

DEXUS Property Group - ASX release

15 February 2012

DEXUS Property Group (ASX: DXS) 2012 half year results

DEXUS Property Group provides the following documents to the ASX Limited:

- Appendix 4D - Results for announcement to the market
- Financial statements for DEXUS Diversified Trust, DEXUS Industrial Trust, DEXUS Office Trust, and DEXUS Operations Trust for the period ending 31 December 2011, including Independent Auditor's Review Reports from PricewaterhouseCoopers.

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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 \$14bn. 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 4D

Results for announcement to the market

DEXUS Property Group
ARSN 089 324 541

Financial reporting for the half year ended 31 December 2011

| DEXUS Diversified Trust | Note 1 | | |
|---|----------------|-------------|--------|
| | 31 Dec 2011 | 31 Dec 2010 | % |
| | \$'000 | \$'000 | change |
| Revenue from ordinary activities | 371,374 | 343,324 | 8.2% |
| Net profit attributable to security holders after tax | 145,712 | 294,426 | -50.5% |
| Funds from operations (FFO) ¹ | 184,328 | 179,043 | 3.0% |
| Distribution to security holders | 129,202 | 125,331 | 3.1% |
| | CPS | CPS | |
| Funds from operations per security | 3.81 | 3.70 | 3.0% |
| Distributions per security for the period | 2.67 | 2.59 | 3.1% |
| | \$'000 | \$'000 | |
| Total assets | 8,139,293 | 7,856,925 | 3.6% |
| Total borrowings | 2,294,888 | 2,177,910 | 5.4% |
| Security holders equity | 5,111,669 | 4,972,473 | 2.8% |
| Market capitalisation | 4,016,390 | 3,847,024 | 4.4% |
| | \$ per unit | \$ per unit | |
| Net tangible assets (excluding non-controlling interests) | 1.01 | 0.98 | 3.1% |
| Securities price | 0.83 | 0.795 | 4.4% |
| Securities on issue ('000) | 4,839,024 | 4,839,024 | |
| Record date | 30 Dec 2011 | 31 Dec 2010 | |
| Payment date | 29 Feb 2012 | 25 Feb 2011 | |

¹ FFO is often used as a measure of real estate operating performance after finance costs and taxes. DXS's FFO comprises profit/loss after tax attributable to stapled security holders measured under Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit and DEXUS RENTS Trust capital distribution.

Results commentary

Refer to 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 2011 to 31 December 2011 is the aggregate of the distributions from DEXUS Diversified Trust and DEXUS Office Trust (DEXUS Operations Trust and DEXUS Industrial Trust did not pay a distribution during the period). The Annual Tax Statement, issued as at 30 June 2012, will provide details of the components of DXS’ distributions.



DEXUS Diversified Trust (ARSN 089 324 541)

Interim Report
31 December 2011



DEXUS
PROPERTY GROUP

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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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Diversified Trust (DDF or the Trust) present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2011. The consolidated Financial Statements represents DDF and its consolidated entities, DEXUS Property Group (DXS or the Group).

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

1 Directors

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

| Directors | Appointed | Resigned |
|---------------------------|----------------|-----------------|
| Christopher T Beare | 4 August 2004 | |
| Elizabeth A Alexander, AM | 1 January 2005 | |
| Barry R Brownjohn | 1 January 2005 | |
| John C Conde, AO | 29 April 2009 | |
| Tonianne Dwyer | 24 August 2011 | |
| Stewart F Ewen, OAM | 4 August 2004 | |
| Victor P Hoog Antink | 1 October 2004 | |
| Brian E Scullin | 1 January 2005 | 31 October 2011 |
| Richard Sheppard | 1 January 2012 | |
| Peter B St George | 29 April 2009 | |

2 Review of results and operations

Financial Summary

DEXUS Property Group's financial performance for the six months to 31 December 2011 is outlined below. To fully understand our results, please refer to the full Financial Statements in this Interim Report.

Total revenue from ordinary activities for the six months to 31 December 2011 increased by \$28.1 million to \$371.4 million (2010: \$343.3 million). The key drivers include:

- A 5.1% increase in like-for-like property income from the Australian office portfolio.
- Rental income commencing at recently completed developments including 123 Albert Street, Brisbane and completed developments at the Greystanes industrial estate.
- The proceeds from the sale of inventory totalling \$21.8 million (2010: nil).
- An appreciation in the average US dollar currency rate.

Net profit attributable to stapled security holders is \$145.7 million or 3.01 cents per security, a decrease of \$148.7 million from the prior corresponding period (2010: \$294.4 million). The key drivers are:

- Unrealised net fair value losses on derivatives totalling \$74.6 million (2010: gain of \$53.5 million) primarily as a result of lower market interest rates.
- Deferred tax expense of \$12.3 million (2010: \$1.2 million) associated primarily with the positive revaluation of our North American property assets.

Details of the operational result are set out on the following page.

