systems to mitigate the risks inherent in its day-to-day operations.

To achieve this objective, DXFM has implemented a corporate governance framework that meets the requirements of *ASX Corporate Governance Principles and Recommendations* (2nd edition) as amended 30 June 2010, and addresses additional aspects of governance that the Board considers appropriate. The Board is also committed to the early adoption of new and revised principles and recommendations. A reconciliation of the ASX Principles against DXFM's governance framework can be found on the web page www.dexus.com/corporategovernance

The Board

Roles and responsibilities

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 1.1

As DEXUS comprises four real estate investment trusts, its corporate governance practices satisfy the requirements relevant to unit trusts.

The Board has determined that its governance framework will also satisfy the highest standards of a publicly listed company. These additional governance aspects include the conduct of an annual general meeting, the appointment of Directors by DEXUS security holders and additional disclosure, such as the remuneration report.

The governance framework enables the Board to provide strategic guidance, while exercising effective oversight of management. The framework also defines the roles and responsibilities of the Board and executive management in order to clearly communicate accountability and ensure a balance of authority.

The Board is responsible for reviewing and approving DEXUS's business objectives and ensuring strategies for their achievements are in place and monitored. Objectives are reviewed periodically to ensure that they remain consistent with the Group's priorities and the changing nature of its business. These objectives become the performance targets for the Chief Executive Officer and Group Management Committee. Performance against these objectives is reviewed annually by the Board Nomination and Remuneration Committee and is taken into consideration during the remuneration review of Group Management Committee members.

The Board carries ultimate responsibility for the approval and monitoring of annual business plans, the approval of acquisitions, divestments and major developments. The Board also ensures that the fiduciary and statutory obligations DEXUS owes to its security holders, third party clients and investors are met.

The Board is directly responsible for appointing and removing the Chief Executive Officer (CEO), and Company Secretary, ratifying the appointment of the Chief Financial Officer (CFO) and monitoring the performance of the Group Management Committee. The Board meets regularly throughout the year and, when required, Directors also meet to consider specific business. At each regular Board meeting the Independent Directors meet without the CEO. Each year the Directors also meet with senior management to specifically consider strategy.

In addition to these responsibilities, DXFM is committed to maintaining, through both the Group Management Committee and the Board, a balance of skills, experience and independence appropriate to the nature and extent of its operations.

The Group Management Committee is responsible for the strategic alignment and achievement of DEXUS's goals and objectives. The Group Management Committee is focused on ensuring prudent financial and risk management of the Group.

Composition

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments): 2.1, 2.2, 2.3

The composition of the Board reflects its role and the duties and responsibilities it discharges. It reflects the need for the Board to work together as a team with each Director making his or her own contribution to the Board's decision making process.

General qualifications for Board membership include the ability and competence to make appropriate business recommendations and decisions, an entrepreneurial talent for contributing to the creation of investor value, relevant experience in the industry sector, high ethical standards, exposure to emerging issues, sound practical sense and a total commitment to the fiduciary and statutory obligations to further the interests of all investors and achieve the Group's objectives.

During the year, the Board implemented a Board Membership Policy which addresses the potential impact of multiple board memberships on Directors' ability to devote adequate time to each board/position. Should a Director seek to be appointed to additional boards, approval must be sought from the Chair of DEXUS.

At 30 June 2011, the Board comprises eight members, seven of whom are independent and the eighth member is the DEXUS CEO. All eight Directors held office for the full financial year. The constitution allows for the appointment of up to 10 Directors.

Specific skills the incumbent Directors bring to the Board include strategy, property investment, funds management, capital markets, financial and risk management. Independent Directors have expertise in areas which enable them to relate to the strategies of DEXUS and to make a meaningful contribution to the Board's deliberations.

Independent Directors are independent of management and free of any business or other relationship that could materially interfere with the exercise of his or her unfettered and independent judgement. To be independent, a Director must not have, in the previous three years:

1. been retained as a professional adviser to DEXUS either directly or indirectly; or
2. been a significant customer of DEXUS or supplier to DEXUS (as determined by the Chair); or
3. held a significant financial interest in DEXUS either directly or indirectly (as determined by the Chair); or
4. held a senior executive position at DEXUS.

The Board regularly assesses the independence of its Directors, in light of interests disclosed to it. Directors of the Responsible Entity are not technically subject to the approval of security holders. However, the Board has determined that all Directors other than the CEO, will stand for election by DEXUS stapled security holders. If a nominated Director fails to receive a majority vote that Director will not be appointed to the Board of DXFM. DXFM Directors, other than the CEO, will hold office for three years, following his or her first appointment (or, if appointed by the Board between DEXUS Property Group Annual General Meetings, from the date of the Annual General Meeting immediately succeeding the initial appointment). It is not generally expected that an Independent Director would hold office for more than ten years, or be nominated for more than three consecutive terms, whichever is the longer.

The Chair is an Independent Director, and is responsible for the leadership of the Board, for the efficient organisation and conduct of the Board's functions, and for the briefing of Directors in relation to issues arising relevant to the Board. The Board has clearly defined the responsibilities and performance of the CEO. The roles of the CEO and the Chair are not exercised by the same individual. The performance of the CEO is monitored by the Chair.

Biographies outlining the skills and experience of each Director are set out on page iii to iv of this report. Please refer to www.dexus.com/corporategovernance for a description of the procedure followed to select and appoint new Directors to the Board, which includes specific criteria applied to determine Director independence.

Meetings

The Board generally meets at least 10 times a year (being monthly between February and November) as well as attending ad hoc meetings that are called throughout the year. Board meetings are generally held at the registered office of DEXUS, although a number of meetings will be held "off-site" allowing the Directors to visit DEXUS owned or managed properties. Directors are expected to attend at least 75% of meetings a year. To assist participation, video conferencing facilities have been established.

Agenda items for Board meetings include (but are not limited to):

- CEO report
- Company Secretary's report
- Minutes of Board Committee meetings
- Reports on asset acquisitions, disposals and developments
- Management presentations

Board papers are provided to Directors no less than five business days before the scheduled meeting. Management is available to provide clarification or answer any questions Directors may have prior to the board meeting or attend the board meeting if requested by the Directors.
DEXUS is currently trialling the provision of board papers via iPad.

Performance

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 1.2, 2.5

To ensure that each new Director is able to meet his or her responsibilities effectively, newly appointed Directors receive an information pack and induction briefing, which addresses the corporate governance framework, Committee structures and their terms of reference, governing documents and background reports. New Directors also attend briefings by DEXUS management on business strategy and operations. There were no new appointments during the 2011 financial year.

In addition, Directors undertake training, through regular presentations by management and external advisers on sector, fund and industry specific trends and conditions throughout the year. Directors are also encouraged to:

- take independent professional advice, at the Group's expense and independent of management;
- seek additional information from management; and
- directly access the Company Secretary, General Counsel, Head of Risk and Governance and other DEXUS Executives as required.

The Board Nomination and Remuneration Committee oversees the Board performance evaluation program which extends over a two year period. Board and Committee performance is evaluated one year, and individual Director performance is evaluated the following year.

The process is designed to identify opportunities for performance improvement. In 2011 individual Director performance was evaluated. Evaluations are undertaken using questionnaires and face-to-face interviews on a broad range of issues.

The effectiveness of Board and Committees is reviewed on an annual basis, the findings of which are reported to the Board. Committees' Terms of Reference are reviewed on at least an annual basis. Each Committee has a standing item to address at each meeting any improvement to reporting or process that would benefit the Committee as well as any items that require immediate reference to the Board, or regulator (where applicable).

Governance

The Board has established a number of Committees to assist it in the fulfilment of its responsibilities. The Board and Board Committee Terms of Reference are reviewed at least annually, and copies can be found on the web page www.dexus.com/corporategovernance

Board Nomination and Remuneration Committee

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 2.4, 2.5, 8.1, 8.2

A Board Nomination and Remuneration Committee oversees all aspects of Director and Executive remuneration, Board renewal, Director, CEO and management succession planning, Board and Committee performance evaluation and Director nominations.
It comprises three Independent Directors:

- John C Conde AO, Chair, Independent Director
- Christopher T Beare, Independent Director
- Stewart F Ewen OAM, Independent Director

Reporting to the Board Nomination and Remuneration Committee and the Group Management Committee, the Compensation Committee oversees the development and implementation of human resource management systems and provides advice to the Board Nomination and Remuneration Committee. The Board Nomination and Remuneration Committee also has the power to engage external consultants independently of management.

Remuneration and incentive payments for employees are considered by the Compensation Committee following guidance from the Board Nomination and Remuneration Committee.

Recommendations to the Board Nomination and Remuneration Committee are based on the achievement of approved performance objectives and comparable market data.
Details of the Group's remuneration framework

for Executives, Independent Directors and employees are set out in the Remuneration Report that forms part of the Directors' Report contained in the Financial Statements starting on page 3. In 2010/11 there were no base salary increases for DEXUS senior management and no fee increases for Independent Directors. There are no schemes for retirement benefits (other than superannuation) for Independent Directors.

The CEO and Head of Human Resources attend the Board Nomination and Remuneration Committee meeting by invitation. It is the practice of the Board Nomination and Remuneration Committee to meet without non-committee members as required. Non-committee members are not in attendance when their own performance or remuneration is discussed.

Board Audit Committee

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 4.1, 4.2, 4.3, 7.3

To ensure the factual presentation of each Trust's financial position, DXFM has put in place a structure of review and authorisation. This structure includes the establishment of a Board Audit Committee to:

- review the Financial Statements of each entity and review the independence and competence of the external auditor; and
- review semi-annual management representations to the Board Audit Committee, affirming the veracity of each entity's Financial Statements.

The Board Audit Committee's Terms of Reference require that all three Independent Director members have specific financial expertise and have an understanding of the industry in which the Group operates.

The Board Audit Committee operates under formal Terms of Reference, has access to management, and internal and external auditors without management present, and has the right and opportunity to seek explanations and additional information as it sees fit. Board Audit Committee members have unrestricted access to external auditors.

The external auditor is invited to attend all Board Audit Committee meetings. The Committee may also obtain independent professional advice in the satisfaction of its duties at the cost of the Group and independent of management. The Committee meets as frequently as required to undertake its role effectively and meets not less than four times a year.

The members of the Board Audit Committee are:

- Barry R Brownjohn, Chair, Independent Director
- Elizabeth A Alexander AM, Independent Director
- Peter B St George, Independent Director

In order to ensure the independence of the external auditor, the Board Audit Committee has responsibility for approving the engagement of the auditor for any non-audit service of greater than $100,000.

Both the CFO and the CEO, on a semi-annual basis, make representations to the Board Audit Committee regarding the veracity of the Financial Statements and the financial risk management systems. On a semi-annual basis, the Internal Risk Committee completes a Fraud Risk questionnaire identifying any instances of actual or perceived fraud during the period.

The CEO makes a representation at least quarterly to the Head of Risk and Governance, regarding conformance with compliance policies and procedures. Any significant exceptions are reported by Risk and Governance to the Board Compliance Committee. Furthermore, on a quarterly basis, the CFO provides certification to the Board Compliance Committee as to the continued adequacy of financial risk management systems.

As at June 2009, fees paid to the external auditor for non-audit services were 123% of audit fees. In 2010, non-audit service fees reduced to 44% of audit fees and in 2011 non-audit fees reduced to 28%.

Board Compliance Committee

The *Corporations Act 2001* does not require DXFM to maintain a Compliance Committee while more than half its Directors are external Directors. However, the Board of DXFM has determined that the Board Compliance Committee provides additional control, oversight and independence of the compliance function and therefore will be continued.

The Board Compliance Committee reviews compliance matters and monitors DXFM conformance with the requirements of its Australian Financial Services Licence and of the *Corporations Act 2001* as it relates to Managed Investment Schemes.

The Committee includes only members who are familiar with the requirements of Managed Investments Schemes and have extensive risk and compliance experience. The Committee is also encouraged to obtain independent professional advice in the satisfaction of its duties at the cost of the Group and independent of management. During the 2011 financial year, the Board Compliance Committee has not needed to seek independent professional advice.

As at 30 June 2011, the Committee comprised five members, three of whom are external members (i.e. members who satisfy the requirements of Section 601JB(2) of the *Corporations Act 2001*), and two of whom are Executives of the Group. The Compliance Plan Auditor is invited to each Board Compliance Committee meeting.

The scope of the Committee includes all Trusts, including the Group's investment mandates. The Committee reports to the Board of the Responsible Entity, breaches of the *Corporations Act 2001* or breaches of the provisions contained in any Trust's Constitution or Compliance Plan, and further reports to ASIC in accordance with legislative requirements. DEXUS employees also have access to Board Compliance Committee members to raise any concerns regarding unethical business practices.

The members of the Board Compliance Committee are:

- Brian E Scullin, Chair, external member
- John C Conde AO, external member
- Andy Esteban, external member
- Tanya L Cox, executive member
- John C Easy, executive member

The skills, experience and qualifications of Mr Scullin and Mr Conde AO are on pages iii-iv, and Ms Cox and Mr Easy are contained in the Financial Statements on pages 1-2.

Andy Esteban holds a Bachelor of Business majoring in Accounting. He is a CPA and a member of the Australian Institute of Company Directors. Andy has over 30 years' experience in the financial services industry, 21 years of which were with Perpetual Trustees. In December 1999 he established FP Esteban and Associates, which specialises in implementing and monitoring risk management and compliance frameworks in the financial services industry. Andy has provided compliance consulting services to organisations including UBS Global Asset Management in Australia, Hong Kong, Singapore, Taiwan and China. Andy is Chair of Certitude Global Investments Ltd (formerly HFA Asset Management Ltd) and a Director of HFA Holdings Ltd and Chair of their Audit and Risk Committee; Director of Equitable Asset Management (Australia) Limited; Chair of the Compliance Committees of Aberdeen Asset Management Ltd, Deutsche Asset Management Australia Ltd, Grant Samuel and SPARK Infrastructure RE Ltd; and an Independent Member of the of Australian Unity Funds Management Ltd, Celsius Investment Management Limited, Schroder Investment Management Australia Ltd and Alliance Bernstein Compliance.

To enable the Board Compliance Committee to effectively fulfil its obligations, an Internal Compliance Committee has been established to monitor the effectiveness of the Group's internal compliance and control systems.

Board Risk and Sustainability Committee

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 7.1, 7.2

To oversee risk management at DEXUS, the Board has established a Board Risk and Sustainability Committee responsible for reviewing the Group's operational risk management, environmental management, sustainability initiatives, internal audit practices and any incidents of fraud. The Committee also approves and oversees the effectiveness of the Group's Risk Management Framework.

The Board Risk and Sustainability Committee and Board Audit Committee share common membership to ensure that a comprehensive understanding of control systems is maintained by both Committees.

The members of the Board Risk and Sustainability Committee are:

- Barry R Brownjohn, Chair, Independent Director
- Elizabeth A Alexander AM, Independent Director
- Peter B St George, Independent Director

The management of risk is an important aspect of the Group's activities. Consequently the Group has created a segregated risk function reporting to the Chief Operating Officer on a day-to-day basis, as well as an Internal Compliance Committee, an Internal Audit Committee and an Internal Risk Committee, all of whom have independent reporting lines to corresponding Board Committees.

The Risk and Governance team's responsibility is to promote an effective risk and compliance culture including the provision of advice, the drafting and updating of relevant risk and compliance policies and procedures, conducting training, monitoring and reporting adherence to key policies and procedures. Frameworks have been developed and implemented in accordance with Australian Standards AS 31000:2009 (Risk Management) and AS 3806:2006 (Compliance Programs). The ongoing effectiveness of the risk management and internal control systems is reported by the Head of Risk and Governance to the Board Risk and Sustainability Committee and Board Compliance Committee on a quarterly basis. Furthermore, on an annual basis, DEXUS's internal control procedures are subject to independent verification as part of the GS007 (Audit Implications of the Use of Service Organisations for Investment Management Services) audit.

DEXUS recognises that risks come from numerous sources, driven by both internal and external factors. The main sources of risk faced by DEXUS include (and in no particular order):

- Strategic risks
- Market risks
- Health and safety risks
- Operational risks
- Environmental risks
- Financial risks
- Regulatory risks
- Fraud risks

While some risks are identified, managed and monitored internally, DEXUS has appointed independent experts to undertake monitoring of health and safety and environmental risks, and other risks where expert knowledge is essential to ensure DEXUS has in place best practice processes and procedures.

The Group has in place a range of policies supporting the risk and compliance framework including (but not limited to):

- Good Faith Reporting – encouraging employees to raise concerns regarding corruption, illegality or substantial waste of company assets with appropriate management or members of the Board Compliance Committee
- Occupational Health, Safety and Liability – covering DEXUS's duty of care to investors, tenants, employees, agents and the wider community, to ensure all Occupational Health, Safety and Liability (OHS&L) risks in our property portfolio and corporate offices are appropriately managed
- Environmental Management – covering DEXUS's duty of care to its investors, tenants, employees, agents and the wider community to sustain and protect the environment during the management of its property portfolio, and to ensure that environmental obligations receive equal importance to its commercial and other competitive obligations
- Fraud Control and Awareness – covering the detection, recognition and prevention of fraud
- Anti-Bribery – covering DEXUS's policy on political donations, charitable donations, lobbying, the receipt and provision of gifts and benefits

Further information is available at www.dexus.com/corporategovernance

While Internal Audit is resourced internally, DEXUS has adopted a co-sourcing arrangement. The appointment of an external firm as co-source service provider has the advantage of ensuring DXFM is informed of broader industry trends and experience. A partner from the internal audit co-source service provider is invited to each Board Risk and Sustainability Committee meeting.

The internal audit program has a three year cycle. The results of all audits are reported to the Internal Audit Committee and the Board Risk and Sustainability Committee on a quarterly basis, and the internal audit function has a dual reporting line to the Internal Audit Committee and the Board Risk and Sustainability Committee.

The Board Risk and Sustainability Committee is empowered to engage consultants, advisers or other experts independently of management. During the 2011 financial year, the Board Risk and Sustainability appointed PricewaterhouseCoopers to undertake AS1000 assurance of its Corporate Responsibility and Sustainability Report.

Board Finance Committee

The Group experiences significant financial risk, including interest rate and foreign exchange exposures. To assist in the effective management of these exposures, the Board has established a Committee to specifically manage these financial risks. The Board Finance Committee's role is to review and recommend for approval to the Board, financial risk management policies, hedging and funding strategies, to review forward looking financial management processes and recommend periodic market guidance.

Supporting this Committee, management has established a Capital Markets Committee. Members of the Board Finance Committee are:

- Peter B St George, Chair, Independent Director
- Barry R Brownjohn, Independent Director
- Christopher T Beare, Independent Director

Management

The day-to-day management of each of the Trusts rests in the hands of the management team. To assist this team in the direction, implementation and monitoring of its plans and strategies, a number of management Committees have been established and responsibilities delegated.

Ethical behaviour

Code of Conduct

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 3.1

To ensure the satisfaction of statutory and fiduciary obligations to each of its investor groups and to maintain confidence in its integrity, the Board has implemented a series of clearly articulated compliance policies and procedures to which it requires that all employees adhere.

In addition, the Board considers it important that its employees meet the highest ethical and professional standards and consequently has established both an Employee Code of Conduct, for all employees, and a Directors' Code of Conduct. Codes of Conduct are approved by the Board Compliance Committee. Please refer to www.dexus.com/corporategovernance for a copy of the Group's Codes of Conduct.

During the year, an Anti-Bribery policy has been developed and implemented. The policy covers the acceptance and provision of appropriate gifts and benefits and reiterates DEXUS's policy of not making donations to any political party. The policy has been approved by the Board Compliance Committee and is available at www.dexus.com/corporategovernance

The Group is committed to and strongly supports disclosure being made of corrupt conduct, illegality or substantial waste of company assets under its Good Faith Reporting policy. The Group provides protection to employees who make such disclosures from any detrimental action or reprisal. Please refer to www.dexus.com/corporategovernance for a copy of the Good Faith Reporting Policy.

On an annual basis, all employees are required to confirm compliance with key policies such as Code of Conduct, Employee Trading and Good Faith Reporting.

Diversity

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 3.2, 3.3, 3.4

DEXUS comprises a socially and culturally diverse workplace which helps create a culture that is tolerant, flexible and adaptive to the changing needs of our environment. DEXUS believes that Boards should be small enough to be able to act decisively, but large enough that a diverse range of views is heard on any issue. DEXUS also believes that Boards need to have continuity and experience with DEXUS, as well as bringing fresh perspectives, and the DEXUS Board continually reviews these two factors.

DEXUS is committed to diversity and promotes an environment conducive to the merit-based appointment of qualified employees, senior management and Directors. Where professional intermediaries are used to identify or assess candidates, they are made aware of the Group's commitment to diversity.

DEXUS has developed a Diversity Policy which is available at www.dexus.com/corporategovernance

DEXUS currently publishes annual statistics on the diversity profile of its Board and senior management, including a breakdown of the type and seniority of roles undertaken by women in its 2011 Annual Review.

Insider trading and trading in DEXUS securities

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 3.1

The Board has determined that Directors will not trade in any security managed by the Group, and the Senior Executive team has similarly determined that they will not trade in any security managed by the Group. This decision has been made because the Board of DXFM has responsibility for the performance of DEXUS as well as the third party business. Directors are obliged to act in the best interests of each group of investors independently of each other. Therefore, to minimise the appearance of conflict that may arise, the Board has determined that it will not invest in any fund managed by the Group, including DEXUS. This position is periodically reviewed by the Board.

The Group has implemented a trading policy that applies to employees who wish to invest in any of the Group's financial products for his or her personal account or on behalf of an associate. The policy requires any employee who wishes to trade in any security issued or managed by DXFM to obtain written approval from the CEO or member of the Group Management Committee and the Head of Risk and Governance before entering into a trade.

Generally, approval will not be granted during defined blackout periods. These periods commence at the end of the financial half-year and full-year reporting periods and end on the day DEXUS Group results are released. In addition, if Risk and Governance or the Chief Executive Officer considers that there is the potential that inside information may be held or that a significant conflict of interest may arise, additional blackout periods will be imposed.

With regard to aligning Senior Executives' interests with the interests of DEXUS's investors, the Board has put in place a deferred performance scheme that it considers ensures an alignment of Senior Executives' interests with all investors. A description of the Senior Executives' payment scheme is contained in the Remuneration Report starting on page 3 in the Financial Statements.

All employees are required to provide an annual declaration confirming his or her understanding and compliance with the Employee Trading Policy. Risk and Governance undertakes regular monitoring of the security registers. Please refer to www.dexus.com/corporategovernance for a copy of the Key Management Personnel and Employee Trading Policies.

Conflicts of interest and related party dealings

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 3.1

The Group has implemented policies covering the management of conflicts of interest which include:

Personal conflicts

These may arise where the interests of clients or DEXUS are in conflict with the interests of employees. The policies which deal with Personal conflicts are the:

- Director Code of Conduct;
- Employee Code of Conduct;
- Key Management Personnel Trading;
- Employee Trading; and
- Gifts and Entertainment

Business conflicts

These may arise in the following ways:

- conflicts arising from allocating property transactions, where there may be conflicts between the interests of different DEXUS clients;
- when allocating a limited investment opportunity between a number of clients;
- tenant conflicts, where a prospective tenant has two similar properties to choose from both owned or managed by DEXUS;
- conflicts arising from related party dealings involving more than one of DEXUS's clients, where those clients are on opposite sides of the transaction; and
- conflicts arising from transfer of assets involving the interests of DEXUS clients when transferring real estate between schemes and/or accounts which a DEXUS entity manages.

Where a conflict of interest has been identified, Risk and Governance liaises with the parties concerned to ensure the effective and timely management of the conflict. Where information barriers are put in place, the Risk and Governance team monitors compliance with the relevant policies.

On a monthly basis, the General Counsel reports to the Board on related party transactions. On a quarterly basis, the Head of Risk and Governance reports related party transactions to the Board Compliance Committee.

During the 2010/11 financial year, DEXUS managed a related party transaction where DEXUS Property Services Pty Limited was appointed to provide property management services for the newly acquired industrial properties within the DEXUS Wholesale Property Fund portfolio. Independent verification was sought to ensure the fee structure reflected market rates.

Continuous disclosure

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 5.1

DXFM has established a Committee to ensure timely and accurate continuous disclosure for all material matters that impact the Group.

The Committee meets regularly to consider the activities of the Group and whether any disclosure obligation is likely to arise as a result of those activities. This Committee has been established to ensure that:

- investors continue to have equal and timely access to material information, including the financial status, performance, ownership and governance of the Trusts; and
- announcements are factual and presented in a clear and balanced way.

Please refer to www.dexus.com/corporategovernance for a copy of the Continuous Disclosure and Analyst Briefings Policy.

Compliance with our Continuous Disclosure and Analyst Briefing policy is subject to ongoing monitoring, the results of which are reported to the Board Compliance Committee.

Training

Newly appointed members of the Senior Executive team undertake induction training soon after commencing employment. Induction training in relation to the operations of DEXUS takes the form of a half day, interactive training session presented by the heads of various business units. The Head of Risk and Governance conducts a one-to-one Compliance Induction session with each newly appointed Senior Executive outlining DEXUS's approach to risk management and compliance. In addition, all new employees attend face-to-face Compliance Induction training facilitated by Risk and Governance, which covers key compliance issues. Induction training for US employees is facilitated by video conferencing.

Training is also identified throughout the year based on changes to legislation, compliance and risk issues highlighted during the period, or changes to business operations. Training is facilitated by employee, external service providers or the completion of on-line exams after reference to policies and procedures.

Annual General Meeting

ASX Corporate Governance Principles and Recommendations (with 2010 Amendments); 6.1

DEXUS respects the rights of security holders and to facilitate the effective exercise of those rights, the Board has committed to the conduct of an Annual General Meeting ("AGM") for DEXUS Property Group.

Each AGM is designed to:

- supplement effective communication with security holders;
- provide security holders ready access to balanced and understandable information;
- increase the opportunities for security holder participation; and
- facilitate security holders' rights to appoint Directors to the Board of DXFM.

The Group has adopted a policy which requires Directors to attend its AGM. In October 2010 all Directors attended the AGM. The external auditor of the Trusts also attends each AGM and is available to answer investor questions about the conduct of the audits of both the Trusts' financial records and their Compliance Plans, and the preparation and content of the Auditor's Report. In addition to conducting an AGM, the Group has a communications and investor relations strategy that promotes an informed market and encourages participation with its investors.

This strategy includes use of the Group's website to enable access to DEXUS announcements, annual and half-year reports, presentations and analyst support material. The website also contains significant historical information on announcements, distributions and other related information at www.dexus.com/dxs DEXUS Property Group engages Link Market Services to independently conduct any vote undertaken at the AGM of security holders.

2011

DEXUS Diversified Trust
(ARSN 089 324 541)

Financial Statements
30 June 2011

DEXUS
PROPERTY GROUP

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Diversified Trust (DDF or the Trust) and its consolidated entities, DEXUS Property Group (DXS or the Group) present their Directors' Report together with the consolidated Financial Statements for the year ended 30 June 2011.

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

1 Directors 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:

Directors	Appointed
Christopher T Beare	4 August 2004
Elizabeth A Alexander, AM	1 January 2005
Barry R Brownjohn	1 January 2005
John C Conde, AO	29 April 2009
Stewart F Ewen, OAM	4 August 2004
Victor P Hoog Antink	1 October 2004
Brian E Scullin	1 January 2005
Peter B St George	29 April 2009

Particulars of the qualifications, experience and special responsibilities of the Directors at the date of this Directors' Report are set out in the Board of Directors section of the Annual Report and form part of this Directors' Report.

1.2 Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2011 are as follows:

Tanya L Cox MBA MAICD FCIS
Appointed: 1 October 2004

Tanya is the Chief Operating Officer and Company Secretary of DXFM and is responsible for the delivery of company secretarial, operational, information technology, communications and administration services, as well as operational risk management systems and practices across the Group. Prior to joining DXS in July 2003, Tanya held various general management positions over the past 16 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager – Finance, Operations and IT for Bank of New Zealand (Australia).

Tanya is a non-executive director of a number of not-for-profit organisations, a member of the Australian Institute of Company Directors and a fellow of the Institute of Chartered Secretaries and Administrators (ICSA) and Chartered Secretaries Australia (CSA). Tanya has an MBA from the Australian Graduate School of Management and a Graduate Diploma in Applied Corporate Governance.

Tanya is Chief Operating Officer and Company Secretary of DXFM, DEXUS Holdings Pty Limited (DXH) and DEXUS Wholesale Property Limited (DWPL) and is a member of the Board Compliance Committee.

1 Directors and Secretaries (continued)

1.2 Company Secretaries (continued)

John C Easy B Comm LLB ACIS
Appointed: 1 July 2005

John is the General Counsel and Company Secretary of DXFM. During his time with the Group he has been involved in the establishment and public listing of the Deutsche Office Trust, the acquisition of the Paladin and AXA property portfolios, and subsequent stapling and creation of DXS. Prior to joining DXS in November 1997, John was employed as a senior associate in the commercial property/funds management practices of law firms Allens Arthur Robinson and Gilbert & Tobin. John graduated from the University of New South Wales with Bachelor of Laws and Bachelor of Commerce (Major in Economics) degrees. He is a member of Chartered Secretaries Australia (CSA) and holds a Graduate Diploma in Applied Corporate Governance.

John is General Counsel and Company Secretary for DXFM, DXH and DWPL and is a member of the Board Compliance Committee.

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 13 times during the year. Ten Board meetings were main meetings, three meetings were held to consider specific business. While the Board continually considers strategy, in March 2011 they met with the executive and senior management team over three days to consider the Group's strategic plans.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
Christopher T Beare	10	10	3	3
Elizabeth A Alexander, AM	10	10	3	3
Barry R Brownjohn	10	10	3	3
John C Conde, AO	10	10	3	3
Stewart F Ewen, OAM	10	10	3	3
Victor P Hoog Antink	10	10	3	3
Brian E Scullin	10	9	3	3
Peter B St George	10	10	3	3

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

The table below sets out the number of Board Committee meetings held during the year for the Committees in place at the end of the year and each Director's attendance at those meetings.

	Board Audit Committee		Board Risk and Sustainability Committee		Board Compliance Committee		Board Nomination and Remuneration Committee		Board Finance Committee	
	held	attended	held	attended	held	attended	held	attended	held	attended
Christopher T Beare	-	-	-	-	-	-	7	7	4	4
Elizabeth A Alexander, AM	6	6	4	4	-	-	-	-	-	-
Barry R Brownjohn	6	6	4	4	-	-	-	-	4	4
John C Conde, AO	-	-	-	-	4	4	7	7	-	-
Stewart F Ewen, OAM	-	-	-	-	-	-	7	7	-	-
Brian E Scullin	-	-	-	-	4	4	-	-	-	-
Peter B St George	6	6	4	4	-	-	-	-	4	4

3 Remuneration Report

3.1 Introduction

This Remuneration Report has been prepared in accordance with AASB 124 *Related Party Disclosures* and section 300A of the *Corporations Act 2001* for the year ended 30 June 2011. The information provided in this Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

Key Management Personnel

In this report, Key Management Personnel (KMP) are those people having the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. They comprise:

- Non-Executive Directors;
- the Chief Executive Officer; and
- Executives who are members of the Group Management Committee (GMC)

Below are the individuals determined to be KMP of the Group, classified between Non-Executive Director and Executive personnel.

Non-Executive Directors

There were no changes to the composition of Non-Executive Directors from the previous year.

Name	Title	KMP 2011	KMP 2010
Christopher T Beare	Non-Executive Chair	✓	✓
Elizabeth A Alexander AM	Non-Executive Director	✓	✓
Barry R Brownjohn	Non-Executive Director	✓	✓
John C Conde AO	Non-Executive Director	✓	✓
Stewart F Ewen OAM	Non-Executive Director	✓	✓
Brian E Scullin	Non-Executive Director	✓	✓
Peter B St George	Non-Executive Director	✓	✓

Executives

The following changes occurred within the Executive group during the year ended 30 June 2011:

- the GMC was formed on 1 July 2010, replacing the former Executive Committee;
- all property sector Executives now report through to the Chief Investment Officer;
- Mr Turner, former Head of Funds Management and a KMP, ceased employment on 31 December 2010; and
- Ms Martin, former Head of Office and a KMP, ceased employment on 31 December 2010.

Name	Title	Status	KMP 2011	KMP 2010
Victor P Hoog Antink	Chief Executive Officer	GMC Member	✓	✓
Tanya L Cox	Chief Operating Officer	GMC Member	✓	✓
John C Easy	General Counsel	GMC Member	✓	✓
Craig D Mitchell	Chief Financial Officer	GMC Member	✓	✓
Paul G Say	Chief Investments Officer	GMC Member	✓	✓
Andrew P Whiteside[1]	Head of Industrial	Executive	-	✓
R Jane Lloyd[1]	Head of US Investments	Executive	-	✓
Patricia A Daniels[1]	Head of Human Resources	Executive	-	✓
Mark F Turner[2]	Head of Funds Management	Executive / Left Employment	-	✓
Louise J Martin[2]	Head of Office & Retail	Executive / Left Employment	-	✓

1 Following the establishment of the GMC on 1 July 2010, Mr Whiteside, Ms Lloyd and Ms Daniels were no longer considered to be KMP for the purpose of this report. However, the total of their remuneration received in 2010 has been disclosed in sections 3.5 and 3.8 of this report to provide consistency with figures reported in the prior year.

2 Ms Martin is included in the remuneration disclosure in sections 3.5 and 3.8 of this report due to her termination payments placing her within the five most highly paid Directors or Executives as defined under the Corporations Act. Mr Turner's remuneration is disclosed for 2010 within the former KMP group in sections 3.5 and 3.8.

3 Remuneration Report (continued)

3.2 Board oversight of remuneration

The objectives of the Board Nomination and Remuneration Committee (Committee) are to assist the Board in fulfilling its responsibilities by overseeing all aspects of Director and Executive remuneration, as well as Board nomination and performance evaluation. Specifically, the Committee carries out the following activities:

Nomination

To review and recommend to the Board:

- the nomination, appointment, re-election and removal of Directors;
- performance evaluation procedures for the Board, its committees and individual Directors;
- Board and CEO succession plans;
- identification of those employees who fall within the definition of Key Management Personnel as defined in AASB124 *Related Party Disclosures*;
- the DEXUS Diversity Policy;
- measurable objectives for the achievement of gender diversity and monitoring of those objectives;
- on-going training and development requirements for Directors;
- the effectiveness of the induction process for Directors; and
- determination of the time required by independent Directors to discharge their responsibilities effectively, and whether Directors are meeting this commitment.

Remuneration

- To review and recommend to the Board:
- remuneration approach, including design and operation of the performance payment employee incentive schemes;
- CEO and Executive performance and remuneration;
- aggregate annual performance payment pool; and
- Directors' fees.

To review and approve:

- aggregate base salary increases and annual performance payment pool, for all employees other than the CEO and Key Management Personnel; and
- recruitment, retention and termination policies and procedures.

Regarding remuneration, the Committee assesses the appropriateness of the structure and the quantum of both Director and Executive remuneration on an annual basis, with reference to relevant regulatory and market conditions, and individual and company performance. At its discretion, the Committee engages external consultants to provide independent advice when required (see section 3.4 for a description of the remuneration review process).

Further information about the role and responsibilities of the Committee is set out in the Board Nomination and Remuneration Committee Terms of Reference, which may be found online at www.dexus.com in the Corporate Governance section.

The composition of the Committee remained unchanged throughout the year ended 30 June 2011. Mr Conde continued in his role as Committee Chair, drawing upon his extensive experience from a diverse range of appointments, including his role as President of the Commonwealth Remuneration Tribunal. The Committee's experience is further enhanced through the membership of Messrs Beare and Ewen, each of whom has significant management experience in the property and financial services sectors.

During the year ended 30 June 2011, Committee members were:

Name	Title	2011	2010
John C Conde AO[1]	Committee Chair	✓	✓
Christopher T Beare[2]	Committee Member	✓	✓
Stewart F Ewen OAM	Committee Member	✓	✓
Brian E Scullin[3]	Committee Member	-	-

[1] Mr Conde was formerly a member of the Committee and became Chair effective 1 September 2009.
[2] Mr Beare was formerly Chair of the Committee and became a Member effective 1 September 2009.
[3] Mr Scullin ceased being a Member of the Committee on 31 August 2009 (there were no FY10 meetings of the Committee prior to this).

3 Remuneration Report (continued)

3.3 Non-Executive Directors' remuneration framework

The objectives of the Non-Executive Directors' remuneration framework are to ensure Non-Executive Directors' fees reflect the responsibilities of Non-Executive Directors and are market competitive. Non-Executive Directors' fees are reviewed annually with reference to:

- comparably sized companies in the S&P/ASX 100 index;
- publicly available remuneration reports from competitors; and
- information supplied by independent external advisors, such as the Australian Institute of Company Directors, Ernst & Young and the Godfrey Remuneration Group.

Non-Executive Directors, other than the Chair, receive a base fee plus additional fees for membership of Board Committees. The table below outlines the fee structure for the year ended 30 June 2011.

Committee	Chair $	Member $
Director's Base Fee	350,000	150,000
Board Audit & Risk	30,000	15,000
DWPL Board	30,000	15,000
Board Finance	15,000	7,500
Board Compliance	15,000	7,500
Board Nomination & Remuneration	15,000	7,500

In addition to the Directors' fee structure outlined above, Mr Ewen's company is paid a fixed fee of $30,000 per annum for his attendance at property inspections, for reviewing property investment proposals and participating in informal management meetings.

Recognising the greater responsibility and time commitment required, the Board Chair receives a higher fee than other Non-Executive Directors, which is benchmarked to the market median of comparably sized ASX listed entities. The Chair does not receive Board Committee fees, nor is the Chair present during any discussion relating to the determination of the Chair's fees.

Non-Executive Directors are not eligible to receive performance based remuneration or accrue separate retirement benefits beyond statutory superannuation entitlements.

Base fees for both the Chair and Non-Executive Directors were increased effective 1 July 2010. This increase was reported in the remuneration report for the year ended 30 June 2010. Total fees paid to Directors remain within the aggregate fee pool of $1,750,000 per annum approved by DXS security holders at its Annual General Meeting in October 2008.

3.4 Approach to Executive remuneration

3.4.1 Executive remuneration principles

DXS Executives are charged with providing a full range of integrated property services, focused on office and industrial property management, delivering consistent total returns to investors, while assuming relatively moderate risk. Earnings growth is also driven by increasing activity in each of our operating business and growing new revenue streams. The Directors consider that an appropriately skilled and qualified Executive team is essential to achieve this objective. The Group's approach to the principles, structure and quantum of Executive remuneration is therefore designed to attract, motivate and retain such an Executive team.

In establishing the Group's remuneration principles, the Directors are cognisant that DXS's business is based on long term property investments and similarly long term tenant relationships. Furthermore, property market investment returns tend to be cyclical. Taking these factors into account, the Executive remuneration structure is based on the following criteria:

1. market competitiveness and reasonableness;
2. alignment of Executive performance payments with achievement of the Group's financial and operational objectives, within its risk framework and cognisant of its values-based culture; and
3. an appropriate mix of remuneration components, including performance payments linked to security holder returns over the longer term.

3 Remuneration Report (continued)

(a) Market competitiveness and reasonableness

For the purposes of determining market competitive remuneration, the Group takes a research based approach, obtaining external executive remuneration benchmarks from a range of sources, including:

- publicly available data from the annual reports of constituents of the S&P/ASX 100 index;
- independent remuneration consultants, including Hart Consulting Group, Financial Institutions Remuneration Group, Aon Hewitt and the Avdiev Group, regarding property organisations of a similar market capitalisation; and
- various recruitment and consulting agencies who are informed sources of market remuneration trends.

(b) Alignment of Executive performance payments with achievement of the Group's objectives

The Group assesses individual Executive performance within a Balanced Scorecard framework. The Balanced Scorecard prescribes the financial and non-financial performance indicators that will be used to measure an Executive's performance for the year. Financial performance indicators include objectives that promote the achievement of superior security holder returns over time, whilst non-financial indicators are designed to encourage operational effectiveness and sustainable business and people practices. By setting objectives which promote a balanced performance outcome, the Group is able to monitor the execution of its strategy in a holistic manner. The Balanced Scorecard focuses on performance in four areas, which reflect each Executive's role, responsibility, accountability and strategy delivery.

DEXUS Balanced Scorecard - Typical Objectives

Financial Performance	Business Development and Business Management
▪ Earnings per security ▪ Distributions per security ▪ Third party funds' performance ▪ Total security holder return, relative to peers	▪ Execution of strategy on time and within budget ▪ Corporate responsibility and sustainability initiatives ▪ Achievement of international operations strategies
Stakeholder Satisfaction	**Leadership**
▪ Investor relations ▪ Tenant satisfaction ▪ Employee engagement	▪ Executive succession ▪ Talent management ▪ Role modelling DEXUS cultural values ▪ Executive development

Individual objectives are selected based on the key strategic drivers for each area of responsibility and as a result are tailored and weighted differently for each Executive. The typical objectives listed above are therefore not common to all Executive roles.

The Committee reviews and approves Balanced Scorecard objectives at the commencement of each financial year and reviews achievement against these KPIs at the end of each financial year. The Committee's review of Executive performance, in conjunction with data provided from external benchmarks and the target remuneration mix, guide the Committee in its determination of the appropriate quantum of Performance Payments to be awarded to Executives.

3 Remuneration Report (continued)

(c) Executive remuneration structure

i. Executive Remuneration Components

The DXS Executive remuneration structure comprises the following remuneration components:

Total Remuneration

- delivered through fixed and variable components
- fixed remuneration is targeted at the market median awarded on a variable scale, which may result in a total remuneration range from lower quartile to upper quartile, reflecting differing levels of experience, role structure and contribution
- variable remuneration is delivered as immediate and deferred performance payments and is determined on a range of factors including achievement of KPIs and relative market remuneration mix

Fixed remuneration	Salary	▪ Consists of cash salary and salary sacrificed fringe benefits, such as motor vehicles	▪ Targeted at Australian market median using external benchmark data and varies according to Executives' skills and depth of experience
	Superannuation	▪ Prescribed and salary sacrifice superannuation contributions, including insurance premiums (if applicable)	▪ Reviewed annually by the Board, effective 1 July, including internal and external relativities
Variable Remuneration	Performance Payments	▪ The aim of Performance Payments is to attract, motivate and retain appropriately skilled and qualified executives to achieve the strategic objectives of the business, measured through the achievement of KPIs ▪ Strategic objectives incorporate financial and non-financial measures of performance at Group, business unit and individual level and represent key drivers for the success of the business and for delivering long term value to security holders ▪ The achievement of KPIs is assessed through a Balanced Scorecard approach ▪ Individual awards are determined on a range of factors, including achievement of KPIs and relative market remuneration mix	▪ Performance Payments are delivered as immediate and deferred elements in accordance with the targeted remuneration mix set out in the table below ▪ The annual award of any Performance Payment to an Executive is dependent upon the Board being satisfied that minimum threshold performance targets have been achieved ▪ Only in exceptional circumstances would the Board consider awarding a performance payment which exceeds the target remuneration mix
	DEXUS Performance Payments (DPP)	▪ Delivery of DPP is immediate	▪ Awarded annually as a cash payment in September
	DEXUS Deferred Performance Payments (DDPP)	▪ Delivery of DDPP is deferred for three years, as described below	▪ Granted annually ▪ Grants vest after three years (i.e. no accelerated vesting) ▪ Delivered as a cash payment in accordance with the plan design described below ▪ Unvested grants are forfeited upon Executive initiated termination (i.e. resignation) ▪ The Nomination & Remuneration Committee may use its discretion in operating the Plan.

3 Remuneration Report (continued)

Performance payment pool

A single pool of funds is accrued to meet all Performance Payments. The pool of funds accrued is sufficient to ensure that the Group is able to meet its objectives under its remuneration framework. The Board may exercise its discretion to vary the size of the pool by reference to such factors as:

- three year absolute total security holder return;
- management costs, risk factors and revenue of DEXUS Holdings Pty Limited; and
- performance against budgeted earnings and distributions per security

ii. Target mix of remuneration components

The target remuneration mix for KMP, expressed as a percentage of total remuneration, is outlined in the table below.

	2011			2010		
Remuneration component	**CEO**	**CFO & CIO**	**Other Executives**	CEO	CFO & CIO	Other Executives
Total fixed	**35%**	**40%**	**50%**	35%	40%	50%
DEXUS Performance Payment (DPP)	**30%**	**30%**	**25%**	30%	30%	25%
DEXUS Deferred Performance Payment (DDPP)	**35%**	**30%**	**25%**	35%	30%	25%

The Directors consider that the target mix of remuneration is appropriate and reflects alignment with long term returns to security holders.

The Group's performance payment philosophy is based on appropriate reward for performance. In the event of exceptional performance the Nomination & Remuneration Committee may choose to award a performance payment in excess of the target remuneration mix. Although the Committee has chosen to not adopt a maximum performance payment cap, historically it has not exercised its right to award performance payments in excess of the target remuneration mix.

iii. DEXUS Deferred Performance Payment (DDPP) plan

The DDPP plan operates as follows:

- Following allocation, Deferred Performance Payments are subject to a three year vesting period from allocation date;
- The DDPP allocation value is notionally invested during the vesting period in DXS securities (50 percent of DDPP value) and its unlisted funds and mandates (50 percent of DDPP value);
- During the vesting period, DDPP allocation values fluctuate in line with changes in the "Composite Total Return" (simulating notional investment exposure), comprising 50 percent of the total return of DXS securities and 50 percent of the combined asset weighted total return of its unlisted funds and mandates; and
- At the conclusion of the three year vesting period, if the Composite Total Return meets or exceeds the Composite Performance Benchmark, the Board may approve the application of a performance factor to the final DDPP allocation value:
  1. The "Composite Performance Benchmark" is 50 percent of the S&P/ASX 200 Property Accumulation Index and 50 percent of the Mercer Unlisted Property Fund Index over the 3-year vesting period;
  2. For performance up to 100% of the Composite Performance Benchmark, executives receive a DDPP allocation reflecting the Composite Total Return of the preceding 3 year vesting period; and
  3. For performance between 100% and 130% of the Composite Performance Benchmark a performance factor may be applied, ranging from 1.1 to a maximum of 1.5 times

Provisions regarding the vesting of DDPP in the event of termination of service are outlined in section 3.7.

3 Remuneration Report (continued)

Equity options scheme

The Group does not operate an equity option scheme as part of its Executive remuneration structure. The Committee has considered the introduction of such a scheme, but has determined that it would not be an appropriate component of the Group's remuneration structure.

Equity and loan schemes

The Group does not operate a security participation plan or a loan plan for Executives or Directors.

The deferred element of DXS's Performance Payment is designed to simulate, or at least replicate, some of the features of an equity plan, but it does not provide Executives with direct equity exposure.

Hedging policy

The Group does not permit Executives to hedge their DDPP allocation.

3.5 Remuneration arrangements for the year ended 30 June 2011

This section outlines how the approach to remuneration described above has been implemented in the year ended 30 June 2011.

Non-Executive Director's remuneration for the year ended 30 June 2011

- At its meeting of 20 May 2010, the Nomination & Remuneration Committee endorsed an increase to the base fee payable to both the Chair and Non-Executive Directors to bring DXS fees into line with the fee structure of comparably sized ASX listed entities;
- This increase in base fees came into effect on 1 July 2010 (as set out in section 3.8 of this report).
- There were no changes to committee fees.

Executive remuneration for the year ended 30 June 2011

- At its meeting of 21 July 2010, the Nomination & Remuneration Committee determined that the fixed remuneration of a number of Executives had fallen below the market median of comparably sized ASX listed entities.
- Two substantial increases to KMP remuneration were required to correct this position and to reflect increased responsibilities as a result of the Executive restructure on 1 July 2010 (as set out in section 3.8 of this report).
- These increases in fixed remuneration came into effect 1 July 2010.
- DPP and DDPP awarded to Executives reflected a combination of individual and group performance, external market comparisons and benchmarking, and reference to the remuneration mix guidelines established for each category of Executive (as set out in section 3.4 of this report).
- DPP is payable in September 2011, with DDPP following the vesting schedule applicable under the DDPP Plan.

Actual remuneration earned/granted

The following table provides details of actual remuneration earned/granted by Executives in the years ended 30 June 2010 and 30 June 2011. This table includes details of the five highest paid Directors or Executives. The amounts detailed in the remuneration earned/granted table vary from the amounts detailed in the statutory accounting table in section 3.8, because performance payments (in the remuneration earned/granted table) are attributed to Executives in the year performance payments are earned.

3 Remuneration Report (continued)

Name		Cash salary including superannuation $	DEXUS Performance Payments $	DEXUS Deferred Performance Payments $	Other short term benefits $	Termination benefits $	Total $
Victor P Hoog Antink	**2011**	**1,550,000**	**1,100,000**	**1,300,000**	**-**	**-**	**3,950,000**
	2010	1,300,000	1,100,000	1,200,000	-	-	3,600,000
Craig D Mitchell	**2011**	**700,000**	**450,000**	**450,000**	**-**	**-**	**1,600,000**
	2010	550,000	400,000	400,000	-	-	1,350,000
Paul G Say	**2011**	**700,000**	**400,000**	**400,000**	**-**	**-**	**1,500,000**
	2010	500,000	250,000	250,000	-	-	1,000,000
John C Easy	**2011**	**425,000**	**190,000**	**185,000**	**-**	**-**	**800,000**
	2010	375,000	187,000	188,000	-	-	750,000
Tanya L Cox	**2011**	**425,000**	**195,000**	**190,000**	**-**	**-**	**810,000**
	2010	400,000	180,000	180,000	-	-	760,000
Andrew P Whiteside *	**2011**	**525,000**	**235,000**	**240,000**	**-**	**-**	**1,000,000**
	2010	475,000	225,000	225,000	-	-	925,000
Louise J Martin * **	**2011**	**262,500**	**-**	**-**	**74,389**	**525,000**	**861,889**
	2010	500,000	200,000	200,000	-	-	900,000
Total	**2011**	**4,587,500**	**2,570,000**	**2,765,000**	**74,389**	**525,000**	**10,521,889**
	2010	4,100,000	2,542,000	2,643,000	-	-	9,285,000

* Mr Whiteside and Ms Martin are former KMP. Mr Whiteside's remuneration is disclosed due to being counted among the 5 highest paid Directors or Executives. Ms Martin ceased employment on 31 December 2010 and due to termination benefits received, also forms part of the 5 highest paid Directors or Executives. Ms Martin will not form part of subsequent remuneration disclosures.

** Ms Martin received payment for statutory leave entitlements upon termination.

For the purpose of consistency, the following table includes the total remuneration of former KMP as disclosed for the year ended 30 June 2010. As referred to in section 3.1 of this report, the former KMP group comprises Mr Turner (ceased employment on 31 December 2010), Ms Lloyd and Ms Daniels. This group will not form part of subsequent remuneration disclosures.

Former KMP Total	2010	1,081,249	383,391	383,391	123,107	-	1,971,138
Combined Totals	2010	5,181,249	2,925,391	3,026,391	123,107	-	11,256,138

3 Remuneration Report (continued)

Other employee remuneration for the year ended 30 June 2011

- A moderate increase in base salaries was applied to the wider employee group to ensure market competitive remuneration was maintained.
- A limited number of adjustments was made as a result of promotion, key talent retention and market comparison.
- DPP was awarded based on individual and company performance, with reference to the remuneration mix guidelines in place for each category of employee.
- DDPP continues to be limited to a small number of key employees outside the Executive group.
- DPP is payable in August 2011, with DDPP (if applicable) following the vesting schedule applicable under the DDPP Plan.

Decisions taken relating to remuneration arrangements for the year ending 30 June 2012

- No change to Non-Executive Directors' base or committee fees;
- No increase to the CEO's base salary;
- Conservative increases to Executive base salaries in line with market comparisons and cognisant of prior year adjustments;
- Industry standard increases to base salaries for the wider employee group, with a small number of adjustments made to ensure retention of key talent and to recognise increased contribution to the group in some roles: and
- No change to the target remuneration mix guidelines which are used to determine the split between fixed remuneration, DPP and DDPP.

3.6 Group performance and the link to remuneration

Total return analysis

The table below sets out DXS's total security holder return since inception, relative to the S&P/ASX 200 Property Accumulation Index. It also sets out DXS's Composite Total Return since inception, relative to the Composite Performance Benchmark. The DEXUS Composite Total Return is 50 percent of the total return of DXS securities, plus 50 percent of the combined asset weighted total return of its unlisted funds and mandates and the Composite Performance Benchmark is 50 percent of the S&P/ASX 200 Property Accumulation Index and 50 percent of Mercers' Unlisted Property Fund Index.

Year ended 30 June 2011	1 Year (% per annum)	2 Years (% per annum)	3 Years (% per annum)	Since 1 October 2004
DEXUS Property Group	21.6%	15.4%	-5.8%	2.5%
S&P/ASX 200 Property Accumulation Index	5.8%	12.9%	-9.7%	-4.0%
DEXUS Composite Total Return	16.4%	12.2%	-1.9%	6.1%
Composite Performance Benchmark	8.3%	9.9%	-4.6%	3.5%

Note: DEXUS inception date was 1 October 2004

In determining the construction of the Composite Total Return and in particular the relative weighting between the returns of the DEXUS Property Group and its unlisted funds and mandates, the Board considered the following factors:

- the desire of DEXUS Property Group to attract and retain third party funds and mandates based on the assurance that incentives are in place to ensure their equitable treatment;
- the economic contribution to DEXUS Property Group of management fees arising from third party funds under management;
- the increased investment in its management team and infrastructure, enabled by third party funds management fees, including in-house research, valuations and sustainability teams, the cost of which is defrayed by those fees; and
- the greater market presence and relevance the third party business brings to the DEXUS Property Group

The Board also considered whether the construction of the Composite Total Return should reflect the actual value of the unlisted funds and mandates ($6.1 billion as at 30 June 2011), and DEXUS Property Group's own funds under management ($7.6 billion as at 30 June 2011).

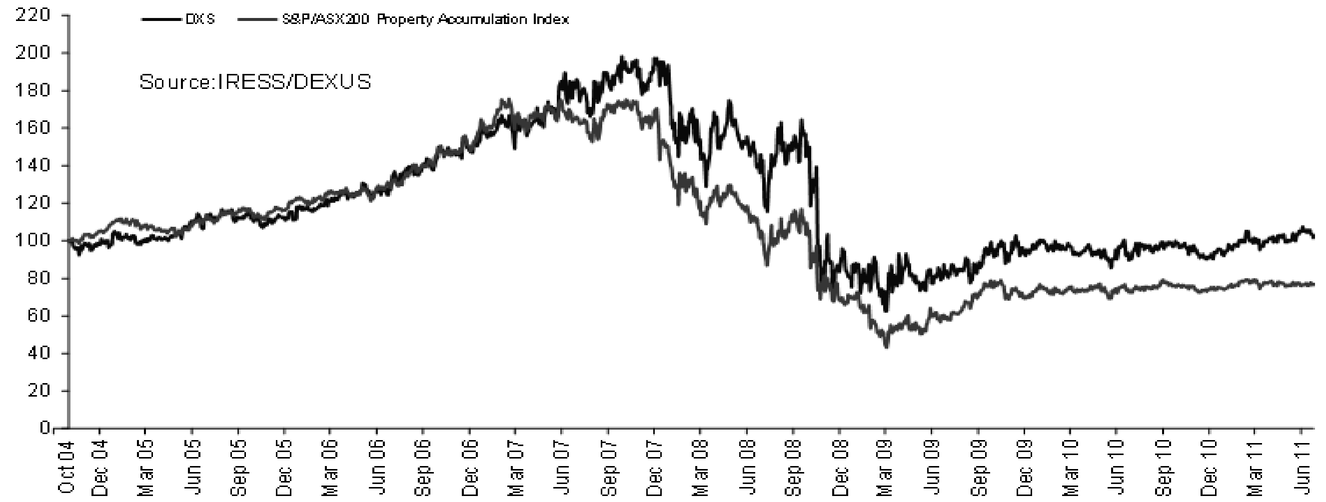
3 Remuneration Report (continued)

Cognisant of all the above factors, the Board determined that a 50/50 allocation, rather than an allocation varying according to asset weighting, most fairly reflects the value contribution of third party funds to the DEXUS Property Group and provides the greatest assurance that all investors are treated equitably.

During the year the Group did not buy back or cancel any of its securities.

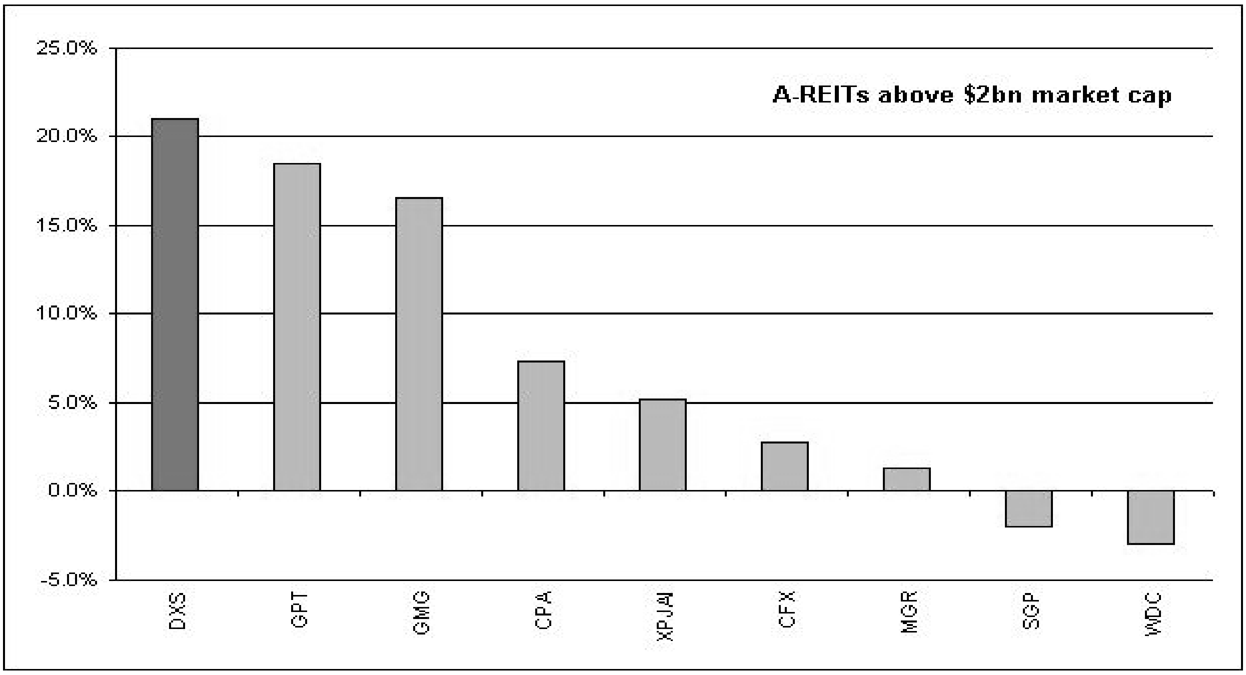
Total return of DXS securities

The graph below illustrates DXS's total security holder return relative to the S&P/ASX 200 Property Accumulation Index.



*6 October 2004 to 30 June 2011

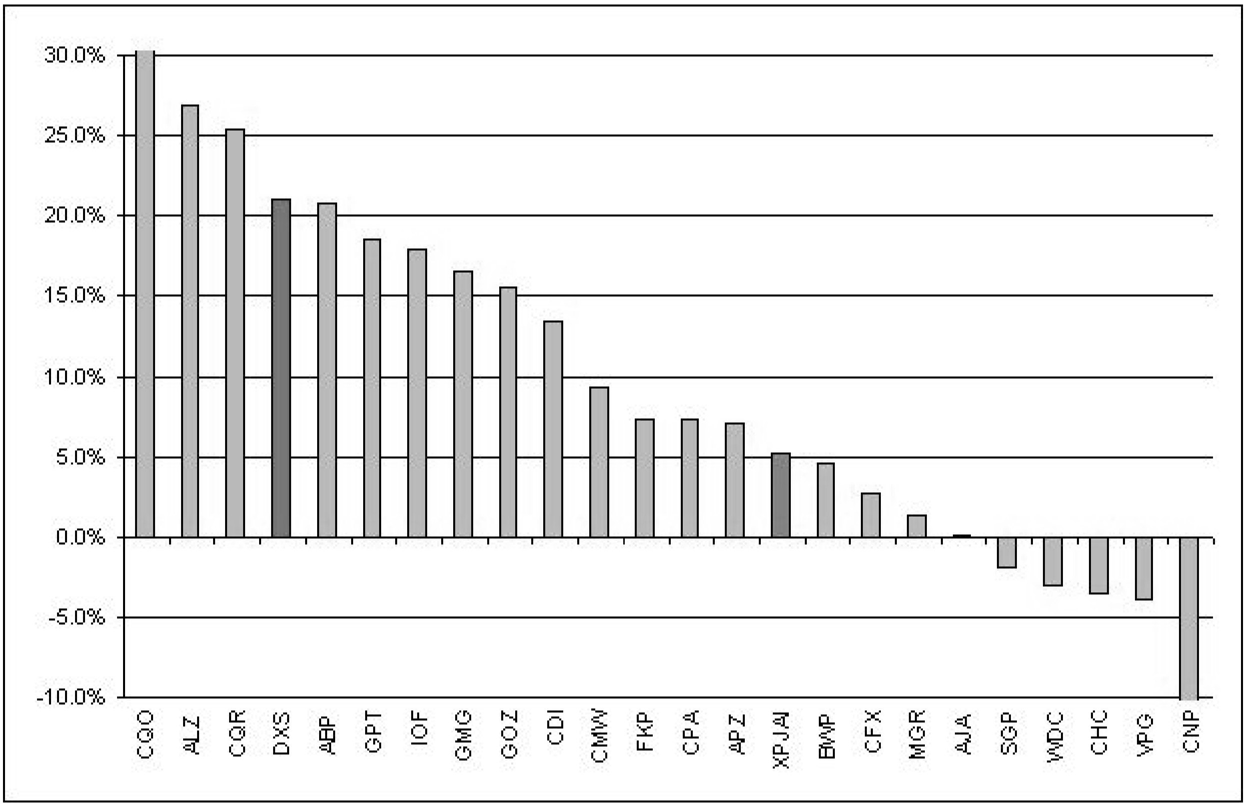
The chart below illustrates DXS's performance relative to A-REITS above $2bn market capitalisation.



Source: Morgan Stanley Australia (FY11 ASX performance adjusted for dividends)

3 Remuneration Report (continued)

The chart below illustrates DXS's performance against the broader property sector.



Source: Morgan Stanley Australia (FY11 ASX performance adjusted for dividends)

DXS continues to outperform the S&P ASX 200 Property Accumulation index and has exceeded this benchmark on a rolling three year basis each period since inception in October 2004. In addition, the DXS Composite Total Return has also outperformed the Composite Performance Benchmark on a rolling three year basis since inception.

Whilst the Directors recognise that improvement is always possible, they consider that DXS's business model, which aims to deliver consistent returns with relatively moderate risk, has been central to DXS's relative out-performance, and that its approach to Executive remuneration, with a focus on consistent out-performance of objectives, is aligned with and supports the superior execution of DXS's strategic plans.

3 Remuneration Report (continued)

3.7 Service agreements

The employment arrangements for Executives are set out below.

CEO – Victor P Hoog Antink

The current employment contract commenced on 1 October 2004. The principal terms of the employment arrangement are as follows:

- the CEO is employed under a rolling contract;
- the CEO may resign from his position and thus terminate this contract by giving six months written notice. On resignation any unvested DDPP will be forfeited subject to the discretion of the Board;
- the Group may terminate the CEO's employment agreement by providing six months written notice or payment in lieu of the notice period (based on the fixed component of CEO's remuneration). Additionally, the Group may provide a performance payment for the period of the last review date (being 1 July) until the last day of the notice period;
- in the event that the Group initiates termination for reasons outside the control of the CEO, a severance payment equal to 100% of fixed remuneration is payable;
- on termination by the Group, any DDPP awards will vest in accordance with the vesting schedule of the DDPP Plan, subject to the discretion of the Board; and
- the Group may terminate the contract of the CEO at any time without notice if serious misconduct has occurred. In the event of termination for cause, the CEO is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination for cause any unvested DDPP awards will immediately be forfeited.

KMP Executives (other than the CEO)

The principal terms of Executive employment arrangements are as follows:

- all Executives have rolling contracts;
- an Executive may resign from their position and thus terminate their contract by giving three months written notice. On resignation any unvested DDPP will be forfeited subject to the discretion of the Board;
- the Group may terminate an Executive's employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the fixed component of the Executive's remuneration). In the event that the Group initiates the termination for reasons outside the control of the Executive, a severance payment equal to a maximum of 75% of fixed remuneration will be made;
- on termination by the Group, any DDPP awards will vest in accordance with the vesting schedule of the DDPP Plan, subject to the discretion of the Board; and
- the Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination for cause occurs the Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination for cause any unvested DDPP awards will immediately be forfeited.

3 Remuneration Report (continued)

3.8 Statutory accounting method

In accordance with Australian Accounting Standard AASB 124, details of the structure and quantum of each component of remuneration for Executives for the years ended 30 June 2010 and 30 June 2011 are set out in the following table.

		Short-term benefits			Post-employment benefits		Long-term benefits			Total
Name		Cash salary $	DEXUS Performance Payments $	Other short term benefits $	Pension and super benefits $	Termination benefits $	DEXUS Deferred Performance Payment allocations $	Movement in prior year deferred performance payment allocation values $	Other long term benefits $	Total $
Victor P Hoog Antink	**2011**	**1,502,801**	**1,100,000**	**-**	**47,199**	**-**	**1,300,000**	**900,583**	**-**	**4,850,583**
	2010	1,252,539	1,100,000	-	47,461	-	1,200,000	363,957	-	3,963,957
Craig D Mitchell	**2011**	**684,801**	**450,000**	**-**	**15,199**	**-**	**450,000**	**273,781**	**-**	**1,873,781**
	2010	535,539	400,000	-	14,461	-	400,000	40,528	-	1,390,528
Paul G Say	**2011**	**649,801**	**400,000**	**-**	**50,199**	**-**	**400,000**	**226,785**	**-**	**1,726,785**
	2010	485,539	250,000	-	14,461	-	250,000	30,565	-	1,030,565
John C Easy	**2011**	**401,801**	**190,000**	**-**	**23,199**	**-**	**185,000**	**131,830**	**-**	**931,830**
	2010	360,539	187,000	-	14,461	-	188,000	47,437	-	797,437
Tanya L Cox	**2011**	**375,001**	**195,000**	**-**	**49,999**	**-**	**190,000**	**161,359**	**-**	**971,359**
	2010	385,539	180,000	-	14,461	-	180,000	62,533	-	822,533
Andrew P Whiteside *	**2011**	**509,801**	**235,000**	**-**	**15,199**	**-**	**240,000**	**121,087**	**-**	**1,121,087**
	2010	460,539	225,000	-	14,461	-	225,000	16,610	-	941,610
**Louise J Martin * ** **	**2011**	**213,800**	**-**	**74,389**	**48,700**	**525,000**	**-**	**214,101**	**-**	**1,075,990**
	2010	485,539	200,000	-	14,461	-	200,000	74,415	-	974,415
Total	**2011**	**4,337,806**	**2,570,000**	**74,389**	**249,694**	**525,000**	**2,765,000**	**2,029,526**	**-**	**12,551,415**
	2010	3,965,773	2,542,000	-	134,227	-	2,643,000	636,045	-	9,921,045

* Mr Whiteside and Ms Martin are former KMP. Mr Whiteside's remuneration is disclosed due to being counted among the 5 highest paid Directors or Executives. Ms Martin ceased employment on 31 December 2010 and due to termination benefits received, also forms part of the 5 highest paid Directors or Executives. Ms Martin will not form part of subsequent remuneration disclosures.

** Ms Martin received payment for statutory leave entitlements upon termination.

For the purpose of consistency, the following table includes the total remuneration of former KMP as disclosed for the year ended 30 June 2010. As referred to in section 3.1 of this report, the former KMP group comprises Mr Turner (ceased employment on 31 December 2010), Ms Lloyd and Ms Daniels. This group will not form part of subsequent remuneration disclosures.

Former KMP Total	2010	1,003,666	406,000	123,107	77,583	-	407,000	111,508	-	2,128,864
Combined Totals	2010	4,969,439	2,948,000	123,107	211,810	-	3,050,000	747,553	-	12,049,909

3 Remuneration Report (continued)

Deferred Performance Payments

The table below sets out details of DDPP allocations made to KMP and their current valuations.

Name	Grant year	DDPP allocation value $	Movement in DDPP allocation value since grant date $	Closing DDPP allocation value as at vesting date (30 June 2011) $	Movement in DDPP allocation value as at vesting date (30 June 2011) due to performance multiplier $	Vested DDPP value as at 30 June 2011 $	Vest year $
Victor P Hoog Antink	**2011**	**1,300,000**	**-**	**1,300,000**	**-**	**-**	**2014**
	2010	1,200,000	197,160	1,397,160	-	-	2013
	2009	915,000	236,528	1,151,528	-	-	2012
	2008	900,000	-50,580	849,420	424,800	1,274,220	2011
Craig D Mitchell	**2011**	**450,000**	**-**	**450,000**	**-**	**-**	**2014**
	2010	400,000	65,720	465,720	-	-	2013
	2009	325,000	84,013	409,013	-	-	2012
	2008	250,000	-14,050	235,950	118,000	353,950	2011
Paul G Say	**2011**	**400,000**	**-**	**400,000**	**-**	**-**	**2014**
	2010	250,000	41,075	291,075	-	-	2013
	2009	200,000	51,700	251,700	-	-	2012
	2008	250,000	-14,050	235,950	118,000	353,950	2011
John C Easy	**2011**	**185,000**	**-**	**185,000**	**-**	**-**	**2014**
	2010	188,000	30,888	218,888	-	-	2013
	2009	162,000	41,877	203,877	-	-	2012
	2008	120,000	-6,744	113,256	56,640	169,896	2011
Tanya L Cox	**2011**	**190,000**	**-**	**190,000**	**-**	**-**	**2014**
	2010	180,000	29,574	209,574	-	-	2013
	2009	150,000	38,775	188,775	-	-	2012
	2008	175,000	-9,835	165,165	82,600	247,765	2011
Andrew P Whiteside *	**2011**	**240,000**	**-**	**240,000**	**-**	**-**	**2014**
	2010	225,000	36,968	261,968	-	-	2013
	2009	135,000	34,898	169,898	-	-	2012
	2008	100,000	-5,620	94,380	47,200	141,580	2011
Louise J Martin *	**2011**	**-**	**-**	**-**	**-**	**-**	**2014**
	2010	200,000	32,860	232,860	-	-	2013
	2009	175,000	45,238	220,238	-	-	2012
	2008	250,000	-14,050	235,950	118,000	353,950	2011

Figures are subject to rounding.

* Mr Whiteside and Ms Martin are former KMP. Mr Whiteside's remuneration is disclosed due to being counted among the 5 highest paid Directors or Executives. Ms Martin ceased employment on 31 December 2010 and due to termination benefits received, also forms part of the 5 highest paid Directors or Executives. Ms Martin will not form part of subsequent remuneration disclosures, however, her prior grants will continue vest in accordance with the plan's rules.

3 Remuneration Report (continued)

Non-Executive Director Board and Committee fees

Board and Committee fees paid to Non-Executive Directors for the years ended 30 June 2010 and 30 June 2011 are set out in the table below.

There were no changes to the Committee appointments of Non-Executive Directors during the year ended 30 June 2011.

		Directors Fees	Committee Fees					Total
Name		**Board**	**DWPL**	**Board Audit & Risk**	**Board Compliance**	**Board Nom & Rem**	**Board Finance**	**Total**
		$	$	$	$	$	$	$
Christopher T Beare	**2011**	**350,000**	**-**	**-**	**-**	**-**	**-**	**350,000**
	2010	300,000	-	-	-	-	-	300,000
Elizabeth A Alexander, AM	**2011**	**150,000**	**30,000**	**15,000**	**-**	**-**	**-**	**195,000**
	2010	130,000	17,500	17,500	-	-	-	165,000
Barry R Brownjohn	**2011**	**150,000**	**-**	**30,000**	**-**	**-**	**7,500**	**187,500**
	2010	130,000	-	27,500	-	-	8,750	166,250
John C Conde, AO	**2011**	**150,000**	**-**	**-**	**7,500**	**15,000**	**-**	**172,500**
	2010	130,000	-	-	7,500	13,750	-	151,250
Stewart F Ewen, OAM	**2011**	**150,000**	**-**	**-**	**-**	**7,500**	**-**	**157,500**
	2010	130,000	-	-	-	7,500	-	137,500
Brian E Scullin	**2011**	**150,000**	**15,000**	**-**	**15,000**	**-**	**-**	**180,000**
	2010	130,000	25,000	-	15,000	1,250	-	171,250
Peter B St George	**2011**	**150,000**	**-**	**15,000**	**-**	**-**	**15,000**	**180,000**
	2010	130,000	-	15,000	-	-	13,750	158,750
Total	**2011**	**1,250,000**	**45,000**	**60,000**	**22,500**	**22,500**	**22,500**	**1,422,500**
	2010	1,080,000	42,500	60,000	22,500	22,500	22,500	1,250,000

The comparatively higher total for the year ended 30 June 2011 is reflective of the increase in base fees for both the Chair and Non-Executive Directors endorsed by the Nomination & Remuneration Committee on 20 May 2010. This increase was reported in the year ended 30 June 2010 remuneration report and remains within the aggregate pool of $1,750,000 per annum approved by DXS security holders at its Annual General Meeting in October 2008.

Non-Executive Directors also receive reimbursement for reasonable travel, accommodation and other expenses incurred whilst undertaking DEXUS business.

The Chief Executive Officer, Victor P Hoog Antink, does not receive fees in respect of his role as a Director, but does receive remuneration as a Senior Executive of the DEXUS Property Group.

In addition to his Director's fee, Mr Ewen's company is paid $30,000 for the added responsibilities he assumes in attending property inspections, reviewing property investment proposals and participating in informal management meetings.

3 Remuneration Report (continued)

Non-Executive Director Remuneration

Details of the structure and quantum of each component of remuneration for each Non-Executive Director for the years ended 30 June 2010 and 30 June 2011 are set out in the following table.

Name		Short-term employment benefits $	Post-employment benefits[1] $	Other long-term benefits $	Total $
Christopher T Beare	**2011**	**334,801**	**15,199**	**-**	**350,000**
	2010	285,539	14,461	-	300,000
Elizabeth A Alexander, AM	**2011**	**179,801**	**15,199**	**-**	**195,000**
	2010	151,376	13,624	-	165,000
Barry R Brownjohn	**2011**	**172,301**	**15,199**	**-**	**187,500**
	2010	152,523	13,727	-	166,250
John C Conde, AO	**2011**	**158,257**	**14,243**	**-**	**172,500**
	2010	138,761	12,489	-	151,250
Stewart F Ewen, OAM	**2011**	**109,052**	**48,448**	**-**	**157,500**
	2010	102,700	34,800	-	137,500
Brian E Scullin	**2011**	**165,138**	**14,862**	**-**	**180,000**
	2010	157,211	14,039	-	171,250
Peter B St George	**2011**	**165,138**	**14,862**	**-**	**180,000**
	2010	145,642	13,108	-	158,750
Total	**2011**	**1,284,488**	**138,012**	**-**	**1,422,500**
	2010	1,133,752	116,248	-	1,250,000

1 Post-employment benefits represent compulsory and salary sacrificed superannuation benefits.

4 Directors' interests

The Board's policy on insider trading and trading in DXS securities, or securities in any of the funds managed by the Group, by any Director or employee is outlined in the Corporate Governance Statement.

While the trading policy described in the Corporate Governance Statement applies to Directors and Senior Executives, the Board has determined that Directors will not trade in any security managed by the Group.

Directors have made this decision because the Board of DXFM has responsibility for the Group itself as well as the third party business. Directors are obliged to act in the best interests of each group of investors independently of each other. Therefore, to minimise a conflict that may arise by being a Director of multiple funds, the Directors have determined that they will not invest in any fund managed by the Group, including DXS. This position is periodically reviewed by the Board.

As a direct result of the Group's policy regarding Directors holding DXS securities, or securities in any of the funds managed by the Group, as at the date of this Directors' Report no Director directly or indirectly held:

- DXS securities; or
- options over, or any other contractual interest in, DXS securities; or
- an interest in any other fund managed by DXFM or any other entity that forms part of the Group.

5 Directors' directorships in other listed entities

The following table sets out directorships of other listed entities, 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 or ceased being a Director of a listed entity
Christopher T Beare	MNet Group Limited	6 November 2009	
Elizabeth A Alexander, AM	CSL Limited	12 July 1991	
	Boral Limited	15 December 1999	24 October 2008
John C Conde, AO	Whitehaven Coal Limited	3 May 2007	
Brian E Scullin	SPARK Infrastructure RE Limited[1]	31 May 2011	
	BT Investment Management Limited	17 September 2007	
Peter B St George	Boart Longyear Limited	21 February 2007	
	SPARK Infrastructure RE Limited[1]	8 November 2005	31 December 2008
	First Quantum Minerals Limited[2]	20 October 2003	

[1] SPARK Infrastructure RE Limited has issued ASX listed stapled securities trading as SPARK Infrastructure Group (ASX: SKI).
[2] Listed for trading on the Toronto Stock Exchange in Canada and the London Stock Exchange in the United Kingdom.

6 Principal activities

During the year the principal activity of the Group 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 Group's activities during the year.

7 Total value of Trust assets

The total value of the assets of the Group as at 30 June 2011 was $7,987.6 million (2010: $7,871.0 million). Details of the basis of this valuation are outlined in note 1 of the Notes to the Financial Statements and form part of this Directors' Report.

8 Review of results and operations

A review of the results, financial position and operations of the Group is set out in the Operating and Financial Review accompanying these Financial Statements and forms part of this Directors' Report. Refer to the Chief Executive Officer's Report of the DEXUS Property Group 2011 Annual Review for further information.

9 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 Group, other than the information already outlined in this Directors' Report or the Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Group.

10 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 Group, the results of those operations, or the state of the Group's affairs in future financial years.

11 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 Group, the results of those operations, or the state of the Group's affairs in future financial years.

12 Distributions

Distributions paid or payable by the Group for the year ended 30 June 2011 were 5.18 cents per security (2010: 5.1 cents per security) as outlined in note 28 of the Notes to the Financial Statements.

13 DXFM's fees and associate interests

Details of fees paid or payable by the Group to DXFM for the year ended 30 June 2011 are outlined in note 33 of the Notes to the Financial Statements and form part of this Directors' Report.

The number of interests in the Group held by DXFM or its associates as at the end of the financial year were nil (2010: nil).

14 Interests in DXS securities

The movement in securities on issue in the Group during the year and the number of securities on issue as at 30 June 2011 are detailed in note 25 of the Notes to the Financial Statements and form part of this Directors' Report.

The Group did not have any options on issue as at 30 June 2011 (2010: nil).

15 Environmental regulation

The Group's senior management, through its Board Risk and Sustainability 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.

16 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 DXH.

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

17 Audit

17.1 Auditor

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

17.2 Non-audit services

The Group 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 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 6 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 was adopted in 2010 that 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.

17 Audit (continued)

17.2 Non-audit services (continued)

- 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.

17.3 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 in the Financial Statements and forms part of this Directors' Report.

18 Corporate governance

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

19 Rounding of amounts and currency

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

20 Management representation

The Chief Executive Officer and Chief Financial Officer have reviewed the Group's financial reporting processes, policies and procedures together with its risk management, internal control and compliance policies and procedures. Following that review, it is their opinion that the Group's financial records for the financial year have been properly maintained in accordance with the *Corporations Act 2001* and the Financial Statements and their notes comply with the accounting standards and give a true and fair view.

21 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 16 August 2011. The Directors have the power to amend and reissue the Financial Statements.

Christopher T Beare	**Victor P Hoog Antink**
Chair	Chief Executive Officer
16 August 2011	16 August 2011

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Auditor's Independence Declaration

As lead auditor for the audit of DEXUS Diversified Trust for the year ended 30 June 2011, 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 Diversified Trust and the entities it controlled during the period.

JA Dunning
Partner
PricewaterhouseCoopers

Sydney
16 August 2011

	Note	2011 $'000	2010 $'000
Revenue from ordinary activities			
Property revenue	2	**629,072**	663,068
Proceeds from sale of inventory		**3,359**	-
Interest revenue		**1,565**	1,484
Management fee revenue		**50,655**	51,588
Total revenue from ordinary activities		**684,651**	716,140
Net fair value gain/(loss) of investment properties		**148,433**	(209,367)
Net gain/(loss) on sale of investment properties		**7,052**	(53,342)
Share of net profit/(loss) of associates accounted for using the equity method	15	**34,053**	(26,243)
Net fair value gain of derivatives		**2,605**	5,401
Net foreign exchange gain		**574**	3,103
Reversal of previous impairment	17	**-**	13,307
Other income		**742**	156
Total income		**878,110**	449,155
Expenses			
Property expenses		**(151,865)**	(169,753)
Cost of sale of inventory		**(3,353)**	-
Finance costs	3	**(52,744)**	(190,685)
Net loss on sale of investment		**-**	(15)
Depreciation and amortisation		**(3,811)**	(3,498)
Impairment		**(194)**	(242)
Employee benefits expense		**(67,417)**	(58,978)
Other expenses	5	**(22,293)**	(24,377)
Total expenses		**(301,677)**	(447,548)
Profit before tax		**576,433**	1,607
Tax benefit/(expense)			
Income tax benefit	4(a)	**4,851**	3,426
Withholding tax (expense)/benefit	4(c)	**(26,164)**	26,557
Total tax (expense)/benefit		**(21,313)**	29,983
Profit after tax		**555,120**	31,590
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations		**(4,973)**	(7,034)
Total comprehensive income for the year		**550,147**	24,556
Profit attributable to:			
Unitholders of the parent entity		**182,368**	16,121
Unitholders of other stapled entities (non-controlling interests)		**370,644**	15,299
Stapled security holders		**553,012**	31,420
Other non-controlling interest		**2,108**	170
Total profit for the year		**555,120**	31,590
Total comprehensive income attributable to:			
Unitholders of the parent entity		**153,280**	791
Unitholders of other stapled entities (non-controlling interests)		**394,856**	23,833
Stapled security holders		**548,136**	24,624
Other non-controlling interest		**2,011**	(68)
Total comprehensive income for the year		**550,147**	24,556
		Cents	Cents
Earnings per unit			
Basic earnings per unit on profit attributable to unitholders of the parent entity	39	**3.77**	0.34
Diluted earnings per unit on profit attributable to unitholders of the parent entity	39	**3.77**	0.34
Earnings per stapled security			
Basic earnings per unit on profit attributable to stapled security holders	39	**11.44**	0.66
Diluted earnings per unit on profit attributable to stapled security holders	39	**11.44**	0.66

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 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	7	**73,746**	64,419
Receivables	8	**36,175**	25,010
Non-current assets classified as held for sale	9	**59,260**	18,068
Inventories	14	**7,991**	-
Derivative financial instruments	10	**23,112**	33,903
Current tax assets		**1,247**	3,621
Other	11	**11,396**	13,555
Total current assets		**212,927**	158,576
Non-current assets			
Investment properties	12	**7,105,914**	7,146,397
Property, plant and equipment	13	**3,926**	5,264
Inventories	14	**104,247**	45,470
Investments accounted for using the equity method	15	**200,356**	93,344
Derivative financial instruments	10	**77,108**	112,421
Deferred tax assets	16	**55,577**	79,927
Intangible assets	17	**224,684**	225,525
Other	18	**2,905**	4,104
Total non-current assets		**7,774,717**	7,712,452
Total assets		**7,987,644**	7,871,028
Current liabilities			
Payables	19	**108,916**	130,207
Interest bearing liabilities	20	**315,777**	198,996
Current tax liabilities		**7,014**	2,271
Provisions	21	**147,806**	134,499
Derivative financial instruments	10	**5,000**	17,264
Other	22	**-**	132
Total current liabilities		**584,513**	483,369
Non-current liabilities			
Interest bearing liabilities	20	**1,899,279**	2,041,086
Derivative financial instruments	10	**155,085**	304,897
Deferred tax liabilities	23	**18,151**	11,296
Provisions	21	**17,624**	16,524
Other	24	**6,151**	7,409
Total non-current liabilities		**2,096,290**	2,381,212
Total liabilities		**2,680,803**	2,864,581
Net assets		**5,306,841**	5,006,447
Equity			
Equity attributable to unitholders of parent entity			
Contributed equity	25	**1,798,077**	1,789,973
Reserves	26	**(103,670)**	(74,582)
Retained profits	26	**222,638**	151,439
Parent entity unitholders' interest		**1,917,045**	1,866,830
Equity attributable to unitholders of other stapled entities (non-controlling interests)			
Contributed equity	25	**3,014,665**	3,008,241
Reserves	26	**68,566**	44,354
Retained profits/(accumulated losses)	26	**102,537**	(118,253)
Other stapled unitholders' interest		**3,185,768**	2,934,342
Stapled security holders' interest		**5,102,813**	4,801,172
Other non-controlling interest	27	**204,028**	205,275
Total equity		**5,306,841**	5,006,447

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 2011

	Note	Stapled security holders equity						
		Contributed equity	Retained profits	Foreign currency translation reserve	Asset revaluation reserve	Stapled security-holders' equity	Other non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 July 2009		4,707,854	255,023	(66,171)	42,739	4,939,445	206,772	5,146,217
Comprehensive income/(loss) for the year attributable to:								
Unitholders of the parent entity		-	16,121	(15,330)	-	791	-	791
Other stapled entities (non-controlling interests)		-	15,299	8,534	-	23,833	-	23,833
Other non-controlling interest		-	-	-	-	-	(68)	(68)
Total comprehensive income/(loss)		-	31,420	(6,796)	-	24,624	(68)	24,556
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs		90,360	-	-	-	90,360	27	90,387
Distributions paid or provided for	28	-	(244,411)	-	-	(244,411)	(10,302)	(254,713)
Total transactions with owners in their capacity as owners		90,360	(244,411)	-	-	(154,051)	(10,275)	(164,326)
Transfer (from)/to retained profits		-	(8,846)	-	-	(8,846)	8,846	-
Closing balance as at 30 June 2010		4,798,214	33,186	(72,967)	42,739	4,801,172	205,275	5,006,447
Opening balance as at 1 July 2010		**4,798,214**	**33,186**	**(72,967)**	**42,739**	**4,801,172**	**205,275**	**5,006,447**
Comprehensive income/(loss) for the year attributable to:								
Unitholders of the parent entity		**-**	**182,368**	**(29,088)**	**-**	**153,280**	**-**	**153,280**
Other stapled entities (non-controlling interests)		**-**	**370,644**	**24,212**	**-**	**394,856**	**-**	**394,856**
Other non-controlling interest		**-**	**-**	**-**	**-**	**-**	**2,011**	**2,011**
Total comprehensive income/(loss)		**-**	**553,012**	**(4,876)**	**-**	**548,136**	**2,011**	**550,147**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs		**14,528**	**-**	**-**	**-**	**14,528**	**(991)**	**13,537**
Distributions paid or provided for	28	**-**	**(250,662)**	**-**	**-**	**(250,662)**	**(12,628)**	**(263,290)**
Total transactions with owners in their capacity as owners		**14,528**	**(250,662)**	**-**	**-**	**(236,134)**	**(13,619)**	**(249,753)**
Transfer (from)/to retained profits		**-**	**(10,361)**	**-**	**-**	**(10,361)**	**10,361**	**-**
Closing balance as at 30 June 2011		**4,812,742**	**325,175**	**(77,843)**	**42,739**	**5,102,813**	**204,028**	**5,306,841**

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

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**797,297**	857,134
Payments in the course of operations (inclusive of GST)		**(332,682)**	(330,270)
Interest received		**1,539**	1,481
Finance costs paid to financial institutions		**(169,484)**	(188,714)
Distributions received		**-**	16
Income and withholding taxes received		**118**	527
Payments for property developments classified as inventory		**(37,614)**	-
Payments for capex on property developments classified as inventory		**(19,832)**	-
Net cash inflow from operating activities	37(a)	**239,342**	340,174
Cash flows from investing activities			
Proceeds from sale of investment properties		**170,547**	585,924
Proceeds from sale of investments		**-**	3,288
Payments for capital expenditure on investment properties	37(b)	**(291,917)**	(185,844)
Payments for acquisition of investment properties		**(41,083)**	(279,385)
Payments for acquisition of investments net of cash		**(872)**	-
Payments for investments accounted for using the equity method		**(61,726)**	(31,995)
Payments for property, plant and equipment		**(1,988)**	(1,396)
Net cash (outflow)/inflow from investing activities		**(227,039)**	90,592
Cash flows from financing activities			
Equity issued to other non-controlling entities		**-**	27
Proceeds from borrowings		**2,245,856**	2,311,576
Repayment of borrowings		**(1,999,591)**	(2,545,886)
Distributions paid to security holders		**(228,913)**	(200,470)
Distributions paid to other non-controlling interests		**(12,403)**	(9,629)
Net cash inflow/(outflow) from financing activities		**4,949**	(444,382)
Net increase/(decrease) in cash and cash equivalents		**17,252**	(13,616)
Cash and cash equivalents at the beginning of the year		**64,419**	84,845
Effects of exchange rate changes on cash and cash equivalents		**(7,925)**	(6,810)
Cash and cash equivalents at the end of the year	7	**73,746**	64,419

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

In accordance with AASB Interpretation 1002 *Post-Date-of-Transition Stapling Arrangements*, the entities within the Group must be consolidated. The parent entity and deemed acquirer of DIT, DOT and DXO is DDF. These Financial Statements represent the consolidated result of DDF, which comprises DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities. Equity attributable to other trusts stapled to DDF is a form of non-controlling interest in accordance with AASB 1002 and represents the equity of DIT, DOT and DXO. Other non-controlling interests represent the equity attributable to parties external to the Group.

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

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

These general purpose Financial Statements for the year ended 30 June 2011 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 of the Australia Accounting Standards Board and interpretations. Compliance with Australian Accounting Standards ensures that the Financial Statements and notes also comply with International Financial Reporting Standards (IFRS).

These Financial Statements are prepared on a going concern basis and in accordance with historical cost conventions and have not been adjusted to take account of either changes in the general purchasing power of the dollar or changes in the values of specific assets, except for the valuation of certain non-current assets and financial instruments (refer notes 1(e), 1(o), 1(q), 1(w) and 1(x)).

As at 30 June 2011, the Group had a net current asset deficiency of $371.6 million (2010: $324.8 million). These Financial Statements are prepared on a going concern basis as the Group has sufficient working capital and cash flow due to the existence of unutilised facilities of $546.3 million and the extension of $200 million of maturing facilities and $145 million of new facilities as set out in note 20.

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

Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group’s accounting policies. Other than the estimations described in notes 1(e), 1(o), 1(q), 1(w) and 1(x), no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Financial Statements in the next annual reporting period.

Uncertainty around property valuations

The fair value of our investment properties in the United States and Europe have been adjusted to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the end of the reporting period, the current uncertainty in these markets means that if investment property is sold in the future, the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the Financial Statements.

Note 1

Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Controlled entities

The Financial Statements have been prepared on a consolidated basis in recognition of the fact that while the securities issued by the Group are stapled into one trading security and cannot be traded separately, the Financial Statements must be presented on a consolidated basis. The parent entity and deemed acquirer of the Group is DDF. The accounting policies of the subsidiaries are consistent with those of the parent.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The Financial Statements incorporate an elimination of inter-entity transactions and balances to present the Financial Statements on a consolidated basis. Net profit and equity in controlled entities, which is attributable to the unitholdings of non-controlling interests, are shown separately in the Statement of Comprehensive Income and Statement of Financial Position respectively. Where control of an entity is obtained during a financial year, its results are included in the Statement of Comprehensive Income from the date on which control is gained. They are deconsolidated from the date that control ceases. The Financial Statements incorporate all the assets, liabilities and results of the parent and its controlled entities.

(ii) Partnerships and joint ventures

Where assets are held in a partnership or joint venture with another entity directly, the Group's share of the results and assets of this partnership or joint venture are consolidated into the Statement of Comprehensive Income and Statement of Financial Position of the Group. Where assets are jointly controlled via ownership of units in single purpose unlisted unit trusts or shares in companies, the Group applies equity accounting to record the operations of these investments (refer note 1(t)).

(c) Revenue recognition

(i) Rent

Rental revenue is brought to account on a straight-line basis over the lease term for leases with fixed rent review clauses. In all other circumstances rental revenue is brought to account on an accruals basis. If not received at the end of the reporting period, rental revenue is reflected in the Statement of Financial Position as a receivable. Recoverability of receivables is reviewed on an ongoing basis. Debts which are known to be not collectable are written off.

(ii) Management fee revenue

Management fees are brought to account on an accruals basis, and if not received at the end of the reporting period, are reflected in the Statement of Financial Position as a receivable.

(iii) 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.

(iv) Dividends and distribution revenue

Revenue from dividends and distributions are recognised when declared. Amounts not received at the end of the reporting period are included as a receivable in the Statement of Financial Position.

Note 1

Summary of significant accounting policies (continued)

(d) Expenses

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.

(i) Property expenses

Property expenses include rates, taxes and other property outgoings incurred in relation to investment properties and property, plant and equipment where such expenses are the responsibility of the Group.

(ii) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation or ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

Qualifying assets are assets which take more than 12 months to get ready 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 prepare the asset for its intended use or sale. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(e) Derivatives and other financial instruments

(i) Derivatives

The Group's activities expose it to a variety of financial risks including foreign exchange risk and interest rate risk. Accordingly, the Group enters into various derivative financial instruments such as interest rate swaps, cross currency swaps and foreign exchange contracts to manage its exposure to certain risks. 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 Group's exposures and updates its treasury policies and procedures. The Group does not trade in derivative instruments for speculative purposes. Even though derivative financial instruments are entered into for the purpose of providing the Group with an economic hedge, the Group has elected not to apply hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement* for interest rate swaps and foreign exchange contracts. Accordingly, derivatives including interest rate swaps, 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.

(ii) Debt and equity instruments issued by the Group

Financial instruments issued by the Group are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements. Accordingly, ordinary units issued by DDF, DIT, DOT and DXO are classified as equity.

Interest and distributions are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments.

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.

Note 1

Summary of significant accounting policies (continued)

(e) Derivatives and other financial instruments (continued)

(iii) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in the net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Other financial assets

Loans and other receivables are measured at amortised cost using the effective interest rate method less impairment.

(f) Goods and services tax/value added tax

Revenues, expenses and capital assets are recognised net of any amount of Australian/New Zealand/Canadian Goods and Services Tax (GST) or French and German Value Added Tax (VAT), except where the amount of GST/VAT incurred is not recoverable. In these circumstances the GST/VAT 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.

(g) Taxation

Under current Australian income tax legislation, DDF, DIT and DOT are not liable for income tax provided they satisfy certain legislative requirements. The Group may be liable for income tax in jurisdictions where foreign property is held (i.e. United States, France, Germany, Canada and New Zealand).

DXO is subject to Australian income tax as follows:

- the income tax expense for the year is the tax payable on the current year's taxable income based on a tax rate of 30% adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses;
- deferred tax assets and liabilities are recognised for temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base of those items. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax assets or liabilities. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability (where they do not arise as a result of a business combination and did not affect either accounting profit/loss or taxable profit/loss);
- deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses;
- deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future; and
- 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 this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Note 1

Summary of significant accounting policies (continued)

(g) Taxation (continued)

Withholding tax payable on distributions received by the Group from DEXUS Industrial Properties Inc. (US REIT) and DEXUS US Properties Inc. (US W REIT) are recognised as an expense when tax is withheld.

In addition, a deferred tax liability or asset and related deferred tax expense/benefit is recognised on differences between the tax cost base of US assets and liabilities in the Group (held by US REIT and US W REIT) and their accounting carrying values at end of the reporting period. Any deferred tax liability or asset is calculated using a blend of the current withholding tax rate applicable to income distributions and the applicable US federal and state taxes.

Under current Australian income tax legislation, the security holders will generally be entitled to receive a foreign tax credit for US withholding tax deducted from distributions paid by the US REIT and US W REIT.

DIT France Logistique SAS (DIT France), a wholly owned sub-trust of DIT, is liable for French corporation tax on its taxable income at the rate of 33.33%. In addition, a deferred tax liability or asset and its related deferred tax expense/benefit is recognised on differences between the tax cost base of the French real estate assets and their accounting carrying value at end of the reporting period, where required.

DEXUS GLOG Trust, a wholly owned Australian sub-trust of DIT, is liable for German corporate income tax on its German taxable income at the rate of 15.82%. In addition, a deferred tax liability or asset and its related deferred tax expense/benefit is recognised on differences between the tax cost base of the German real estate assets and their accounting carrying value at end of the reporting period.

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 30%. In addition, a deferred tax liability or asset and its related deferred tax expense/benefit is recognised on differences between the tax cost base of the New Zealand real estate asset and the accounting carrying value at end of the reporting period.

DEXUS Canada Trust, a wholly owned Australian sub-trust of DIT, is liable for Canadian income tax on its Canadian taxable income at the rate of 42.92%.

Tax consolidation

In December 2009, DXO became the head entity of a tax consolidated group. This group currently comprises 20 Barrack Street Trust, DEXUS Holdings Pty Limited, DEXUS Funds Management Limited, DEXUS Property Services Pty Limited, DEXUS Financial Services Pty Limited, DEXUS Projects Pty Limited, DEXUS Wholesale Property Limited, DEXUS CMBS Issuer Pty Limited, Otho Pty Limited and DWPL Nominees Pty Limited. The implementation date for the DXO tax consolidation group was 1 July 2008.

The entities in the DXO tax consolidated group have entered into a Tax Sharing Deed. In the opinion of the Directors, this limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, DXO.

Note 1

Summary of significant accounting policies (continued)

(h) Distributions

In accordance with the Trust's Constitution, the Group 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.

(i) Repairs and maintenance

Plant is required to be overhauled on a regular basis and is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the replaced component will be derecognised and the replacement costs capitalised in accordance with note 1(o). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(j) 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.

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, which is based on the invoiced amount 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 Group will not be able to collect all amounts due according to the original terms of the receivables. The provision for doubtful debts is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

(l) Inventories

Land and properties held for resale

Land and properties held for resale are stated at the lower of cost and the 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.

Net realisable value

Net realisable value is the estimated selling price in the ordinary course of business. Marketing and selling expenses are estimated and deducted to establish net realisable value.

(m) Non-current assets 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. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Note 1

Summary of significant accounting policies (continued)

(n) Other financial assets at fair value through profit and loss

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

(o) Property, plant and equipment

Property, 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.

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amounts exceed their recoverable amounts (refer note 1(v)).

(p) Depreciation of property, plant and equipment

Land is not depreciated. Depreciation on buildings (including fit-out) is calculated on a straight-line basis so as to write off the net cost of each non-current asset over its expected useful life. Estimates for remaining useful lives are reviewed on a regular basis for all assets and are as follows:

Buildings (including fit-out)	5-50 years
IT equipment	3-5 years

(q) Investment properties

During the year ended 30 June 2010, the Group adopted the amendments to AASB 140 *Investment Property* as set out in AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective for reporting periods beginning on or after 1 January 2009. Under this amendment, property that is under construction or development for future use as investment property falls within the scope of AASB 140. As such, development property of this nature is no longer recognised and measured as property, plant and equipment but is included as investment property measured at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. As required by the standard, the amendments to AASB 140 were applied prospectively from 1 July 2009.

The Group'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. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three consecutive valuations.

The basis of valuations of investment properties is fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. In addition, an appropriate valuation method is used, which may include the discounted cashflow and the capitalisation method. Discount rates and capitalisation 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 reflected in 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 less costs still required to complete the project, including an appropriate adjustment for profit and risk.

Note 1

Summary of significant accounting policies (continued)

(q) Investment properties (continued)

External valuations of the individual investment properties are carried out in accordance with the Constitutions for each trust forming the Group or may be earlier where the Responsible Entity believes there is a potential for a material change in the fair value of the property.

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.

(r) Leasing fees

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

(s) Lease incentives

Prospective lessees 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 fitout costs or relocation costs.

The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the earlier of the date which the tenant has effective use of the premises or 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.

(t) Investments accounted for using the equity method

Some property investments are held through the ownership of units in single purpose unlisted trusts or shares in unlisted companies where the Group exerts significant influence but does not have a controlling interest. These investments are considered to be associates and the equity method of accounting is applied in the Financial Statements.

Under this method, the entity's share of the post-acquisition profits of associates is recognised in the Statement of Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equal or exceed its interest in the associate (including any unsecured receivables) the Group does not recognise any further losses unless it has incurred obligations or made payments on behalf of the associate.

(u) Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at its proportionate share of the acquiree's net identifiable assets.

Note 1

Summary of significant accounting policies (continued)

(u) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the Statement of Comprehensive Income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(v) Impairment of assets

Goodwill and intangible assets that have 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. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(w) Intangible assets

(i) Goodwill

Goodwill is recognised as at the acquisition date and is measured as the excess of the aggregate of the fair value of consideration transferred and the non-controlling interest's proportionate share of the acquiree's identifiable net assets over the fair value of the identifiable net assets acquired.

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

The carrying value of the goodwill is tested for impairment at the end of each reporting period with any decrement in value taken to the Statement of Comprehensive Income as an expense.

(ii) Management rights

Management rights represent the asset management rights owned by the Group which entitle it to management fee revenue from both finite and indefinite life trusts. Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over their estimated useful lives which vary from five to 21 years.

During the year, the Group changed the accounting policy for the testing of impairment of management rights associated with indefinite life trusts. These management rights are tested for impairment annually in accordance with AASB 136 *Impairment of Assets*. Previously testing was performed every 6 months at the end of each reporting period. There is no adjustment required to current or prior periods as a result of the change in policy. As at the date of this report, there were no events or circumstances identified that would indicate an impairment during the year ended 30 June 2011.

Note 1

Summary of significant accounting policies (continued)

(x) Financial assets and liabilities

(i) Classification

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

Financial asset/liability	Classification	Valuation basis	Reference
Cash and cash equivalents	Fair value through profit or loss	Fair value	Refer note 1(j)
Receivables	Loans and receivables	Amortised cost	Refer note 1(k)
Other financial assets	Loans and receivables	Amortised cost	Refer note 1(e)
Payables	Financial liability at amortised cost	Amortised cost	Refer note 1(y)
Interest bearing liabilities	Financial liability at amortised cost	Amortised cost	Refer note 1(z)
Derivatives	Fair value through profit or loss	Fair value	Refer note 1(e)

Financial assets and liabilities are classified in accordance with the purpose for which they were acquired.

(ii) Fair value estimation of financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques including dealer quotes for similar instruments and discounted cash flows. In particular, the fair value of interest rate swaps and cross currency swaps are calculated as the present value of the estimated future cash flows, the fair value of forward exchange rate contracts is determined using forward exchange market rates at the end of the reporting period, and the fair value of interest rate option contracts is calculated as the present value of the estimated future cash flows taking into account the time value and implied volatility of the underlying instrument.

(y) Payables

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

(z) Interest bearing liabilities

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer the liability for at least 12 months after the reporting date.

Note 1

Summary of significant accounting policies (continued)

(aa) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to the end of the reporting period, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the end of the reporting period including related on-costs, such as workers compensation, insurance and payroll tax.

(ii) Long service leave

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 rates attaching to national government bonds at the end of the reporting period that most closely matches the term of the maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(ab) Earnings per unit

Basic earnings per unit are determined by dividing the net profit attributable to unitholders of the parent entity 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 Group did not have such dilutive potential units during the year.

(ac) Foreign currency

Items included in the Financial Statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in Australian dollars, which is the functional and presentation currency of the Group.

(i) Foreign currency transactions

Foreign currency transactions are translated into the 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.

(ii) Foreign operations

Foreign operations are located in the United States, New Zealand, France, Germany and Canada. These operations have a functional currency of US dollars, NZ dollars, Euros and Canadian dollars respectively, which are translated into the presentation currency.

The assets and liabilities of the foreign operations are translated at exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at exchange rates prevailing at the end of each reporting period.

Note 1

Summary of significant accounting policies (continued)

(ad) Operating segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group.

(ae) Rounding of amounts

The Group is the kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the rounding off of amounts in the Financial Statements. Amounts in the Financial Statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(af) Parent entity financial information

On 28 June 2010 the *Corporations Amendment (Corporate Reporting Reform) Act 2010* received Royal Assent. As a result of the amendments, Financial Statements for financial years ending on or after 30 June 2010 no longer need to include separate columns and associated note disclosures for the parent entity. Instead, the Corporations Regulations now prescribe limited disclosures that will need to be made in the Notes to the Financial Statements which include disclosure of key financial information for the parent entity and details of any guarantees, contingent liabilities and commitments.

The financial information for the parent entity of DEXUS Property Group is disclosed in note 29 and has been prepared on the same basis as the consolidated Financial Statements except as set out below:

Investment in subsidiaries, associates and joint venture entities

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.

Note 1

Summary of significant accounting policies (continued)

(ag) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. Our assessment of the impact of these new standards and interpretations is set out below:

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 January 2011).
In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group intends to apply the standard from 1 July 2011 and does not expect any significant impacts.

AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective 1 July 2011).
Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will particularly affect entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Group intends to apply the standard from 1 July 2011 and does not expect any significant impacts.

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective 1 January 2013).
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The Group intends to apply the standards from 1 July 2013 and does not expect any significant impacts.

AASB 2010-8 *Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets* (effective 1 January 2012).
In December 2010, the AASB amended AASB 112 *Income Taxes* to provide an amended approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The Group intends to apply the standard from 1 July 2012 and does not expect any significant impacts.

AASB 1054 *Australian Additional Disclosures*, AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* and AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements* (effective 1 July 2011).
The AASB and NZ FRSB have issued accounting standards that eliminate most of the existing differences between their local standards and IFRS. Where additional disclosures were considered necessary, they were moved to new standard AASB 1054. Adoption of the new rules will not affect any of the amounts recognised in the Financial Statements, but may simplify some of the Group's current disclosures. The Group intends to apply the standards from 1 July 2011.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)
In July 2011 the AASB decided to remove the individual KMP disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the Notes to the Financial Statements, it will not affect any of the amounts recognised in the Financial Statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

Note 1

Summary of significant accounting policies (continued)

(ag) New accounting standards and interpretations (continued)

The IASB has issued new and amended standards as discussed below. The AASB is expected to issue equivalent Australian standards shortly.

IFRS 10 *Consolidated financial statements* (effective 1 January 2013).
IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and separate financial statements*, and SIC-12 *Consolidation – special purpose entities*. The standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. The Group intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

IFRS 11 *Joint Arrangements* (effective 1 January 2013).
IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. The Group intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

IFRS 12 *Disclosure of interests in other entities* (effective 1 January 2013).
IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but may impact some of the Group's current disclosures. The Group intends to apply the standard from 1 July 2013.

IAS 28 *Investments in associates* (effective 1 January 2013).
Amendments to IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The Group intends to apply the standard from 1 July 2013 and does not expect any significant impacts.

IFRS 13 *Fair value measurement* (effective 1 January 2013).
IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of this standard will not affect any of the amounts recognised in the Financial Statements, but may impact some of the Group's current disclosures. The Group intends to apply the standard from 1 July 2013.

Revised IAS 1 *Presentation of Financial Statements* (effective 1 July 2012)
In June 2011, the IASB made an amendment to IAS 1 *Presentation of Financial Statements*. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012.

Note 2

Property revenue

	2011 $'000	2010 $'000
Rent and recoverable outgoings	**648,421**	690,010
Incentive amortisation	**(58,732)**	(49,033)
Other revenue	**39,383**	22,091
Total property revenue	**629,072**	663,068

Note 3

Finance costs

	2011 $'000	2010 $'000
Interest paid/payable	**124,427**	119,490
Amount capitalised	**(60,955)**	(41,377)
Other finance costs	**4,444**	5,240
Net fair value (gain)/loss of interest rate swaps	**(15,172)**	97,662
	52,744	181,015
Finance cost attributable to asset disposal program[1]	**-**	9,670
Total finance costs	**52,744**	190,685

1 As a result of the US phase 1 asset sale program in the year ended 30 June 2010, debt was repaid and associated finance costs were recognised in the Statement of Comprehensive Income.

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.74% (2010: 7.09%).

Note 4
Income tax

(a) Income tax (benefit)/expense

	Note	2011 $'000	2010 $'000
Current tax expense/(benefit)		97	(3,650)
Deferred tax (benefit)/expense		(4,948)	224
Total income tax benefit		(4,851)	(3,426)
Deferred income tax (benefit)/expense included in income tax (benefit)/expense comprises:			
Increase in deferred tax assets	16	(11,803)	(1,097)
Increase in deferred tax liabilities	23	6,855	1,321
Total deferred tax (benefit)/expense		(4,948)	224

(b) Reconciliation of income tax expense to net profit

	2011 $'000	2010 $'000
Profit before tax	576,433	1,607
Less amounts not subject to income tax (note 1(g))	(614,379)	(16,210)
	(37,946)	(14,603)
Prima facie tax benefit at the Australian tax rate of 30% (2010: 30%)	(11,384)	(4,381)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	(1,342)	(1,370)
Reversal of previous impairment	-	(3,992)
Net fair value loss of investment properties	7,886	6,988
Net gain on sale of investment properties	(26)	242
Previous unrecognised tax losses utilised	-	(693)
Unused tax losses	-	(225)
Sundry items	15	5
	6,533	955
Income tax benefit	(4,851)	(3,426)

(c) Withholding tax expense

Withholding tax expense of $26,164,000 (2010: $26,557,000 benefit) comprises deferred tax expense of $23,592,000 (2010: $29,396,000 benefit) and current tax expense of $2,572,000 (2010: $2,839,000). The deferred tax benefit is recognised on differences between the tax cost base of the US assets and liabilities and their accounting carrying value at the end of the reporting period. The majority of the deferred tax expense arises due to the tax depreciation and revaluation of US investment properties as well as mark-to-market of derivatives.

Note 5

Other expenses

	Note	2011 $'000	2010 $'000
Audit and taxation fees	6	**2,264**	2,417
Custodian fees		**474**	402
Legal and other professional fees		**1,542**	2,495
Registry costs and listing fees		**651**	895
Occupancy expenses		**2,881**	2,194
Administration expenses		**4,101**	4,319
Other staff expenses		**2,528**	2,118
External management fees		**2,799**	4,172
Other expenses		**5,053**	5,365
Total other expenses		**22,293**	24,377

Note 6

Audit, taxation and transaction services fees

During the year, the Auditor and its related practices, and non-related audit firms earned the following remuneration:

	2011 $	2010 $
Audit fees		
PwC Australia - audit and review of Financial Statements	**1,068,066**	1,114,706
PwC US - audit and review of Financial Statements	**278,057**	234,140
PwC fees paid in relation to outgoings audit[1]	**107,361**	95,711
PwC Australia - regulatory audit and compliance services	**170,816**	147,000
Audit fees paid to PwC	**1,624,300**	1,591,557
Fees paid to non-PwC audit firms	**57,874**	266,011
Total audit fees	**1,682,174**	1,857,568
Taxation fees		
Fees paid to PwC Australia	**188,539**	164,172
Fees paid to PwC NZ	**12,670**	6,639
Fees paid to PwC US	**3,103**	213,188
Taxation fees paid to PwC	**204,312**	383,999
Fees paid to non-PwC audit firms	**484,384**	270,831
Total taxation fees[2]	**688,696**	654,830
Total audit and taxation fees[1]	**2,370,870**	2,512,398
Transaction services fees		
PwC assurance services in respect of debt raisings	**243,557**	245,544
PwC taxation services	**-**	76,300
Transaction services fees paid to PwC	**243,557**	321,844
Fees paid to non-PwC audit firms	**52,432**	-
Total transaction services fees	**295,989**	321,844
Total audit, taxation and transaction services fees	**2,666,859**	2,834,242

1 Fees paid in relation to outgoing audits are included in property expenses. Therefore, total audit and taxation fees included in other expenses is $2,263,509 (2010: $2,416,687).

2 These services include general compliance work, one off project work and advice with respect to the management of day to day tax affairs of the Group.

Note 7

Current assets - cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank	**28,039**	54,365
Short-term deposits[1]	**45,707**	10,054
Total current assets - cash and cash equivalents	**73,746**	64,419

1 As at 30 June 2011, the Group held cash of C$34.7 million (A$33.4 million) in escrow in relation to the sale of its Toronto warehouse facility in June 2011. The funds in escrow relate to an amount withheld by the purchaser under Canadian tax law as part of the finalisation of the capital gains tax on disposal. The majority of the remaining funds will be used to repay debt once released by the Canadian tax authority.

Note 8

Current assets - receivables

	2011 $'000	2010 $'000
Rent receivable	**9,203**	16,403
Less: provision for doubtful debts	**(3,112)**	(8,628)
Total rental receivables	**6,091**	7,775
Fees receivable	**9,354**	7,220
Interest receivable	**282**	586
Other receivables	**20,448**	9,429
Total other receivables	**30,084**	17,235
Total current assets - receivables	**36,175**	25,010

Note 9

Non-current assets classified as held for sale

(a) Non-current assets held for sale

	2011 $'000	2010 $'000
Investment properties held for sale	**59,260**	18,068
Total non-current assets classified as held for sale	**59,260**	18,068

(b) Reconciliation

	2011 $'000	2010 $'000
Opening balance at the beginning of the year	**18,068**	98,054
Disposals	**(15,674)**	(98,035)
Transfer from investment properties	**59,260**	18,068
Foreign exchange differences on foreign currency translation	**(2,445)**	-
Additions, amortisation and other	**51**	(19)
Closing balance at the end of the year	**59,260**	18,068

As part of the asset sale program, certain assets were classified as non-current assets held for sale and carried at fair value.

Disposal

On 19 November 2010, Atlantic Corporate Park, Sterling, Northern Virginia was disposed of for US$22.6 million (A$22.9 million).

Note 10

Derivative financial instruments

	2011 $'000	2010 $'000
Current assets		
Interest rate swap contracts	**3,336**	24,727
Cross currency swap contracts	**17,583**	7,812
Forward foreign exchange contracts	**2,193**	1,364
Total current assets - derivative financial instruments	**23,112**	33,903
Non-current assets		
Interest rate swap contracts	**71,765**	97,492
Cross currency swap contracts	**3,198**	13,440
Forward foreign exchange contracts	**2,145**	1,489
Total non-current assets - derivative financial instruments	**77,108**	112,421
Current liabilities		
Interest rate swap contracts	**4,675**	5,765
Cross currency swap contracts	**-**	11,313
Forward foreign exchange contracts	**325**	186
Total current liabilities - derivative financial instruments	**5,000**	17,264
Non-current liabilities		
Interest rate swap contracts	**154,677**	303,181
Cross currency swap contracts	**408**	1,585
Forward foreign exchange contracts	**-**	131
Total non-current liabilities - derivative financial instruments	**155,085**	304,897
Net derivative financial instruments	**(59,865)**	(175,837)

Refer note 30 for further discussion regarding derivative financial instruments.

Note 11

Current assets - other

	2011 $'000	2010 $'000
Prepayments	**11,396**	13,555
Total current assets - other	**11,396**	13,555

Note 12

Non-current assets – investment properties

(a) Properties	Ownership	Acquisition date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Consolidated book value 30 June 2011 $'000	Consolidated book value 30 June 2010 $'000
Kings Park Industrial Estate, Bowmans Road, Marayong, NSW	100%	May 1990	Dec 2009	88,000	(i)	**88,660**	88,030
Target Distrbution Centre, Lot 1, Tara Avenue, Altona North, VIC	100%	Oct 1995	Jun 2011	32,500	(i)	**32,500**	28,964
Axxess Corporate Park, 164-180 Forster Road, 11 & 21-45 Gilby Road, 307-355 Ferntree Gully Road, Mount Waverley, VIC	100%	Oct 1996	Jun 2010	179,400	(g)	**181,249**	179,400
Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC	100%	Aug 1996	Jun 2011	37,600	(g)	**37,600**	33,164
12 Frederick Street, St Leonards, NSW	100%	Jul 2000	Jun 2011	33,500	(a)	**33,500**	33,463
2 Alspec Place, Eastern Creek, NSW	100%	Mar 2004	Dec 2008	24,800	(f)	**24,328**	23,300
108-120 Silverwater Road, NSW	100%	May 2010	n/a	n/a	n/a	**25,931**	25,798
40 Talavera Road, North Ryde, NSW	100%	Oct 2002	Jun 2009	29,200	(f)	**27,981**	26,603
44 Market Street, Sydney, NSW	100%	Sep 1987	Jun 2010	192,700	(d)	**207,000**	192,700
8 Nicholson Street, Melbourne, VIC	100%	Nov 1993	Jun 2009	85,000	(i)	**80,162**	80,000
130 George Street, Parramatta, NSW	100%	May 1997	Dec 2010	77,000	(f)	**79,460**	74,320
Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane, Melbourne, VIC	100%	Mar 1999	Jun 2011	28,500	(e)	**28,500**	24,747
383-395 Kent Street, Sydney, NSW	100%	Sep 1987	Jun 2010	122,000	(i)	**127,225**	122,000
14 Moore Street, Canberra, ACT**	100%	May 2002	Jun 2010	37,000	(i)	**33,000**	37,000
Sydney CBD Floor Space[1]	100%	Jul 2000	n/a	n/a	n/a	**129**	129
34-60 Little Collins Street, Melbourne, VIC**	100%	Nov 1984	Jun 2011	39,200	(i)	**39,200**	34,077
32-44 Flinders Street, Melbourne, VIC	100%	Jun 1998	Jun 2011	29,500	(e)	**29,500**	27,010
Flinders Gate Carpark, 172-189 Flinders Street, Melbourne, VIC	100%	Mar 1999	Jun 2011	54,000	(e)	**54,000**	49,043
383-395 Kent Street Car Park, Sydney, NSW	100%	Sep 1987	Jun 2010	60,000	(i)	**60,000**	60,000
2-4 Military Rd Matraville, NSW	100%	Dec 2009	n/a	n/a	n/a	**48,902**	48,751
79-99 St Hilliers Road, Auburn, NSW	100%	Sep 1997	Jun 2009	40,000	(e)	**37,400**	40,168
3 Brookhollow Avenue, Baulkham Hills, NSW	100%	Dec 2002	Jun 2010	40,000	(e)	**40,112**	40,000
1 Garigal Road, Belrose, NSW	100%	Dec 1998	Jun 2009	24,000	(f)	**20,500**	22,000

[1] This relates to heritage floor space retained following the disposal of 1 Chifley Square, Sydney.

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

Note 12

Non-current assets - investment properties (continued)

(a) Properties (continued)	Ownership	Acquisition date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Consolidated book value 30 June 2011 $'000	Consolidated book value 30 June 2010 $'000
2 Minna Close, Belrose, NSW	100%	Dec 1998	Jun 2009	27,600	(f)	**27,312**	27,213
114-120 Old Pittwater Road, Brookvale, NSW	100%	Sep 1997	Dec 2008	48,000	(f)	**44,128**	41,800
145-151 Arthur Street, Flemington, NSW	100%	Sep 1997	Jun 2011	28,000	(f)	**28,000**	31,078
436-484 Victoria Road, Gladesville, NSW	100%	Sep 1997	Jun 2009	46,000	(a)	**43,500**	46,804
1 Foundation Place, Greystanes, NSW	100%	Feb 2003	Jun 2010	41,500	(f)	**43,000**	41,500
5-15 Roseberry Avenue & 25-55 Rothschild Avenue, Rosebery, NSW	100%	Apr 1998	Dec 2010	89,000	(f)	**89,756**	89,795
10-16 South Street, Rydalmere, NSW	100%	Sep 1997	Jun 2011	39,250	(g)	**39,250**	39,636
19 Chifley Street, Smithfield, NSW	100%	Dec 1998	Jun 2008	18,350	(i)	**-**	15,000
Pound Road West, Dandenong, VIC	100%	Jan 2004	Jun 2010	77,300	(i)	**75,300**	77,300
DEXUS Industrial Estate, Boundary Road, Laverton North, VIC	100%	Jul 2002	Jun 2011	123,200	(g)	**123,393**	115,400
250 Forest Road, South Lara, VIC	100%	Dec 2002	Dec 2010	50,000	(i)	**50,000**	50,700
15-23 Whicker Road, Gillman, SA	100%	Dec 2002	Dec 2010	25,500	(a)	**28,800**	25,712
25 Donkin Street, Brisbane, QLD	100%	Dec 1998	Dec 2010	27,000	(f)	**26,200**	32,234
52 Holbeche Road, Arndell Park, NSW	100%	Jul 1998	Dec 2009	11,500	(a)	**12,500**	12,000
30-32 Bessemer Street, Blacktown, NSW	100%	May 1997	Jun 2011	16,250	(e)	**16,250**	15,400
27-29 Liberty Road, Huntingwood, NSW	100%	Jul 1998	Dec 2010	8,000	(i)	**8,000**	8,154
154 O'Riordan Street, Mascot, NSW	100%	Jun 1997	Jun 2011	13,750	(e)	**13,750**	13,592
11 Talavera Road, North Ryde, NSW	100%	Jun 2002	Jun 2010	127,000	(g)	**141,000**	127,000
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	100%	May 1997	Dec 2009	39,500	(e)	**40,200**	41,900
114 Fairbank Road, Clayton, VIC	100%	Jul 1997	Dec 2010	14,900	(f)	**15,090**	14,600
30 Bellrick Street, Acacia Ridge, QLD	100%	Jun 1997	Jun 2010	19,600	(d)	**20,300**	19,600
Zone Industrial Epone II, Epone	100%	Jul 2006	Jun 2011	7,252	(e)	**7,252**	6,462
19 rue de Bretagne, Saint-Quentin Fallavier	100%	Jul 2006	Jun 2011	7,711	(e)	**7,711**	9,056
21 rue du Chemin Blanc, Champlan	100%	Jul 2006	Jun 2010	7,924	(e)	**-**	7,924

Note 12

Non-current assets – investment properties (continued)

(a) Properties (continued)	Ownership	Acquisition date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Consolidated book value 30 June 2011 $'000	Consolidated book value 30 June 2010 $'000
Im Gewerbegebiet 18 Friedewald	100%	Dec 2006	Jun 2011	4,389	(e)	**4,389**	4,442
Im Steinbruch 4, 6, Knetzgau	100%	Dec 2006	Jun 2011	9,251	(e)	**9,251**	9,636
Carl-Leverkus-Straße 3-5, Winkelsweg 182-184, Langenfeld	100%	Dec 2006	Jun 2011	9,386	(e)	**9,386**	10,532
Schneiderstraße 82, Langenfeld	100%	Dec 2006	Jun 2011	5,773	(e)	**5,773**	6,233
Former Straße 6, Unna	100%	Dec 2006	Jun 2011	14,922	(e)	**14,922**	16,191
Liverpooler-/ Kopenhagener-/ Osloer Straße, Duisburg	100%	Dec 2006	Dec 2010	24,240	(e)	**26,334**	23,642
Bremer Ring, Hansestraße, Berlin-Wustermark	100%	Dec 2006	Jun 2011	10,466	(e)	**10,466**	11,212
TheodorStraße, Düsseldorf	100%	Jun 2007	Dec 2010	15,598	(e)	**19,176**	16,621
32 avenue de l'Oceanie, Villejust	100%	Jul 2006	Dec 2010	9,467	(e)	**-**	10,173
RN 19 ZAC de L'Ormes Road, Servon (1)	100%	Jul 2006	Dec 2010	10,709	(e)	**-**	11,907
RN 19 ZAC de L'Ormes Road, Servon (2)	100%	Jul 2006	Dec 2010	5,105	(e)	**-**	5,488
Im Holderbusch 3, Industriestraße, Sulmstraße, Ellhofen - Weinsberg	100%	Dec 2006	Dec 2010	16,002	(e)	**-**	17,194
Schillerstraße 51 Ellhofen	100%	Dec 2006	Dec 2010	11,142	(e)	**-**	12,036
Schillerstraße 42, 42a, Bahnhofstraße 44, 50 Ellhofen	100%	Dec 2006	Dec 2010	6,516	(e)	**-**	7,093
Über der Dingelstelle, Langenweddingen	100%	Dec 2006	Dec 2010	5,942	(e)	**-**	6,305
Niedesheimer Straße 24, Worms	100%	Dec 2006	Dec 2010	4,322	(e)	**-**	4,657
13201 South Orange Avenue, Orlando	100%	Jun 2007	Dec 2010	25,583	(a)	**29,435**	28,593
8574 Boston Church Road, Milton, Ontario, Canada	100%	Dec 2007	Dec 2010	68,211	(a)	**-**	61,999
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW[1]	50%	Dec 1998	Dec 2010	643,000	(d)	**645,443**	624,744
45 Clarence Street, Sydney, NSW	100%	Dec 1998	Jun 2011	247,500	(f)	**247,500**	254,834
309-321 Kent Street, Sydney, NSW[1]	50%	Dec 1998	Dec 2010	182,500	(i)	**184,308**	178,645
1 Margaret Street, Sydney, NSW	100%	Dec 1998	Dec 2009	162,500	(f)	**170,863**	162,719
Victoria Cross 60 Miller Street, North Sydney, NSW	100%	Dec 1998	Jun 2011	135,000	(a)	**135,000**	128,881
The Zenith, 821-843 Pacific Highway, Chatswood, NSW[1]	50%	Dec 1998	Jun 2010	107,500	(e)	**112,953**	107,500

[1] The valuation reflects 50% of the independent valuation amount.

Note 12

Non-current assets – investment properties (continued)

(a) Properties (continued)	**Ownership**	**Acquisition date**	**Independent valuation date**	**Independent valuation amount**	**Independent valuer**	**Consolidated book value 30 June 2011**	Consolidated book value 30 June 2010
				$'000		**$'000**	$'000
Woodside Plaza, 240 St Georges Terrace, Perth, WA	100%	Jan 2001	Jun 2010	425,000	(e)	**441,000**	425,000
30 The Bond, 30-34 Hickson Road, Sydney, NSW	100%	May 2002	Dec 2010	145,000	(a)	**145,455**	150,000
Southgate Complex, 3 Southgate Avenue, Southbank, VIC	100%	Aug 2000	Jun 2009	340,000	(i)	**385,000**	340,372
201-217 Elizabeth Street, Sydney, NSW [1]	50%	Aug 2000	Jun 2011	144,000	(d)	**144,000**	140,989
Garema Court, 140-180 City Walk, Civic, ACT **	100%	Aug 2000	Mar 2009	50,600	(i)	**31,000**	38,083
Australia Square Complex, 264-278 George Street, Sydney, NSW[1]	50%	Aug 2000	Dec 2009	264,250	(d)	**271,463**	265,340
Lumley Centre, 88 Shortland Street, Auckland, New Zealand	100%	Sep 2005	Jun 2010	99,205	(d)	**94,974**	104,404
Town Park Drive, Atlanta	100%	Sep 2004	Jun 2011	4,190	(a)	**4,190**	6,042
Williams Drive, Atlanta	100%	Sep 2004	Jun 2010	6,593	(a)	**-**	7,861
MD Food Park, Baltimore	100%	Sep 2004	Dec 2010	15,271	(a)	**17,134**	19,975
West Nursery, Baltimore	100%	Sep 2004	Jun 2011	4,842	(a)	**4,842**	6,771
Cabot Techs, Baltimore	100%	Sep 2004	Dec 2010	13,791	(a)	**14,703**	19,975
9112 Guildford Road, Baltimore	100%	Sep 2004	Jun 2010	6,053	(a)	**7,147**	7,626
8155 Stayton Drive, Baltimore	100%	Sep 2004	Jun 2010	5,774	(a)	**5,773**	7,274
Patuxent Range Road, Baltimore	100%	Sep 2004	Jun 2010	8,194	(a)	**9,079**	10,325
Bristol Court, Baltimore	100%	Sep 2004	Jun 2010	7,729	(a)	**9,219**	9,738
NE Baltimore, Baltimore	100%	Sep 2004	Jun 2010	5,811	(a)	**6,220**	7,321
1181 Portal, 1831 Portal and 6615 Tributary, Baltimore	100%	Jun 2005	Jun 2011	9,344	(a)	**9,344**	11,985
9900 Brookford Street, Charlotte	100%	Sep 2004	Jun 2010	2,886	(a)	**2,084**	3,637
Westinghouse, Charlotte	100%	Sep 2004	Jun 2011	14,340	(a)	**14,340**	18,538
Airport Exchange, Cincinnati	100%	Sep 2004	Dec 2010	1,639	(a)	**1,656**	2,351
Empire Drive, Cincinnati	100%	Sep 2004	Dec 2010	3,733	(a)	**3,896**	5,437
International Way, Cincinnati	100%	Sep 2004	Jun 2010	8,567	(a)	**8,732**	10,794
Kentucky Drive, Cincinnati	100%	Sep 2004	Dec 2010	9,805	(a)	**10,811**	13,018
Spiral Drive, Cincinnati	100%	Sep 2004	Dec 2010	3,149	(a)	**-**	5,262

[1] The valuation reflects 50% of the independent valuation amount.

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

Note 12

Non-current assets - investment properties (continued)

(a) Properties (continued)	Ownership	Acquisition date	Independent valuation date	Independent valuation amount $'000	Independent valuer	Consolidated book value 30 June 2011 $'000	Consolidated book value 30 June 2010 $'000
Turfway Road, Cincinnati	100%	Sep 2004	Jun 2010	4,060	(a)	-	4,060
124 Commerce, Cincinnati	100%	Sep 2004	Dec 2010	2,066	(a)	-	2,692
Kenwood Road, Cincinnati	100%	Sep 2004	Jun 2011	13,037	(a)	**13,037**	16,438
World Park, Cincinnati	100%	Sep 2004	Dec 2010	6,519	(a)	**6,379**	8,336
Equity/Westbelt/Dividend, Columbus	100%	Sep 2004	Dec 2010	16,679	(a)	**16,840**	32,160
2700 International Street, Columbus	100%	Sep 2004	Dec 2010	2,421	(a)	**1,932**	3,054
SE Columbus, Columbus	100%	Sep 2004	Dec 2010	2,372	(a)	**1,886**	8,113
Arlington, Dallas	100%	Sep 2004	Jun 2011	6,146	(a)	**6,146**	8,592
1900 Diplomat Drive, Dallas	100%	Sep 2004	Jun 2010	2,980	(a)	**2,943**	3,755
2055 Diplomat Drive, Dallas	100%	Sep 2004	Jun 2011	1,816	(a)	**1,816**	3,520
North Lake, Dallas	100%	Sep 2004	Jun 2010	9,209	(a)	**10,532**	11,604
555 Airline Drive, Dallas	100%	Sep 2004	Jun 2010	4,377	(a)	**4,900**	5,514
Hillguard, Dallas	100%	Sep 2004	Jun 2010	6,629	(a)	**7,668**	8,353
11011 Regency Crest Drive, Dallas	100%	Sep 2004	Jun 2010	5,867	(a)	**6,024**	7,392
East Collins, Dallas	100%	Sep 2004	Jun 2010	2,980	(a)	**3,072**	3,755
3601 East Plano/1000 Shiloh, Dallas	100%	Sep 2004	Dec 2010	12,757	(a)	**12,240**	14,326
East Plano Parkway, Dallas	100%	Sep 2004	Dec 2010	20,393	(a)	**21,548**	24,933
820-860 Avenue F, Dallas	100%	Sep 2004	Jun 2010	4,656	(a)	**4,851**	5,866
10th Street, Dallas	100%	Sep 2004	Jun 2010	10,048	(a)	**8,800**	12,660
Capital Avenue, Dallas	100%	Sep 2004	Jun 2010	5,440	(a)	**5,885**	6,854
CTC @ Valwood, Dallas	100%	Sep 2004	Jun 2010	3,538	(a)	**3,315**	4,459
Brackbill, Harrisburg	100%	Sep 2004	Jun 2010	13,962	(a)	-	13,962
Glendale, Los Angeles	100%	Sep 2004	Dec 2010	53,850	(a)	**54,192**	62,009
14489 Industry Circle, Los Angeles	100%	Sep 2004	Dec 2010	6,938	(a)	**6,957**	9,105
14555 Alondra, Los Angeles	100%	Sep 2004	Dec 2010	12,084	(a)	**13,052**	15,562

Note 12

Non-current assets - investment properties (continued)

(a) Properties (continued)	Ownership	Acquisition date	Independent valuation date	Independent valuation amount	Independent valuer	Consolidated book value 30 June 2011	Consolidated book value 30 June 2010
				$'000		$'000	$'000
6530 Altura, Los Angeles	100%	Sep 2004	Dec 2010	3,290	(a)	**4,013**	4,237
San Fernando Valley, Los Angeles	100%	Sep 2004	Dec 2010	19,127	(a)	**20,832**	23,302
2950 Lexington Avenue S, Minneapolis	100%	Sep 2004	Dec 2010	6,984	(a)	**7,589**	7,403
Mounds View, Minneapolis	100%	Sep 2004	Dec 2010	11,429	(a)	**12,118**	15,323
6105 Trenton Lane, Minneapolis	100%	Sep 2004	Jun 2010	6,202	(a)	**6,272**	7,814
8575 Monticello Lane, Minneapolis	100%	Sep 2004	Jun 2010	1,525	(a)	**-**	1,819
CTC @ Dulles, Northern Virginia	100%	Sep 2004	Jun 2010	21,324	(a)	**23,280**	26,868
Alexandria, Northern Virginia	100%	Sep 2004	Jun 2011	38,365	(a)	**38,365**	48,540
Guildford, Northern Virginia	100%	Sep 2004	Jun 2010	13,688	(a)	**16,272**	17,247
Orlando Central Park, Orlando	100%	Sep 2004	Dec 2010	51,308	(a)	**54,847**	59,897
7500 Exchange Drive, Orlando	100%	Sep 2004	Jun 2010	3,538	(a)	**3,962**	4,459
105-107 South 41st Avenue, Phoenix	100%	Sep 2004	Dec 2010	9,502	(a)	**9,889**	12,947
1429-1439 South 40th Avenue, Phoenix	100%	Sep 2004	Dec 2010	8,007	(a)	**8,449**	9,040
10397 West Van Buren St., Phoenix	100%	Sep 2004	Dec 2010	8,008	(a)	**7,984**	8,782
844 44th Avenue, Phoenix	100%	Sep 2004	Dec 2010	5,680	(a)	**5,671**	6,494
220 South 9th Street, Phoenix	100%	Sep 2004	Dec 2010	5,559	(a)	**5,595**	6,840
431 North 47th Avenue, Phoenix	100%	Sep 2004	Jun 2010	5,028	(a)	**5,350**	6,336
601 South 55th Avenue, Phoenix	100%	Sep 2004	Jun 2010	3,958	(a)	**3,850**	4,987
1000 South Priest Drive, Phoenix	100%	Sep 2004	Dec 2010	2,421	(a)	**1,867**	2,149
1120-1150 W. Alameda Drive, Phoenix	100%	Sep 2004	Jun 2011	4,311	(a)	**4,311**	7,063
12th Street, Chino, Inland Empire	100%	Sep 2004	Dec 2010	5,830	(a)	**6,790**	7,333
De Forest Circle, Mira Loma, Inland Empire	100%	Sep 2004	Dec 2010	11,267	(a)	**12,308**	13,927
DEXUS Commerce Center, Ontario, Inland Empire	100%	Sep 2004	Jun 2011	10,960	(a)	**10,960**	12,463
4200 E. Santa Ana, Ontario, Inland Empire	100%	Sep 2004	Jun 2011	2,682	(a)	**2,682**	3,256
1777 Vintage Ave, Ontario, Inland Empire	100%	Sep 2004	Jun 2011	11,211	(a)	**11,211**	12,352
4190 East Santa Ana St, Ontario, Inland Empire	100%	Sep 2004	Dec 2010	4,050	(a)	**4,616**	5,338
DEXUS Commerce Center, Rancho Cucamonga, Inland Empire	100%	Sep 2004	Dec 2010	10,662	(a)	**13,092**	15,504

Note 12

Non-current assets – investment properties (continued)

(a) Properties (continued)	**Ownership**	**Acquisition date**	**Independent valuation date**	**Independent valuation amount**	**Independent valuer**	**Consolidated book value 30 June 2011**	Consolidated book value 30 June 2010
				$'000		**$'000**	$'000
9545 E. Santa Ane, Rancho Cucamonga, Inland Empire	100%	Sep 2004	Dec 2010	7,273	(a)	**7,216**	10,553
12000 Jersey Court, Rancho Cucamonga, Inland Empire	100%	Sep 2004	Dec 2010	3,575	(a)	**3,975**	5,614
Airway Road, San Diego	100%	Sep 2004	Dec 2010	7,543	(a)	**7,540**	9,668
Kent West, Seattle	100%	Sep 2004	Jun 2011	25,142	(a)	**25,142**	28,746
Riverbend, Seattle	100%	Sep 2004	Jun 2010	9,312	(a)	**8,877**	11,733
Calvert/Murry's, Northern Virginia	100%	Sep 2004	Jun 2011	4,563	(a)	**4,563**	5,280
7700 68th Avenue, Brooklyn Park	100%	Nov 2005	Jun 2010	2,551	(a)	**2,441**	3,215
7500 West 78th Street, Bloomington	100%	Nov 2005	Jun 2010	3,837	(a)	**3,213**	4,834
1285 & 1301 Corporate Center Drive, 1230 & 1270 Eagan Industrial Road, Eagan	100%	Nov 2005	Jun 2011	11,519	(a)	**11,519**	15,452
3691 Perris Boulevard, Perris, Inland Empire	100%	Jan 2008	Dec 2010	99,637	(a)	**113,337**	107,767
8151 & 8161 Interchange Parkway, San Antonio	100%	Jul 2007	Jun 2010	9,564	(a)	**12,734**	12,051
Cornerstone I and II, 5411 Interstate 10 East and 1228 Cornerway Boulevarde, San Antonio	100%	Aug 2007	Jun 2010	11,617	(a)	**12,860**	14,637
302 and 402 Tayman Road, Port of San Antonio	100%	Oct 2007	Jun 2011	14,992	(a)	**14,992**	20,785
1803 Grandstand Avenue, Alamo Downs, San Antonio	100%	Aug 2007	Jun 2010	5,480	(a)	**8,637**	6,905
195 King Mill Road, McDonough	100%	Nov 2009	Dec 2010	57,454	(a)	**61,401**	70,398
19700 38th Avenue East, Spanaway	100%	Oct 2009	Dec 2010	52,612	(a)	**52,612**	64,649
6241 Shook Road, Columbus, Franklin County	100%	Jul 2009	Dec 2010	56,803	(a)	**55,067**	68,256
28515 Westinghouse Place, Santa Clarita	100%	Dec 2006	Jun 2010	29,333	(a)	**33,552**	36,959
Tri-County 5, Tri-County Parkway, Schertz, Texas[1]	100%	July 2007	Jun 2010	1,079	(a)	**1,183**	-
Tri-County 6, Tri-County Parkway, Schertz, Texas[1]	100%	July 2007	Jun 2010	1,780	(a)	**2,188**	-
202 S Tayman Street, San Antonio, Texas[1]	100%	Nov 2007	Jun 2011	8,101	(a)	**8,101**	-
1100 Hatcher Ave and 17521 & 17531 Railroad Street	100%	Oct 2010	n/a	n/a	n/a	**13,809**	-
14501 Artesia Boulevard La Mirada	100%	Jan 2011	n/a	n/a	n/a	**26,077**	-
Total investment properties excluding development properties						**6,512,018**	6,706,218
Total development properties held as investment property						**593,896**	440,179
Total investment properties						**7,105,914**	7,146,397

1 Classified as development properties held as investment property at 30 June 2010.

Note 12

Non-current assets - investment properties (continued)

(a) Colliers International
(b) Landmark White
(c) Cushman & Wakefield
(d) Jones Lang LaSalle
(e) Knight Frank
(f) FPD Savills
(g) m3property
(h) Weiser Realty Advisors (USA)
(i) CB Richard Ellis

Valuation basis

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

Key valuation assumptions

The below table illustrates the key valuation assumptions used in the determination of the investment properties fair value.

2011	**Australian office**	**Australian industrial**	**North America industrial**	**Europe industrial**
Weighted average capitalisation rate (%)	**7.4**	**8.6**	**7.6**	**n/a**
Weighted average lease expiry by income (years)	**5.3**	**4.7**	**3.9**	**3.0**
Vacancy by income (%)	**4.7**	**4.9**	**12.1**	**15.1**

2010	**Australian office**	**Australian industrial**	**North America industrial**	**Europe industrial**
Weighted average capitalisation rate (%)	7.6	8.8	8.4	8.0
Weighted average lease expiry by income (years)	5.3	4.9	4.9	3.2
Vacancy by income (%)	3.8	2.1	15.7	17.2

Ten year discounted cash flows and capitalisation valuation methods are used together with active market evidence. In addition to the key assumptions set out in the table above, assumed portfolio downtime ranges from six to 12 months and tenant retention ranges from 50% to 75%.

Acquisitions

- On 8 October 2010, 1100 Hatcher Ave and 17521 & 17531 Railroad Street, California was acquired for US$14.4 million (A$14.7 million).
- On 14 January 2011, Living Spaces Building, 14501 Artesia Boulevard, La Mirada, California was acquired for US$26.3 million (A$25.8 million).

Note 12

Non-current assets - investment properties (continued)

Disposals

- On 21 December 2010, 21 rue du Chemin Blanc, Champlan was disposed of for €5.7 million (A$7.6 million).
- On 23 December 2010, 3368-3372 Turfway Road, Cincinnati was disposed of for US$3.5 million (A$3.5 million).
- On 29 December 2010, 6350 & 6360 Brackbill Blvd, Harrisburg was disposed of for US$12.0 million (A$12.0 million).
- On 3 January 2011, 1999 Westbelt drive, Columbus, Ohio was disposed of for US$5.2 million (A$5.2 million).
- On 14 January 2011, 3003 NE 1-410 Loop, San Antonio, Texas was disposed of for US$4.0 million (A$4.0 million).
- On 1 March 2011, 1000-1200 Williams Drive, Atlanta, Georgia was disposed of for US$9.0 million (A$8.9 million).
- On 24 March 2011, 2550 John Glenn Ave, Columbus, Ohio was disposed of for US$4.5 million (A$4.4 million).
- On 31 March 2011, 8575 Monticello Lane, Osseo, Minneapolis, Minnesota was disposed of for US$1.7 million (A$1.6 million).
- On 2 May 2011, 5 & 11 Spiral Drive, Florence, Kentucky was disposed of for US$3.5 million (A$3.2 million).
- On 2 May 2011, 124 Commerce Drive, Loveland, Ohio was disposed of for US$1.8 million (A$1.6 million).
- On 4 May 2011, 19 Chifley Street, Smithfield was sold for $15.4 million.
- On 24 June 2011, 8574 Boston Church Road, Milton, Ontario, Canada was disposed of for C$78.7 million (A$76.3 million).
- On 28 June 2011, 5A 64 Pound Road West, Dandenong South, VIC was sold for $7.8 million.

(b) Reconciliation

	Note	2011 $'000	2010 $'000
Opening balance at the beginning of the year		**7,146,397**	7,120,710
Additions		**267,455**	200,365
Acquisitions		**41,205**	331,565
Transfer from property, plant and equipment[1]	13	**-**	431,891
Lease incentives		**85,439**	55,885
Amortisation of lease incentives		**(58,732)**	(48,469)
Rent straightlining		**(2,119)**	2,858
Disposals		**(141,674)**	(541,541)
Transfer to non-current assets classified as held for sale	9	**(59,260)**	(18,068)
Transfer to inventories[2]	14	**(6,448)**	(45,135)
Net fair value gain/(loss) of investment properties		**148,433**	(209,367)
Foreign exchange differences on foreign currency translation		**(314,782)**	(134,297)
Closing balance at the end of the year		**7,105,914**	7,146,397

[1] During the year ended 30 June 2010, the Group adopted the amendments to AASB 140 *Investment Property*. Transfers from property, plant and equipment therefore included $431.9 million of development property under construction for future use as investment property.

[2] During the current year, $6.4 million of developable investment property was transferred to inventory with an intention to sell. During the year ended 30 June 2010, DEXUS Projects Pty Limited (DXP), a wholly owned subsidiary of DXO, purchased the undeveloped land at Laverton VIC from DIT. DXP initiated the development of part of the land with an intention to sell and therefore classified this portion of the asset as inventory.

(c) Investment properties pledged as security

Refer to note 20 for information on investment properties pledged as security.

Note 13

Non-current assets - property, plant and equipment

(a) Property, plant and equipment

	Construction in progress $'000	Land and freehold buildings $'000	IT and office $'000	Total $'000
Opening balance as at 1 July 2010	-	-	**5,264**	**5,264**
Additions	-	-	**1,988**	**1,988**
Depreciation charge	-	-	**(3,326)**	**(3,326)**
Disposals - cost	-	-	**(1,400)**	**(1,400)**
Disposals - accumulated depreciation	-	-	**1,400**	**1,400**
Closing balance as at 30 June 2011	-	-	**3,926**	**3,926**
Cost	-	-	**10,839**	**10,839**
Accumulated depreciation	-	-	**(6,913)**	**(6,913)**
Net book value as at 30 June 2011	-	-	**3,926**	**3,926**
Opening balance as at 1 July 2009	248,824	183,067	6,729	438,620
Additions	-	-	1,136	1,136
Depreciation charge	-	-	(2,601)	(2,601)
Transfer to investment properties	(248,824)	(183,067)	-	(431,891)
Closing balance as at 30 June 2010	-	-	5,264	5,264
Cost	-	-	10,251	10,251
Accumulated depreciation	-	-	(4,987)	(4,987)
Net book value as at 30 June 2010	-	-	5,264	5,264

Note 14

Inventories

(a) Land and properties held for resale

	2011 $'000	2010 $'000
Current assets		
Land and properties held for resale	**7,991**	-
Total current assets - inventories	**7,991**	-
Non-current assets		
Land and properties held for resale	**104,247**	45,470
Total non-current assets - inventories	**104,247**	45,470
Total assets - inventories	**112,238**	45,470

Note 14

Inventories (continued)

(b) Reconciliation

	2011 $'000	2010 $'000
Opening balance at the beginning of the year	**45,470**	-
Transfer from investment properties[1]	**6,448**	45,135
Acquisitions	**37,614**	-
Disposal	**(3,353)**	-
Additions and other	**26,059**	335
Closing balance at the end of the year	**112,238**	45,470

1 During the current year, $6.4 million of developable investment property was transferred to inventory with an intention to sell. During the year ended 30 June 2010, DEXUS Projects Pty Limited (DXP), a wholly owned subsidiary of DXO, purchased the undeveloped land at Laverton VIC from DIT. DXP initiated the development of part of the land with an intention to sell and therefore classified this portion of the asset as inventory.

Acquisitions

- On 16 August 2010, DXP acquired undeveloped land at 1-23 Templar Road, Erskine Park NSW, for $15.9 million.
- On 1 November 2010, DXP acquired, with an intention to develop and sell, land and property at 57-101 Balham Road, Archerfield QLD, for $21.7 million.

Disposals

- On 30 June 2011, a parcel of DEXUS Industrial Estate, Laverton North, VIC was compulsorily acquired by Melbourne Water Corporation for $3.4 million.

Note 15

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

Investments are accounted for in the Financial Statements using the equity method of accounting (refer note 1).

Information relating to these entities is set out below:

		Ownership interest			
		2011	2010	**2011**	2010
Name of entity	**Principal activity**	**%**	%	**$'000**	$'000
Bent Street Trust	Office property investment	**33.3**	33.3	**200,356**	93,344
Total non-current assets - investments accounted for using the equity method				**200,356**	93,344

The Bent Street Trust was formed in Australia.

Note 15

Non-current assets - investments accounted for using the equity method (continued)

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

	2011 $'000	2010 $'000
Opening balance at the beginning of the year	**93,344**	84,165
Units issued during the year	**73,558**	38,739
Share of net profit/(loss) after tax[1]	**34,053**	(26,243)
Distributions receivable	**(599)**	(15)
Interest sold during the year	**-**	(3,302)
Closing balance at the end of the year	**200,356**	93,344
Results attributable to investments accounted for using the equity method		
Operating profit/(loss) before income tax	**34,053**	(26,243)
Operating profit/(loss) after income tax	**34,053**	(26,243)
Less: Distributions receivable	**(599)**	(15)
	33,454	(26,258)
Accumulated losses at the beginning of the year	**(32,610)**	(6,352)
Retained profits/(accumulated losses) at the end of the year	**844**	(32,610)

1 Share of net profit/(loss) after tax includes a fair value gain of $33.6 million (2010: loss of $26.2 million) in relation to the Group's share of the Bligh Street development.

Summary of the performance and financial position of investments accounted for using the equity method

The Group's share of aggregate profit/(loss), assets and liabilities of investments accounted for using the equity method are:

	2011 $'000	2010 $'000
Profit/(loss) from ordinary activities after income tax expense	**34,053**	(26,243)
Assets	**212,252**	97,670
Liabilities	**11,896**	4,326
Share of expenditure commitments		
Capital commitments	**646**	67,308

Note 16

Non-current assets - deferred tax assets

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Investment properties	**23,753**	55,205
Derivative financial instruments	**4,719**	9,027
Tax losses	**13,865**	4,446
Employee provisions	**12,229**	10,366
Other	**1,011**	883
Total non-current assets - deferred tax assets	**55,577**	79,927
Movements		
Opening balance at the beginning of the year	**79,927**	49,136
Reversal of previous tax losses	**(3,033)**	(3,081)
Recognition of tax losses	**13,865**	3,033
Temporary differences	**971**	1,145
Credited to the Statement of Comprehensive Income	**11,803**	1,097
Movements in deferred withholding tax arising from:		
Temporary differences	**(23,592)**	29,396
Foreign currency translation	**(12,561)**	298
(Charged)/credited to the Statement of Comprehensive Income	**(36,153)**	29,694
Closing balance at the end of the year	**55,577**	79,927

Note 17

Non-current assets - intangible assets

	2011 $'000	2010 $'000
Management rights		
Opening balance at the beginning of the year	**223,000**	210,500
Amortisation charge	**(647)**	(807)
Reversal of previous impairment	**-**	13,307
Closing balance at the end of the year	**222,353**	223,000
Cost	**252,382**	252,382
Accumulated amortisation	**(2,226)**	(1,579)
Accumulated impairment	**(27,803)**	(27,803)
Total management rights	**222,353**	223,000

Management rights represent the asset management rights owned by DXH, which entitle it to management fee revenue from both finite life trusts ($7,769,204) and indefinite life trusts ($214,584,150). Those rights that are deemed to have a finite useful life are measured at cost and amortised using the straight-line method over their estimated useful lives, which vary from five to 21 years.

Impairment of management rights

During the current year, management carried out a review of the recoverable amount of its management rights. The review did not identify any events or circumstances that would indicate an impairment of management rights associated with indefinite life trusts.

During the year ended 30 June 2010, as part of the process to review the recoverable amount of management rights, the estimated fair value of assets under management, which are used to derive the future expected management fee income, were adjusted to better reflect market conditions. This resulted in the recognition of a reversal of a previous impairment of $13.3 million in that year.

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:

- A terminal capitalisation rate of 12.5% was used incorporating an appropriate risk premium for a management business.
- The cash flows have been discounted at 9.3% based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk. A 0.25% decrease in the discount rate would increase the valuation by $2.3 million.

	2011 $'000	2010 $'000
Goodwill		
Opening balance at the beginning of the year	**2,525**	2,767
Impairment	**(194)**	(242)
Closing balance at the end of the year	**2,331**	2,525
Cost	**2,998**	2,998
Accumulated impairment	**(667)**	(473)
Total goodwill	**2,331**	2,525
Total non-current assets - intangible assets	**224,684**	225,525

Note 18

Non-current assets - other

	2011	2010
	$'000	$'000
Tenant and other bonds	**1,097**	1,204
Other	**1,808**	2,900
Total non-current assets - other	**2,905**	4,104

Note 19

Current liabilities - payables

	2011	2010
	$'000	$'000
Trade creditors	**41,806**	45,819
Accruals	**13,168**	11,007
Amount payable to other non-controlling interests	**3,142**	2,917
Accrued capital expenditure	**13,194**	30,715
Prepaid income	**15,487**	14,974
GST payable	**181**	1,673
Accrued interest	**21,938**	23,102
Total current liabilities - payables	**108,916**	130,207

Note 20

Interest bearing liabilities

	Notes	2011 $'000	2010 $'000
Current			
Secured			
Bank loans	(b),(d)	**250,983**	49,831
Total secured		**250,983**	49,831
Unsecured			
US senior notes		**65,183**	122,023
Medium term notes		**-**	27,227
Total unsecured		**65,183**	149,250
Deferred borrowing costs		**(389)**	(85)
Total current liabilities - interest bearing liabilities		**315,777**	198,996
Non-current			
Secured			
Bank loans	(b),(c)	**153,218**	568,182
Total secured		**153,218**	568,182
Unsecured			
US senior notes		**720,967**	697,980
Bank loans	(a)	**701,573**	447,582
Medium term notes		**340,000**	340,000
Preference shares	(e)	**86**	109
Total unsecured		**1,762,626**	1,485,671
Deferred borrowing costs		**(16,565)**	(12,767)
Total non-current liabilities - interest bearing liabilities		**1,899,279**	2,041,086
Total interest bearing liabilities		**2,215,056**	2,240,082

Note 20

Interest bearing liabilities (continued)

Financing arrangements

Type of Facility	Note	Currency	Security	Maturity Date	2011 $'000 Utilised	2011 $'000 Facility Limit
US senior notes (144a)		US$	Unsecured	Oct-14 to Mar-21	510,519	510,519
US senior notes (USPP)		US$	Unsecured	Dec-11 to Mar-17	275,631	275,631
Medium term notes		A$	Unsecured	Jul-14 to Apr-17	340,000	340,000
Multi-option revolving credit facilities	(a)	Multi Currency	Unsecured	Sep-11 to Jun-16	701,573	1,259,242
Bank debt - secured	(b)	US$	Secured	Feb-14	82,593	82,593
Bank debt - secured	(c)	US$	Secured	Jun-17 to Dec-17	71,608	71,608
Bank debt - secured	(d)	A$	Secured	Oct-11	250,000	250,000
Total					2,231,924	2,789,593
Bank guarantee utilised					11,362	
Unused at balance date					546,307	

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

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

(a) Multi-option revolving credit facilities

This includes 15 facilities maturing between September 2011 and June 2016 with a weighted average maturity of August 2013. The total facility limit comprises US$120.0 million (A$111.7 million) and A$1,147.5 million. Of the total facility limit, A$145.0 million is maturing in September 2011, none of which is drawn and A$11.3 million is utilised as bank guarantees for developments.

(b) Bank loans - secured

This includes a US$88.7 million (A$82.6 million) secured bank debt facility that amortises over the life of the loan through monthly principal payments ($1.0 million payable within 12 months) with a final maturity date of February 2014. The facility is secured by mortgages over investment properties totalling US$137.2 million (A$127.7 million) as at 30 June 2011.

(c) Bank loans - secured

This includes a total of US$76.9 million (A$71.6 million) of secured bank facilities with a weighted average maturity of October 2017. The facilities are secured by mortgages over investment properties totaling US$178.2 million (A$165.9 million) as at 30 June 2011. During the period, a total of US$223.2 million (A$207.8 million) was repaid.

(d) Bank loans - secured

Comprises a A$250.0 million secured bank loan maturing in October 2011. This loan is secured by mortgages over one DDF investment property and two DOT investment properties totalling A$792.6 million as at 30 June 2011.

(e) Preferred shares

US REIT has issued US$92,550 (A$86,181) of preferred shares as part of the requirement to be classified as a Real Estate Investment Trust (REIT) under US tax legislation. These preferred shares will remain on issue until such time that the Board decides that it is no longer in the Group's interest to qualify as a REIT.

Additional information

The Group has a forward start commitment of A$200 million to extend an existing facility from its current maturity date within the next 12 months to a weighted average maturity of June 2016.

The Group has credit approved commitments for A$145 million to refinance facilities maturing within the next six months to a date that is five years from the signing of the new commitments. Signing is expected to be completed by the end of the third quarter of calendar 2011.

Note 21

Provisions

	2011 $'000	2010 $'000
Current		
Provision for distribution	**125,331**	118,110
Provision for employee benefits	**22,475**	16,389
Total current liabilities - provisions	**147,806**	134,499

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	2011 $'000	2010 $'000
Provision for distribution		
Opening balance at the beginning of the year	**118,110**	164,529
Additional provisions	**250,662**	244,411
Payments and reinvestment of distributions	**(243,441)**	(290,830)
Closing balance at the end of the year	**125,331**	118,110

A provision for distribution has been raised for the period ended 30 June 2011. This distribution is to be paid on 31 August 2011.

	2011 $'000	2010 $'000
Non-current		
Provision for employee benefits	**17,624**	16,524
Total non-current liabilities - provisions	**17,624**	16,524

Note 22

Current liabilities - other

	2011 $'000	2010 $'000
Other borrowing costs	-	132
Total current liabilities - other	-	132

Note 23

Non-current liabilities - deferred tax liabilities

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Derivative financial instruments	**1,137**	1,668
Goodwill	**2,331**	2,525
Investment properties	**13,862**	6,559
Other	**821**	544
Total non-current liabilities - deferred tax liabilities	**18,151**	11,296
Movements		
Opening balance at the beginning of the year	**11,296**	9,975
Temporary differences	**6,855**	1,321
Charged to Statement of Comprehensive Income	**6,855**	1,321
Closing balance at the end of the year	**18,151**	11,296

Note 24

Non-current liabilities - other

	2011 $'000	2010 $'000
Tenant bonds	**6,151**	7,403
Other	**-**	6
Total non-current liabilities - other	**6,151**	7,409

Note 25

Contributed equity

(a) Contributed equity of unitholders of the parent entity

	2011 $'000	2010 $'000
Opening balance at the beginning of the year	**1,789,973**	1,741,211
Distributions reinvested	**8,104**	48,762
Closing balance at the end of the year	**1,798,077**	1,789,973

(b) Contributed equity of unitholders of other stapled entities

	2011 $'000	2010 $'000
Opening balance at the beginning of the year	**3,008,241**	2,966,643
Distributions reinvested	**6,424**	41,598
Closing balance at the end of the year	**3,014,665**	3,008,241

(c) Number of securities on issue

	2011 No. of securities	2010 No. of securities
Opening balance at the beginning of the year	**4,820,821,799**	4,700,841,666
Distributions reinvested	**18,202,377**	119,980,133
Closing balance at the end of the year	**4,839,024,176**	4,820,821,799

Terms and conditions

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

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

Note 25

Contributed equity (continued)

(d) Distribution reinvestment plan

Under the distribution reinvestment plan (DRP), stapled security holders may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities, rather than being paid in cash.

On 27 August 2010, 18,202,377 units were issued at a unit price of 79.8 cents in relation to the June 2010 distribution period.

On 13 December 2010, the Group announced the suspension of the DRP until further notice.

Approval of issues of Stapled Securities to an underwriter in connection with issues under a distribution reinvestment plan

At the Extraordinary General Meeting held on 6 February 2009 by DXFM, as Responsible Entity for DDF, DIT, DOT and DXO, stapled security holders resolved to authorise DXFM, as Responsible Entity, to issue stapled securities, each comprising a unit in each of the above mentioned trusts (Stapled Securities), to an underwriter or persons procured by an underwriter within a period of 24 months from the date of the meeting in connection with any issue of Stapled Securities under the DXS distribution reinvestment plan.

Such an issue will not be counted for the purposes of the calculation of the 15% limit under ASX Listing Rule 7.1.

Note 26

Reserves and retained profits

(a) Reserves

	2011 $'000	2010 $'000
Foreign currency translation reserve	**(77,843)**	(72,967)
Asset revaluation reserve	**42,739**	42,739
Total reserves	**(35,104)**	(30,228)
Movements:		
Foreign currency translation reserve		
Opening balance at the beginning of the year	**(72,967)**	(66,171)
Exchange difference arising from the translation of the financial statements of foreign operations	**(4,876)**	(6,796)
Closing balance at the end of the year	**(77,843)**	(72,967)
Asset revaluation reserve		
Opening balance at the beginning of the year	**42,739**	42,739
Closing balance at the end of the year	**42,739**	42,739

Note 26

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.

Asset revaluation reserve

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

(c) Retained profits

	2011 $'000	2010 $'000
Opening balance at the beginning of the year	**33,186**	255,023
Net profit attributable to security holders	**553,012**	31,420
Transfer of capital reserve of other non-controlling interests	**(10,361)**	(8,846)
Distributions provided for or paid	**(250,662)**	(244,411)
Closing balance at the end of the year	**325,175**	33,186

Note 27

Other non-controlling interests

	2011 $'000	2010 $'000
Interest in		
Contributed equity	**200,126**	200,530
Reserves	**70,568**	60,304
Accumulated losses	**(66,666)**	(55,559)
Total other non-controlling interests	**204,028**	205,275

Note 28

Distributions paid and payable

(a) Distribution to security holders

	2011 $'000	2010 $'000
31 December (paid 25 February 2011)	**125,331**	126,301
30 June (payable 31 August 2011)	**125,331**	118,110
	250,662	244,411

(b) Distribution to other non-controlling interests

	2011 $'000	2010 $'000
DEXUS RENTS Trust (paid 18 October 2010)	**3,162**	2,285
DEXUS RENTS Trust (paid 18 January 2011)	**3,182**	2,387
DEXUS RENTS Trust (paid 15 April 2011)	**3,142**	2,713
DEXUS RENTS Trust (payable 15 July 2011)	**3,142**	2,917
	12,628	10,302
Total distributions	**263,290**	254,713

(c) Distribution rate

	2011 Cents per security	2010 Cents per security
31 December (paid 25 February 2011)	**2.59**	2.65
30 June (payable 31 August 2011)	**2.59**	2.45
Total distributions	**5.18**	5.10

(d) Franked dividends

The franked portions of the final dividends recommended after 30 June 2011 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2011.

Franking credits	2011 $'000	2010 $'000
Opening balance at the beginning of the year	**19,730**	21,380
Franking credits arising during the year on payment of tax at 30%	**1,528**	4,996
Franking debits arising during the year on refund of tax at 30%	**(4,062)**	(6,646)
Closing balance at the end of the year	**17,196**	19,730

Note 29

Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $'000	2010 $'000
Total current assets	**162,887**	86,663
Total assets	**2,567,774**	2,421,574
Total current liabilities	**114,676**	143,985
Total liabilities	**650,730**	560,439
Equity		
Contributed equity	**1,798,077**	1,789,973
Retained profits	**118,967**	71,162
Total equity	**1,917,044**	1,861,135
Net profit/(loss) for the year	**155,671**	(1,599)
Total comprehensive income/(loss) for the year	**155,671**	(1,599)

(b) Guarantees entered into by the parent entity

Refer to note 31 for details of guarantees entered into by the parent entity.

(c) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2011 (2010: $nil).

(d) Contractual capital commitments

The following amounts represent capital commitments of the parent entity for investment properties contracted at the end of the reporting period but not recognised as liabilities payable.

	2011 $'000	2010 $'000
Not longer than one year	**11,409**	127,188
Later than one year but no later than five years	**408**	-
	11,817	127,188

Note 30

Financial risk management

To ensure the effective and prudent management of the Group's capital and financial risks, the Group has a well established framework consisting of a Board Finance Committee and a Capital Markets Committee. The Board Finance Committee is accountable to and primarily acts as an advisory body to the DXFM Board and includes three Directors of the DXFM Board. Its responsibilities include reviewing and recommending financial risk management polices and funding strategies for approval.

The Capital Markets Committee is a management committee that is accountable to both the Board Finance Committee and the Group Management Committee. 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 Finance Committee, and the approval of treasury transactions within delegated limits and powers.

Further information on the Group's governance structure, including terms of reference, is available at www.dexus.com

(1) Capital risk management

The Group manages its capital to ensure that entities within the Group 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 Group consists of debt (see note 20), cash and cash equivalents, and equity attributable to security holders (including hybrid securities). The capital structure is monitored and managed in consideration of a range of factors including:

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

To minimise the potential impacts of foreign exchange risk on the Group's capital structure, the Group's policy is to hedge the majority of its foreign asset and liability exposures. Consequently the magnitude of the assets and liabilities on the Statement of Financial Position (translated into Australian dollars) and gearing ratios will rise and fall as exchange rates fluctuate. This policy ensures that net tangible assets are not materially affected by currency movements (refer foreign exchange risk below).

The Group has a stated target gearing level of below 40%. The gearing ratio calculated in accordance with our covenant requirements at 30 June 2011 was 29.1% (as detailed below).

Gearing ratio	**2011 $'000**	2010 $'000
Total interest bearing liabilities[1]	**2,211,637**	2,244,580
Total tangible assets[2]	**7,607,163**	7,419,252
Gearing ratio	**29.1%**	30.3%

1 Total interest bearing liabilities excludes deferred borrowing costs and includes the fair value of cross currency swaps as reported internally to management. The interest bearing liabilities disclosed in the Financial Statements for the reporting period ended 30 June 2010 did not include the fair value of cross currency swaps and the resultant gearing ratio was 30.4%.

2 Total tangible assets comprise total assets less intangible assets, derivatives and deferred tax balances as reported internally to management.

The Group is rated BBB+ by Standard and Poor's (S&P) and Baa1 by Moody's. The Group considers potential impacts upon the rating when assessing the strategy and activities of the Group and regards those impacts as an important consideration in its management of the Group's capital structure.

Note 30

Financial risk management (continued)

(1) Capital risk management (continued)

DXFM is the Responsible Entity for the managed investment schemes that are stapled to form the Group. DXFM has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to hold minimum net tangible assets (of $5 million), and to maintain a minimum level of surplus liquid funds. Furthermore, the Responsible Entity maintains trigger points in accordance with the requirements of the licence. These trigger points maintain a headroom value above the AFSL requirements and the entity has in place a number of processes and procedures should a trigger point be reached.

DWPL, a wholly owned entity, has also been issued with an AFSL as it is the Responsible Entity for DEXUS Wholesale Property Fund. It is subject to the same requirements.

(2) Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. The Group'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 Group.

Accordingly, the Group enters into various derivative financial instruments such as interest rate swaps, cross currency interest rate swaps, and foreign exchange contracts to manage its exposure to certain risks. The Group does not trade in derivative instruments for speculative purposes. The Group 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.

Risk management is implemented by a centralised treasury department (Group Treasury) whose members act under written policies that are endorsed by the Board Finance Committee and approved by the Board of Directors of the Responsible Entity. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's business units. The treasury policies approved by the Board of Directors cover overall treasury risk management, as well as policies and limits covering specific areas such as liquidity risk, interest rate risk, foreign exchange risk, credit risk and the use of derivatives and other financial instruments. In conjunction with its advisers, the Responsible Entity continually reviews the Group's exposures and (at least annually) updates its treasury policies and procedures.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient available funds to meet financial obligations in an orderly manner when they fall due or at an acceptable cost.

The Group identifies and manages liquidity risk across short-term, medium-term, and long-term categories:

- short-term liquidity management includes continuously monitoring forecast and actual cash flows;
- medium-term liquidity management includes maintaining 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 may also include projects that have a very high probability of proceeding, taking into consideration risk factors such as the level of regulatory approval, tenant pre-commitments and portfolio considerations; and
- long-term liquidity risk is managed through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated, and ensuring an adequate diversification of funding sources where possible, subject to market conditions.

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(a) Liquidity risk (continued)

Refinancing risk

A key liquidity risk is the Group's ability to refinance its current debt facilities. As the Group's debt facilities mature, they are usually required to be refinanced by extending the facility or replacing the facility with an alternative form of capital.

The refinancing of existing facilities may also result in margin price risk, whereby market conditions may result in an unfavourable change in credit margins on the refinanced facilities. 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 Group's interest bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

	2011				2010			
	Expiring within one year $'000	Expiring between one and two years $'000	Expiring between two and five years $'000	Expiring after five years $'000	Expiring within one year $'000	Expiring between one and two years $'000	Expiring between two and five years $'000	Expiring after five years $'000
Receivables	36,175	-	-	-	25,010	-	-	-
Payables	108,916	-	-	-	130,207	-	-	-
	(72,741)	-	-	-	(105,197)	-	-	-
Interest bearing liabilities and interest								
Fixed interest rate liabilities and interest	117,506	104,327	603,438	525,524	219,893	128,077	726,644	325,227
Floating interest rate liabilities and interest	326,254	105,971	899,860	73,380	102,226	519,549	686,138	434
Total interest bearing liabilities and interest[1]	443,760	210,298	1,503,298	598,904	322,119	647,626	1,412,782	325,661
Derivative financial instruments								
Derivative assets	65,100	38,431	48,564	8,450	77,823	58,316	33,558	1,907
Derivative liabilities	57,768	54,702	129,639	61,515	113,390	80,984	115,878	29,256
Total net derivative financial instruments[2]	7,332	(16,271)	(81,075)	(53,065)	(35,567)	(22,668)	(82,320)	(27,349)

[1] Refer to note 20 (interest bearing liabilities). Excludes deferred borrowing costs and preference shares, but includes estimated fees and interest.

[2] The notional maturities on derivatives is only shown for cross currency interest rate swaps (refer foreign exchange rate risk) and forward foreign exchange contracts 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. For derivative assets and liabilities that have floating rate interest cash flows, future cash flows have been calculated using static interest rates prevailing at the end of each reporting period. Refer to note 10 (derivative financial instruments) for fair value of derivatives. Refer note 31 (contingent liabilities) for financial guarantees.

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The market risks that the Group is exposed to are detailed further below.

(i) Interest rate risk

Interest rate risk is the risk that fluctuating interest rates will cause an adverse impact on interest payable (or receivable), or an adverse change on the capital value (present market value) of long-term fixed rate instruments.

Interest rate risk for the Group arises from interest bearing financial assets and liabilities that the Group holds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The primary objective of the Group's risk management policy for interest rate risk is to minimise the effects of interest rate movements on the Group's portfolio of financial assets and liabilities and financial performance. The policy sets out the minimum and maximum hedging amounts for the Group, which is managed on a portfolio basis.

Cash flow interest rate risk on borrowings is managed through the use of interest rate swaps, whereby a floating interest rate exposure is converted to a fixed interest rate exposure. Fair value interest rate risk on borrowings is also managed through the use of interest rate swaps, whereby a fixed interest exposure is converted to a floating interest rate exposure. The mix of fixed and floating rate exposures is monitored regularly to ensure that the interest rate exposure on the Group's cash flows is managed within the parameters defined by the Group Treasury Policy.

As at 30 June 2011, 84% (2010: 94%) of the financial assets and liabilities (including DEXUS RENTS Trust) of the Group had an effective fixed interest rate.

The Group holds borrowings in multiple currencies with both fixed and floating rate exposures and is exposed to interest rate risk related to each particular currency.

The net notional amount of fixed rate debt and interest rate swaps in place in each year and the weighted average effective hedge rate per currency is set out below.

	June 2012 $'000	June 2013 $'000	June 2014 $'000	June 2015 $'000	June 2016 $'000	> June 2017 $'000
Fixed rate debt						
A$ fixed rate debt[1]	180,000	180,000	180,000	180,000	180,000	27,000
US$ fixed rate debt[1]	864,855	821,383	769,568	458,942	322,009	237,867
Interest rate swaps						
A$ hedged[1]	660,033	571,667	550,000	480,000	328,333	104,250
A$ hedge rate (%)[2]	4.97%	5.40%	5.68%	5.96%	6.24%	5.99%
US$ hedged[1]	124,417	178,750	241,500	447,000	399,417	174,983
US$ hedge rate (%)[2]	3.72%	3.89%	3.91%	4.11%	4.01%	4.12%
€ hedged[1]	127,500	105,000	70,000	68,333	50,000	4,000
€ hedge rate (%)[2]	4.43%	4.55%	4.86%	4.21%	4.06%	4.10%
Combined fixed debt and swaps (A$ equivalent)	**1,983,322**	**1,920,363**	**1,897,761**	**1,723,424**	**1,348,546**	**575,173**
Hedge rate (%)	**4.32%**	**4.54%**	**4.65%**	**4.82%**	**4.85%**	**4.55%**

1 Average amounts for the period. Hedged amounts above do not include potential hedges that are cancellable at the counterparty's option.

2 The above hedge rates do not include margins payable on borrowings.

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity on interest expense

The table below shows the impact on unhedged net interest expense (excluding non-cash items) of a 50 basis points increase or decrease in short-term and long-term market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Group'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.

		2011 (+/-) $'000	2010 (+/-) $'000
+/- 0.50% (50 basis points)	A$	**888**	575
+/- 0.50% (50 basis points)	US$	**932**	145
+/- 0.50% (50 basis points)	€	**(25)**	11
+/- 0.50% (50 basis points)	C$	**150**	-
Total A$ equivalent		**1,866**	760

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

Sensitivity on fair value of interest rate swaps

The table below shows the impact on the Statement of Comprehensive Income for changes in the fair value of interest rate swaps for a 50 basis points increase and decrease in short-term and long-term market interest rates. The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market 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. Cash flows are discounted using the forward price curve of interest rates at the end of the reporting period. Although interest rate swaps are transacted for the purpose of providing the Group with an economic hedge, the Group 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 Statement of Comprehensive Income.

		2011 (+/-) $'000	2010 (+/-) $'000
+/- 0.50% (50 basis points)	A$	**13,060**	12,348
+/- 0.50% (50 basis points)	US$	**8,934**	17,427
+/- 0.50% (50 basis points)	€	**2,714**	2,777
+/- 0.50% (50 basis points)	C$	**-**	1,784
Total A$ equivalent		**25,044**	38,762

(ii) Foreign exchange risk

Foreign exchange risk is the risk that movements in exchange rates used to convert foreign currency revenues, expenses, assets, or liabilities to the Group's functional currency will have an adverse effect on the Group.

The Group operates internationally with investments in North America, New Zealand, France and Germany. As a result of these activities, the Group has foreign exchange risk, arising primarily from:

- translation of investments in foreign operations;
- borrowings and cross currency swaps denominated in foreign currencies; and
- earnings distributions and other transactions denominated in foreign currencies.

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The objective of the Group's foreign exchange risk management policy is to ensure that movements in exchange rates have minimal adverse impact on the Group's foreign currency assets and liabilities, and net foreign currency cash flows as outlined below.

Foreign currency assets and liabilities

Exposure to foreign exchange risk is minimised by predominantly matching the currency of the Group's debt with the currency of its investment to form a natural hedge against movements in exchange rates. This policy reduces the risk that movements in foreign exchange rates will have an adverse impact on security holder's equity and net tangible assets.

Where Australian dollar borrowings are used to fund the foreign currency investment, the Group may transact cross currency swaps for the purpose of providing an alternate source of foreign currency funding whilst maintaining the natural hedge. In these instances the Group has committed foreign currency borrowing capacity in place that can replace the foreign currency amounts that are due under the cross currency swaps. The Group's net foreign currency exposures for net investments in foreign operations and hedging instruments are as follows:

	2011	2010
	$'000	$'000
US$ assets[1]	**1,259,179**	1,187,770
US$ net borrowings[2]	**(1,246,552)**	(1,184,295)
US$ cross currency swaps[3]	**-**	-
US$ denominated net investment	**12,627**	3,475
% hedged	**99%**	100%
€ assets[1]	**128,788**	137,350
€ net borrowings[2]	**(49,803)**	(54,952)
€ cross currency swaps[3]	**(80,000)**	(80,000)
€ denominated net investment	**(1,015)**	2,398
% hedged	**101%**	98%
C$ assets[4]	**35,573**	55,650
C$ net borrowings[2]	**-**	-
C$ cross currency swaps[3]	**(30,000)**	(50,000)
C$ denominated net investment	**5,573**	5,650
% hedged	**84%**	90%
NZ$ assets[1]	**123,001**	128,484
NZ$ net borrowings[2]	**-**	-
NZ$ denominated net investment	**123,001**	128,484
% hedged	**0%**	0%
Total foreign net investment (A$ equivalent)	**110,711**	116,066
Total % hedged	**92%**	93%

1 Assets exclude working capital and cash as reported internally to management.
2 Net borrowings equals interest bearing liabilities less cash. Where there are no interest bearing liabilities, cash is excluded.
3 Cross currency swap amounts comprise the foreign currency denominated leg of the cross currency swaps.
4 C$ assets include cash of C$34.7 million (A$33.4 million) held in escrow in relation to the sale of its Toronto warehouse facility in June 2011.

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Sensitivity on equity (foreign currency translation reserve)

The table below shows the impact on the foreign currency translation reserve for changes in the translated value of foreign currency assets and liabilities for an increase and decrease in foreign exchange rates per currency. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency[1]. The cents per currency has been applied to the spot rates prevailing at the end of each reporting period[2]. The impact on the foreign currency translation reserve arises as the translation of the Group's foreign currency assets and liabilities are recorded (in Australian dollars) directly in the foreign currency translation reserve.

		2011 $'000	2010 $'000
+ 14.2 cents (13%) (2010: 11.3 cents)	US$ (A$ equivalent)	1,373	478
- 14.2 cents (13%) (2010: 11.3 cents)	US$ (A$ equivalent)	(1,792)	(624)
+ 9.6 cents (13%) (2010: 6.4 cents)	€ (A$ equivalent)	(158)	388
- 9.6 cents (13%) (2010: 6.4 cents)	€ (A$ equivalent)	205	(500)
+ 10.9 cents (8%) (2010: 10.4 cents)	NZ$ (A$ equivalent)	7,375	8,156
- 10.9 cents (8%) (2010: 10.4 cents)	NZ$ (A$ equivalent)	(8,731)	(9,666)
+ 8.7 cents (8%) (2010: 7.5 cents)	C$ (A$ equivalent)	413	486
- 8.7 cents (8%) (2010: 7.5 cents)	C$ (A$ equivalent)	(488)	(575)

1 The sensitivity on market rates has been based on the standard deviation of the annual change in the Australian dollar exchange rate per currency since 1984 or commencement.

2 Exchange rates at 30 June 2011: A$/US$ 1.0739 (2010: 0.8523), A$/€ 0.7405 (2010: 0.6979), A$/NZ$ 1.2953 (2010: 1.2308), A$/C$ 1.0389 (2010: 0.8976).

Sensitivity on fair value of cross currency swaps

The table below shows the impact on the Statement of Comprehensive Income for changes in the fair value of cross currency swaps for a 50 basis points increase and decrease in market rates. The sensitivity on the fair value arises from the impact that changes in short-term and long-term market rates will have on the interest rate mark-to-market valuation of the cross currency swaps[1]. The Group has elected not to apply hedge accounting to its cross currency swaps. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statement of Comprehensive Income.

		2011 (+/-) $'000	2010 (+/-) $'000
+/- 0.50% (50 basis points)	US$ (A$ equivalent)	2	7
+/- 0.50% (50 basis points)	€ (A$ equivalent)	10	16
+/- 0.50% (50 basis points)	C$ (A$ equivalent)	3	3
Total A$ equivalent		15	26

1 Note the above sensitivity is reflective of how changes in interest rates will affect the valuation of the cross currency swaps. The effect of movements in foreign exchange rates on the valuation of cross currency swaps is reflected in the foreign currency translation reserve sensitivity.

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Net foreign currency denominated cash flows

Foreign exchange risk exists in relation to net cash flows and transactions with foreign operations that are denominated in foreign currencies. This risk is managed through the use of forward foreign exchange contracts (after taking into account the natural hedging through foreign denominated interest expense).

Forward foreign exchange contracts outstanding at 30 June 2011 and 30 June 2010 are as follows:

	2011	**2011**	**2011**	2010	2010	2010
	To pay US$ US$'000	**To receive A$'000**	**Weighted average exchange rate**	To pay US$'000	To receive A$'000	Weighted average exchange rate
1 year or less	**4,400**	**6,199**	**0.7098**	-	-	-
Over 1 and less than 2 years	**2,650**	**3,981**	**0.6657**	4,400	6,199	0.7098
More than 2 years	**2,500**	**3,678**	**0.6798**	5,150	7,658	0.6725

	2011	**2011**	**2011**	2010	2010	2010
	To pay NZ$'000	**To receive A$'000**	**Weighted average exchange rate**	To pay NZ$'000	To receive A$'000	Weighted average exchange rate
1 year or less	-	-	-	2,000	1,688	1.1848
Over 1 and less than 2 years	-	-	-	-	-	-
More than 2 years	-	-	-	-	-	-

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

Sensitivity on fair value of foreign exchange contracts

The table below shows the impact on the Statement of Comprehensive Income for changes in the fair value of forward foreign exchange contracts for an increase and decrease in market rates. The increase and decrease in cents per currency has been based on the historical movements of the Australian dollar relative to each currency[1]. The cents per currency has been applied to the spot rates prevailing at the end of each reporting period[2]. The sensitivity on the fair value arises from the impact that changes in market rates will have on the mark-to-market valuation of the forward foreign exchange contracts.

Although forward foreign exchange contracts are transacted for the purpose of providing the Group with an economic hedge, the Group has elected not to apply hedge accounting to its forward foreign exchange contracts. Accordingly, gains or losses arising from changes in the fair value are reflected in the Statement of Comprehensive Income.

		2011	2010
		$'000	$'000
+ 14.2 cents (13%) (2010: 11.3 cents)	US$ (A$ equivalent)	**1,339**	1,659
- 14.2 cents (13%) (2010: 11.3 cents)	US$ (A$ equivalent)	**(1,026)**	(1,271)
+ 10.9 cents (8%) (2010: 10.4 cents)	NZ$ (A$ equivalent)	**-**	124
- 10.9 cents (8%) (2010: 10.4 cents)	NZ$ (A$ equivalent)	**-**	(146)

1 The sensitivity on market rates has been based on the standard deviation of the annual change in the Australian dollar exchange rate per currency since 1984 or commencement.

2 Exchange rates at 30 June 2011: A$/US$ 1.0739 (2010: 0.8523), A$/€ 0.7405 (2010: 0.6979), A$/NZ$ 1.2953 (2010: 1.2308), A$/C$ 1.0389 (2010: 0.8976).

(c) Credit risk

Credit risk is the risk of loss to the Group in the event of non-performance by the Group's financial instrument counterparties. Credit risk arises from cash and cash equivalents, loans and receivables, and derivative financial instruments. The Group has exposure to credit risk on all financial assets.

The Group manages this risk by:

- adopting a process for determining an approved counterparty, with consideration of qualitative factors as well as the counterparty's 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;
- ensuring tenants, together with approved credit limits, are approved and ensuring that leases are undertaken with a large number of tenants;
- 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. As at 30 June 2011, the lowest rating of counterparties the Group is exposed to was A+ (S&P) (2010: A (S&P)).

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(c) Credit risk (continued)

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Group'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 2011 and 30 June 2010 was the carrying amount of financial assets recognised on the Statement of Financial Position.

As at 30 June 2011 and 30 June 2010, there were no significant concentrations of credit risk for trade receivables. Trade receivable balances and the credit quality of trade debtors are consistently monitored on an ongoing basis.

The ageing analysis of loans and receivables net of provisions at 30 June 2011 is ($'000): 34,335.3 (0-30 days), 637.0 (31-60 days), 530.0 (61-90 days), 672.3 (91+ days). The ageing analysis of loans and receivables net of provisions at 30 June 2010 is ($'000): 23,356.6 (0-30 days), 1,045.0 (31-60 days), 184.4 (61-90 days), 424.0 (91+ days)). 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 consistently monitored to ensure that there are no adverse changes in credit quality.

(d) Fair value of financial instruments

Fair value interest rate risk is the risk of an adverse change in the net fair (or market) value of an asset or liability due to movements in interest rates.

As at 30 June 2011 and 30 June 2010, the carrying amounts and fair value of financial assets and liabilities are shown as follows:

	2011 Carrying amount[1] **$'000**	**2011 Fair value**[2] **$'000**	2010 Carrying amount[1] $'000	2010 Fair value[2] $'000
Financial assets				
Cash and cash equivalents	**73,746**	**73,746**	64,419	64,419
Loans and receivables (current)	**36,175**	**36,175**	25,010	25,010
Derivative assets	**100,220**	**100,220**	146,324	146,324
Total financial assets	**210,141**	**210,141**	235,753	235,753
Financial liabilities				
Trade payables	**108,916**	**108,916**	130,207	130,207
Derivative liabilities	**160,085**	**160,085**	322,161	322,161
Interest bearing liabilities				
Fixed interest bearing liabilities	**1,011,864**	**1,180,374**	1,086,571	1,263,432
Floating interest bearing liabilities	**1,220,060**	**1,220,060**	1,166,254	1,166,254
Preference shares	**86**	**86**	109	109
Total financial liabilities	**2,501,011**	**2,669,521**	2,705,302	2,882,163

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

The fair value of interest bearing liabilities and derivative financial instruments has been determined by discounting the expected future cash flows by the relevant market interest rates. The discount rates applied range from 0.25% to 5.02% for US$ and 4.81% to 6.42% for A$. Refer note 1(x) for fair value methodology for financial assets and liabilities.

Note 30

Financial risk management (continued)

(2) Financial risk management (continued)

(d) Fair value of financial instruments (continued)

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

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

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

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

The following tables present the assets and liabilities measured and recognised as at fair value at 30 June 2011 and 30 June 2010.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	2011 $'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	75,101	-	75,101
Cross currency swaps	-	20,781	-	20,781
Forward exchange contracts	-	4,338	-	4,338
	-	100,220	-	100,220
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	-	1,180,374	-	1,180,374
Floating interest bearing liabilities	-	1,220,060	-	1,220,060
	-	2,400,434	-	2,400,434
Derivative liabilities				
Interest rate derivatives	-	159,352	-	159,352
Cross currency swaps	-	408	-	408
Forward exchange contracts	-	325	-	325
	-	160,085	-	160,085

	Level 1 $'000	Level 2 $'000	Level 3 $'000	2010 $'000
Financial assets				
Derivative assets				
Interest rate derivatives	-	122,219	-	122,219
Cross currency swaps	-	21,252	-	21,252
Forward exchange contracts	-	2,853	-	2,853
	-	146,324	-	146,324
Financial liabilities				
Interest bearing liabilities				
Fixed interest bearing liabilities	-	1,263,432	-	1,263,432
Floating interest bearing liabilities	-	1,166,254	-	1,166,254
	-	2,429,686	-	2,429,686
Derivative liabilities				
Interest rate derivatives	-	308,946	-	308,946
Cross currency swaps	-	12,898	-	12,898
Forward exchange contracts	-	317	-	317
	-	322,161	-	322,161

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

Note 31

Contingent liabilities

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

	2011 $'000	2010 $'000
Bank guarantees by the Group in respect of variations and other financial risks associated with the development of:		
1 Bligh Street, Sydney, NSW[1]	**5,650**	2,650
123 Albert Street, Brisbane, QLD	**5,682**	3,601
34-60 Little Collins Street, Melbourne, VIC	**30**	-
Beaumeade, Ashburn, Northern Virginia, USA	**-**	789
Total contingent liabilities	**11,362**	7,040

1 Bank guarantee held in relation to an equity accounted investment (refer note 15).

DDF together with DIT, DOT and DXO is also a guarantor of a total of A$1,147.5 million and US$120.0 million (A$111.7 million) of bank bilateral facilities, a total of A$340.0 million of medium term notes, a total of US$296.0 million (A$275.6 million) of privately placed notes, and a total of US$550.0 million (A$512.2 million) public 144a senior notes, which have all been negotiated to finance the Group and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

DDF together with DIT, DOT and DXO is also a guarantor, on a subordinated basis, of RENTS (Real-estate perpetual ExchaNgeable sTep-up Securities). The guarantee has been given in support of payments that become due and payable to the RENTS holders and ranks ahead of the Group's distribution payments, but subordinated to the claims of the senior creditors.

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

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

Note 32
Commitments

(a) Capital commitments

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

	2011 $'000	2010 $'000
Not longer than one year		
3 Brookhollow Avenue, Baulkham Hills, NSW	**461**	93
Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW	**982**	1,986
Southgate Complex, 3 Southgate Avenue, Southgate, VIC	**7,505**	756
201-217 Elizabeth Street, Sydney, NSW	**2,411**	-
Garema Court, 140 - 180 City Walk, Civic, ACT	**777**	-
40 Talavera Road, North Ryde, NSW	**1,300**	-
Flinders Gate Carpark, 172 - 189 Flinders Street, Melbourne, VIC	**400**	-
79-99 St Hilliers Road, Auburn, NSW	**68**	-
DEXUS Industrial Estate, Egerton Street, Silverwater, NSW	**1,344**	-
114-120 Old Pittwater Road, Brookvale, NSW	**2,872**	-
1-23 Templar Road, Erskine Park NSW	**8,133**	
Kentucky Drive, Cincinnati	**24**	718
Kenwood Road, Cincinnati	**78**	-
Capital Avenue, Dallas	**53**	21
East Plano Parkway, Dallas	**47**	360
2950 Lexington Avenue S, Minneapolis	**9**	621
Mounds View, Minneapolis	**703**	254
1285 & 1301 Corporate Center Drive, 1230 & 1270 Eagan Industrial Road, Eagan	**306**	187
105-107 South 41st Avenue, Phoenix	**-**	282
1429-1439 South 40th Avenue, Phoenix	**-**	170
601 South 55th Avenue, Phoenix	**-**	66
Airway Road, San Diego	**-**	211
Williams Drive, Atlanta	**-**	159
MD Food Park, Baltimore	**422**	235
West Nursery, Baltimore	**118**	-
1181 Portal, 1831 Portal and 6615 Tributary, Baltimore	**5**	84
9900 Brookford Street, Charlotte	**203**	-
Westinghouse, Charlotte	**56**	82
Arlington, Dallas	**124**	-
Equity/Westbelt/Dividend, Columbus	**91**	-
Hillguard, Dallas	**-**	57
11011 Regency Crest Drive, Dallas	**-**	59
3601 East Plano/1000 Shiloh, Dallas	**62**	299
Brackbill, Harrisburg	**-**	863
Glendale, Los Angeles	**-**	108
7500 West 78th Street, Bloomington	**82**	174
Alexandria, Northern Virginia	**261**	-
Orlando Central Park, Orlando	**-**	3,831
13201 South Orange Avenue, Orlando	**-**	76
Ontario, Riverside	**-**	173
Cornerstone	**32**	65
Titan Dev Interchange North 1	**-**	293

Note 32

Commitments (continued)

(a) Capital commitments (continued)

	2011 $'000	2010 $'000
Not longer than one year (continued)		
Titan Dev Tri County 6	**41**	165
Port of San Antonio III	**103**	313
Cabot Techs, Baltimore	**304**	-
Empire Drive, Cincinnati	**90**	-
Greystanes Estate, NSW	**3,024**	20,106
Australia Square Complex, 264-278 George Street, Sydney, NSW	**98**	-
The Zenith, 821-843 Pacific Highway, Chatswood, NSW	**660**	1,811
60 Miller Street, North Sydney, NSW	**-**	765
14 Moore Street, Canberra, ACT	**246**	-
44 Market Street, Sydney, NSW	**4,011**	403
123 Albert Street, Brisbane QLD	**5,428**	123,008
1 Margaret Street, Sydney, NSW	**-**	369
45 Clarence Street, Sydney, NSW	**578**	1,200
309-321 Kent Street, Sydney, NSW	**1,236**	1,121
383-395 Kent Street, Sydney, NSW	**24**	3,647
Axxess Corporate Park, 164-180 Forster Road, 11 & 21-45 Gilby Road, 307-355 Ferntree Gully Road, Mount Waverley, VIC	**-**	129
5-15 Rosebery Avenue & 25-55 Rothschild Avenue, Rosebery, NSW	**-**	172
RN 19 ZAC de L'Ormes Road, Servon (2)	**-**	1,614
DEXUS Industrial Estate, Laverton North, VIC	**5,120**	-
	49,892	167,106
Later than one year but no later than five years		
Greystanes Estate, NSW	**-**	2,000
309 - 321 Kent Street, Sydney, NSW	**378**	-
Kings Park IE -Vardys Road	**408**	-
	786	2,000
Total capital commitments	**50,678**	169,106

(b) Lease payable commitments

The future minimum lease payments payable by the Group are:

	2011 $'000	2010 $'000
Within one year	**3,200**	2,375
Later than one year but not later than five years	**7,726**	10,372
Later than five years	**6,098**	6,388
Total lease payable commitments	**17,024**	19,135

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.

The Group has a commitment for ground rent payable in respect of a leasehold property included in investment properties, and commitments for its Head Office premise at 343 George Street, Sydney and its US Office premise at Newport, California.

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

Note 32

Commitments (continued)

(c) Lease receivable commitments

The future minimum lease payments receivable by the Group are:

	2011	2010
	$'000	$'000
Within one year	**505,234**	500,921
Later than one year but not later than five years	**1,436,299**	1,533,216
Later than five years	**712,081**	790,633
Total lease receivable commitments	**2,653,614**	2,824,770

Note 33

Related parties

Responsible Entity

DXFM is the Responsible Entity of the Group.

DXFM was also the Responsible Entity of Gordon Property Trust, Gordon Property Investment Trust, Northgate Property Trust and Northgate Investment Trust (collectively known as "the Syndicates"). On 30 April 2011, Gordon Property Trust and Gordon Property Investment Trust were wound up. On 31 May 2010, Northgate Property Trust and Northgate Investment Trust were wound up.

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

Responsible Entity fees

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

Related party transactions

Responsible Entity fees in relation to Group assets are on a cost recovery basis. All agreements with third party funds are conducted on normal commercial terms and conditions.

DEXUS Wholesale Property Fund

	2011	2010
	$	$
Responsible Entity fee income	**16,483,106**	15,065,851
Property management fee income	**6,185,789**	5,878,083
Recovery of administration expenses	**2,122,590**	1,404,968
Aggregate amount receivable at the end of each reporting period (included above)	**1,432,482**	1,277,966
Property management fees receivable at the end of each reporting period (included above)	**1,076,948**	353,501
Administration expenses receivable at the end of each reporting period (included above)	**30,298**	267,239

Note 33

Related parties (continued)

The Syndicates

	2011 $	2010 $
Responsible Entity fee income	**439,709**	958,425
Property management fee income	**499,173**	962,107
Performance fee - Gordon Syndicate	**1,669,625**	-
Performance fee - Northgate Syndicate	**-**	1,752,500
Recovery of administration expenses	**102,585**	388,551
Aggregate amount receivable at the end of each reporting period (included above)	**-**	63,471
Property management fees receivable at the end of each reporting period (included above)	**-**	21,283
Administration expenses receivable at the end of each reporting period (included above)	**-**	21,398

Bent Street Trust

	2011 $	2010 $
Property management fee income	**1,403,196**	1,403,196
Recovery of administration expenses	**67,692**	5,885

Transactions with Master Development Corporation (MDC)

The Group entered into a two year lease agreement with the two MDC principals for the Newport office which commenced on 1 June 2010 for which annual rental payable is US$180,000 (A$167,613). As part of the two year lease agreement, MDC completed an office fitout for US$205,739 (A$191,581). In addition, on 1 February 2011 the Group entered into a one year assignment of a sublease agreement from MDC for adjacent office space for which annual rental payable is US$45,648 (A$42,507).

The Group has earned management agreement revenue for managing the existing MDC property portfolio that the two MDC principals hold interests in. The management fees of US$973,884 (A$959,787) (2010: US$25,000 (A$29,312)) are consolidated in the Group.

Directors

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

C T Beare, BSc, BE (Hons), MBA, PhD, FAICD[1,4,5]
E A Alexander, AM, BComm, FCA, FAICD, FCPA[1,2,6]
B R Brownjohn, BComm[1,2,5,6]
J C Conde, AO, BSc, BE(Hons), MBA [1,3,4]
S F Ewen, OAM[1,4]
V P Hoog Antink, BComm, MBA, FCA, FAPI, FRICS, MAICD
B E Scullin, BEc[1,3]
P B St George, CA(SA), MBA [1,2,5,6]

1 Independent Director
2 Board Audit Committee Member
3 Board Compliance Committee Member
4 Board Nomination and Remuneration Committee Member
5 Board Finance Committee Member
6 Board Risk & Sustainability Committee Member

No Directors held an interest in the Group for the years ended 30 June 2011 and 30 June 2010.

Note 33

Related parties (continued)

Other key management personnel

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

Name	Title
Victor P Hoog Antink	Chief Executive Officer
Tanya L Cox	Chief Operating Officer
John C Easy	General Counsel
Craig D Mitchell	Chief Financial Officer
Paul G Say	Chief Investment Officer

No key management personnel or their related parties held an interest in the Group for the years ended 30 June 2011 and 30 June 2010.

There were no loans or other transactions with key management personnel or their related parties during the years ended 30 June 2011 and 30 June 2010.

	2011	2010
	$	$
Compensation		
Short-term employee benefits	**8,266,683**	9,174,298
Post employment benefits	**912,706**	328,058
Other long-term benefits	**4,794,526**	3,797,553
	13,973,915	13,299,909

The Group has shown the detailed remuneration disclosures in the Directors' Report. The relevant information can be found in section 3 of the Directors' Report.

Note 34

Business Combinations

On 1 June 2010 the Group entered into an arrangement with MDC for no purchase consideration. The acquisition was accounted for as a business combination with the resultant goodwill being zero.

Note 35

Events occurring after reporting date

On 6 July 2011, DEXUS Valley View, 5911 Fresca Drive, La Palma was acquired for US$18.3 million (A$17.1 million).

On 21 July 2011, DXP disposed of two lots located at Templar Road, Erskine Park NSW for $10.1 million.

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

Note 36

Operating segments

(a) Description of segments

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

Office – Australia and New Zealand	This comprises office space with any associated retail space; as well as car parks and office developments in Australia and New Zealand.
Industrial - Australia	This comprises domestic industrial properties, industrial estates and industrial developments.
Industrial - North America	This comprises industrial properties, industrial estates and industrial developments in the United States as well as one industrial asset in Canada[1].
Management Business	The domestic and US based management businesses are responsible for asset, property and development management of Office, Industrial and Retail properties for the Group and the third party funds management business.
Financial Services	The treasury function of the Group is managed through a centralised treasury department. As a result, all treasury related financial information relating to borrowings, finance costs as well as fair value movements in derivatives, are prepared and monitored separately.
All other segments	This comprises the European industrial and retail[2] portfolios. These operating segments do not meet the quantitative thresholds set out in AASB 8 *Operating Segments* due to their relatively small scale. As a result these non-core operating segments have been included in 'all other segments' in the operating segment information shown below.

[1] The Canadian asset was sold on 24 June 2011 (refer note 12).
[2] The retail asset was sold on 31 March 2010. The Group does not own any other retail assets.

Note 36

Operating segments (continued)

(b) Segment information provided to the CODM

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2011 and 30 June 2010 includes the following:

30 June 2011	Office Australia & New Zealand $'000	Industrial Australia $'000	Industrial North America $'000	Management Business $'000	Financial Services $'000	All other segments $'000	Eliminations $'000	Total $'000
Segment performance measures								
Property revenue	348,007	144,554	115,723	231	-	20,557	-	629,072
Proceeds from sale of inventory	-	-	-	3,359	-	-	-	3,359
Management fee revenue	-	-	-	50,655	-	-	-	50,655
Interest revenue	-	-	-	-	1,565	-	-	1,565
Inter-segment revenue	-	-	-	37,119	-	-	(37,119)	-
Total operating segment revenue	348,007	144,554	115,723	91,364	1,565	20,557	(37,119)	684,651
Net operating income (NOI)	255,204	116,355	79,591	-	-	16,037	-	467,187
Management business EBIT	-	-	-	3,453	-	-	-	3,453
Finance costs	-	-	-	-	(52,744)	-	-	(52,744)
Compensation related expenses	-	-	-	(67,417)	-	-	-	(67,417)
Net fair value gain/(loss) of investment property[1]	122,686	(13,448)	81,130	-	-	(8,337)	-	182,031
Net gain/(loss) on sale of investment property	-	(349)	7,313	218	-	(130)	-	7,052
Net fair value gain on derivatives	-	-	-	-	2,605	-	-	2,605
Segment asset measures								
Direct property portfolio	4,510,798	1,518,963	1,171,163	112,238	-	173,920	-	7,487,082
Additions to direct property portfolio	300,813	63,948	44,627	26,059	-	4,963	-	440,410
Acquisition of direct property portfolio	-	-	41,205	37,614	-	-	-	78,819
Segment liability measures								
Interest bearing liabilities	-	-	-	-	2,215,056	-	-	2,215,056

1 Includes net fair value gain of investment property of $148.4 million and the Group's share of the net fair value gain of its investments accounted for using the equity accounted method of $33.6 million.

Note 36

Operating segments (continued)

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

30 June 2010	Office Australia & New Zealand $'000	Industrial Australia $'000	Industrial North America $'000	Management Business $'000	Financial Services $'000	All other segments $'000	Eliminations $'000	Total $'000
Segment performance measures								
Property revenue	335,336	137,213	146,843	-	-	43,676	-	663,068
Management fee revenue	-	-	-	51,588	-	-	-	51,588
Interest revenue	-	-	-	-	1,484	-	-	1,484
Inter-segment revenue	199	-	-	28,987	-	-	(29,186)	-
Total operating segment revenue	335,535	137,213	146,843	80,575	1,484	43,676	(29,186)	716,140
Net operating income (NOI)	245,106	109,939	99,135	-	-	30,227	-	484,407
Management business EBIT	-	-	-	6,121	-	-	-	6,121
Finance costs	-	-	-	-	(190,685)	-	-	(190,685)
Compensation related expenses	-	-	-	(58,978)	-	-	-	(58,978)
Net fair value loss of investment property[1]	(57,530)	(47,878)	(113,104)	-	-	(17,098)	-	(235,610)
Reversal of previous impairment	-	-	-	-	-	13,307	-	13,307
Net loss on sale of investment property	(508)	(3,514)	(49,320)	-	-	-	-	(53,342)
Net fair value gain on derivatives	-	-	-	-	5,401	-	-	5,401
Segment asset measures								
Direct property portfolio	4,109,029	1,502,468	1,452,809	45,470	-	196,809	-	7,306,585
Additions to direct property portfolio	199,971	54,959	30,759	335	-	2,947	-	288,971
Acquisition of direct property portfolio	-	94,852	236,713	-	-	-	-	331,565
Segment liability measures								
Interest bearing liabilities	-	-	-	-	2,240,082	-	-	2,240,082

1 Includes net fair value loss of investment property of $209.4 million and the Group's share of the net fair value loss of its investments accounted for using the equity accounted method of $26.2 million.

Note 36

Operating segments (continued)

(c) Other segment information

(i) Segment revenue

The revenue from external parties reported to the Board is measured in a manner consistent with that in the Statement of Comprehensive Income.

Revenue from external customers is derived predominantly through property revenue and management fee revenue. A breakdown of revenue by operating segment is provided in the tables above. The Group internally manages many of its investment properties for which inter-segment management fees are received (refer to note 33 for information relating to inter-company management fee income). Furthermore, inter-segment rental income is received from the funds management company. These amounts are eliminated on consolidation (refer to reconciliation below).

	2011 $'000	2010 $'000
Gross operating segment revenue	**721,770**	745,326
Less: inter-segment revenue eliminated on consolidation		
Property rental revenue	**(150)**	(874)
Responsible Entity fee revenue	**(26,150)**	(19,048)
Other management fee revenue	**(10,969)**	(9,939)
Other eliminations	**150**	675
Total inter-segment revenue	**(37,119)**	(29,186)
Total revenue from ordinary activities	**684,651**	716,140

The Group is domiciled in Australia. The result of its revenue from external customers in Australia is $548.4 million (2010: $544.7 million), and the total revenue from external customers in other countries is $136.3 million (2010: $171.4 million). Revenue from external customers includes $115.7 million (2010: $146.8 million) attributable to the United States portfolio. Segment revenues are allocated based on the country in which the investment property is located.

There is no single external tenant responsible for greater than 10% of external revenue.

(ii) Net operating income (NOI) and operating earnings before interest and tax (Operating EBIT)

The Board assesses the performance of each operating sector based on a measure of NOI, which is determined as property revenue less attributable property expenses. The performance indicator predominantly used as a measure of the management business performance is the Management Business EBIT, which comprises management fee revenue less compensation related expenses and other management operating expenses. Both the property NOI and the management business' EBIT exclude the effects of finance costs, taxation and non-cash items, such as unrealised fair value adjustments, which are monitored by management separately. The reconciliation below reconciles these profit measures to the profit attributable to stapled security holders.

Note 36

Operating segments (continued)

(c) Other segment information (continued)

(ii) Net operating income (NOI) and operating earnings before interest and tax (Operating EBIT) (continued)

Reconciliation of net operating income and management business EBIT to Group net loss attributable to stapled security holders:

	2011 $'000	2010 $'000
Property revenue per Statement of Comprehensive Income	**629,072**	663,068
Property expenses per Statement of Comprehensive Income	**(151,865)**	(169,753)
Intercompany property revenue and expenses[1]	**(10,413)**	(8,908)
Share of net operating income from associates	**393**	-
Net operating income (NOI)	**467,187**	484,407
Add: management business EBIT	**3,453**	6,121
Less: Internal management fees[2]	**(26,150)**	(19,048)
Less: Inter-segment eliminations	**(633)**	(1,031)
Other income and expense[3]	**(6,648)**	(9,140)
Operating EBIT	**437,209**	461,309
Interest revenue	**1,565**	1,484
Finance costs	**(52,744)**	(190,685)
Share of net profit/(loss) of associates accounted for using the equity method	**33,598**	(26,243)
Net fair value gain/(loss) of investment properties	**148,433**	(209,367)
Net gain/(loss) on sale of investment properties	**7,052**	(53,342)
Net loss on sale of investment	**-**	(15)
Net fair value gain of derivatives	**2,605**	5,401
Impairment and other[4]	**(1,285)**	(242)
Reversal of previous impairment	**-**	13,307
Tax (expense)/benefit	**(21,313)**	29,983
Other non-controlling interests	**(2,108)**	(170)
Net profit attributable to stapled security holders	**553,012**	31,420

1 Includes internal property expenses of $10.2 million included in NOI for management reporting purposes but eliminated for statutory accounting purposes. The internal property management expenses comprise of property management fees included in the management business EBIT.

2 Elimination of internally generated Responsible Entity fees of $19.5 million and $6.7 million other internal management fees.

3 Other income and expenses comprise foreign exchange gains; depreciation, other income and expenses excluding amounts included in the management business' EBIT.

4 Includes $1.1 million of non-recurring depreciation.

Note 36

Operating segments (continued)

(c) Other segment information (continued)

(iii) Segment assets

The amounts provided to the CODM as a measure of segment assets is the direct property portfolio. The direct property portfolio values are allocated based on the physical location of the asset and are measured in a manner consistent with the Statement of Financial Position. The direct property portfolio comprises investment properties, all development properties and the Group's share of properties held through equity accounted investments. The reconciliation below reconciles the total direct property portfolio balance to total assets in the Statement of Financial Position.

The Group is domiciled in Australia. Total non-current assets other than financial instruments and deferred tax assets located in Australia is $6,354.8 million (2010: $5,868.1 million), and the amount located in other countries is $1,287.2 million (2010: $1,652.1 million). This includes $1,172.5 million (2010: $1,455.2 million) attributable to the United States portfolio.

Reconciliation of direct property portfolio to Group total assets in the Statement of Financial Position:

	2011 $'000	2010 $'000
Investment properties	**7,105,914**	7,146,397
Non-current assets held for sale	**59,260**	18,068
Inventories	**112,238**	45,470
Investment property (accounted for using the equity method)[1]	**209,670**	96,650
Direct property portfolio	**7,487,082**	7,306,585
Cash	**73,746**	64,419
Receivables	**36,175**	25,010
Intangible assets	**224,684**	225,525
Derivative financial instruments	**100,220**	146,324
Deferred tax asset	**55,577**	79,927
Current tax receivable	**1,247**	3,621
Property, plant and equipment (IT and office equipment)	**3,926**	5,264
Prepayments & other assets[2]	**4,987**	14,353
Total assets	**7,987,644**	7,871,028

1 This represents the Group's portion of the investment property accounted for using the equity accounted method.

2 Other assets include the Group's share of total net assets of its investments accounted for using the equity accounted method less the Group's share of the investment property value which is included in the direct property portfolio.

Note 37

Reconciliation of net profit to net cash inflow from operating activities

(a) Reconciliation

	2011 $'000	2010 $'000
Net profit for the year	555,120	31,590
Capitalised interest	(60,955)	(41,377)
Depreciation and amortisation	3,811	3,498
Impairment	194	242
Reversal of previous impairment	-	(13,307)
Net fair value (gain)/loss of investment properties	(148,433)	209,367
Share of net (profit)/loss of associates accounted for using the equity method	(34,053)	26,243
Net fair value gain of derivatives	(2,605)	(5,401)
Net fair value (gain)/loss of interest rate swaps	(41,599)	53,623
Net (gain)/loss on sale of investment properties	(7,052)	53,342
Net fair value loss of investments	-	15
Net foreign exchange gain	(574)	(3,103)
Provision for doubtful debts	(5,516)	4,141
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(5,649)	6,665
Decrease in prepaid expenses	2,159	63
Decrease in other non-current assets - investments	24,222	31,016
Increase in inventories	(66,768)	-
Decrease/(increase) in other current assets	4,741	(3,445)
Decrease in other non-current assets	1,199	1,861
(Decrease)/increase in payables	(3,770)	9,848
(Decrease)/increase in current liabilities	(6,177)	3,151
(Decrease)/increase in other non-current liabilities	(158)	1,612
Decrease/(increase) in deferred tax assets	31,205	(29,470)
Net cash inflow from operating activities	239,342	340,174

(b) Capital expenditure on investment properties

Payments for capital expenditure on investment properties include $101.8 million (2010: $78.5 million) of maintenance and incentive capital expenditure.

Note 38

Non-cash financing and investing activities

	Note	2011 $'000	2010 $'000
Distributions reinvested	28	**14,528**	90,360

Note 39

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. The weighted average number of units has been adjusted for the bonus elements in units issued during the year and comparatives have been appropriately restated.

	2011 cents	2010 cents
Basic earnings per unit on profit attributable to unitholders of the parent entity	**3.77**	0.34
Diluted earnings per unit on profit attributable to unitholders of the parent entity	**3.77**	0.34
Basic earnings per unit on profit attributable to stapled security holders	**11.44**	0.66
Diluted earnings per unit on profit attributable to stapled security holders	**11.44**	0.66

(a) Reconciliation of earnings used in calculating earnings per unit

	2011 $'000	2010 $'000
Net profit for the year	**555,120**	31,590
Net profit attributable to unitholders of other stapled entities (non-controlling interests)	**(370,644)**	(15,299)
Net profit attributable to other non-controlling interests	**(2,108)**	(170)
Net profit attributable to the unitholders of the Trust used in calculating basic and diluted earnings per unit	**182,368**	16,121

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

	2011 securities	2010 securities
Weighted average number of units outstanding used in calculation of basic and diluted earnings per unit	**4,836,131,743**	4,774,467,167

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 24 to 96:

(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 Group's financial position as at 30 June 2011 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 Group and its consolidated entities will be able to pay their debts as and when they become due and payable; and

(c) the Group has operated in accordance with the provisions of the Constitution dated 15 August 1984 (as amended) during the year ended 30 June 2011.

Note 1(a) confirms that 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
16 August 2011

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Independent auditor's report to the stapled security holders of DEXUS Diversified Trust

Report on the financial report

We have audited the accompanying financial report of DEXUS Diversified Trust (the Trust), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and 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 Diversified Trust (the consolidated entity). The consolidated entity comprises the Trust and the entities it controlled at the 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 Note 1, 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. These Auditing 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 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 opinions.

PRICEWATERHOUSECOOPERS

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of DEXUS Diversified 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 2011 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;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 3 to 18 of the directors' report for the year ended 30 June 2011. The directors of the Responsible Entity are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of DEXUS Diversified Trust for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of DEXUS Diversified Trust for the year ended 30 June 2011 included on DEXUS Diversified Trust web site. The Responsible Entity's directors are responsible for the integrity of this 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 and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration 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 and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
16 August 2011