2 Review of results and operations (continued)

Operational Result

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

DEXUS Property Group's FFO for the six months to 31 December 2011 is \$184.3 million, an increase of 3.0% on the prior corresponding period. FFO per security is 3.81 cents (31 December 2010: 3.70 cents per security). The key drivers impacting FFO are:

- The Australian and New Zealand office portfolio's net operating income of \$141.0 million increased by \$13.9 million (10.9%) driven by strong like-for-like growth of 5.1% and the commencement of rent following the completion of developments at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane. Occupancy² for the Australian Office portfolio remains high at 97.2% (2010: 96.5%). The retention rate at the end of the period was 73%.
- The Australian industrial portfolio's net operating income of \$58.4 million increased by \$1.6 million largely as a result of the completion of three developments at Greystanes during 2010 and 2011, valued at \$95.3 million. The industrial portfolio ended the period with occupancy² at 96.1% (2010: 97.4%) and a tenant retention rate of 77%.
- The US industrial portfolio's net operating income of \$37.6 million decreased by \$4.0 million, predominantly as a result of translation of stable underlying portfolio income at higher exchange rates and property transactions. The internalisation of portfolio management for the central-east portfolio has contributed to strong leasing success helping to lift total US occupancy² to 90.2% (2010: 86.4%). The retention rate at the end of the period was 50%.
- Financing costs for distributable earnings increased by \$8.9 million primarily driven by the completion of office developments at 1 Bligh Street, Sydney, 123 Albert Street, Brisbane and our industrial portfolio developments.
- Management business EBIT increased by \$2.0 million including \$2.7 million of industrial trading profits and one off costs.

Based on our current distribution policy of 70% of Funds from Operations, the distribution payable for the 6 months to 31 December 2011 is 2.67 cents per security (2010: 2.59 cents per security).

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

| | 31 Dec 2011 \$m | DPS (cents) | 31 Dec 2010 \$m | DPS (cents) |
|--|--------------------|----------------|--------------------|----------------|
| Profit for the period attributable to stapled security holders | 145.7 | | 294.4 | |
| Net fair value gain of investment properties ³ | (60.0) | | (67.9) | |
| Impairment of inventories | 2.0 | | - | |
| Net gain on sale of investment properties | (2.9) | | (4.7) | |
| Net fair value loss/(gain) of derivatives | 74.6 | | (53.5) | |
| Incentive amortisation and rent straight line ^{3,4} | 16.7 | | 14.5 | |
| Deferred tax expense | 12.3 | | 1.2 | |
| RENTS capital distribution | (5.3) | | (5.3) | |
| Impairment of goodwill and other | 1.2 | | 0.3 | |
| Funds from Operations ¹ | 184.3 | 3.81 | 179.0 | 3.70 |
| Retained earnings ⁵ | (55.1) | | (53.7) | |
| Distributions | 129.2 | 2.67 | 125.3 | 2.59 |

1 The DEXUS Property Group's FFO comprises profit/loss after tax attributable to stapled security holders measured under Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit and DEXUS RENTS Trust capital distribution. A full reconciliation of FFO is contained in our 2012 half year results appendices and is also available at www.dexus.com/dxs/propertyreports

2 Occupancy by area.

3 Including DXS's share of equity accounted investments.

4 Includes cash and fit out incentives amortisation.

5 Based on the current distribution policy of 70% of FFO.

3 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this Directors' Report.

4 Rounding of amounts and currency

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

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 14 February 2012. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
14 February 2012



Victor P Hoog Antink
Chief Executive Officer
14 February 2012



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Diversified Trust for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'EA Barron', with a large, stylized circular flourish at the end.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
14 February 2012

DEXUS Diversified Trust
Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2011

| | Note | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|--|------|-----------------------|-----------------------|
| Revenue from ordinary activities | | | |
| Property revenue | | 323,078 | 314,428 |
| Proceeds from sale of inventory | | 21,830 | - |
| Interest revenue | | 799 | 717 |
| Management fee revenue | | 25,667 | 28,179 |
| Total revenue from ordinary activities | | 371,374 | 343,324 |
| Net fair value gain of investment properties | | 59,956 | 55,022 |
| Net gain on sale of investment properties | | 2,905 | 4,697 |
| Share of net profit of associates accounted for using the equity method | 7 | 3,108 | 12,870 |
| Net foreign exchange gain | | 778 | 491 |
| Other income | | 17 | 641 |
| Total income | | 438,138 | 417,045 |
| Expenses | | | |
| Property expenses | | (77,999) | (75,268) |
| Cost of sale of inventory | | (19,110) | - |
| Finance (costs)/income | 2 | (132,239) | 2,424 |
| Depreciation and amortisation | | (1,237) | (1,217) |
| Impairment of inventories | | (2,014) | - |
| Impairment of goodwill | | (563) | (74) |
| Employee benefits expense | | (35,664) | (36,093) |
| Net fair value (loss)/gain of derivatives | | (517) | 1,932 |
| Other expenses | | (9,310) | (11,367) |
| Total expenses | | (278,653) | (119,663) |
| Profit before tax | | 159,485 | 297,382 |
| Tax benefit/(expense) | | | |
| Income tax benefit | | 149 | 3,032 |
| Withholding tax expense | | (12,914) | (5,064) |
| Total tax expense | | (12,765) | (2,032) |
| Profit after tax | | 146,720 | 295,350 |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations | | (1,949) | (6,995) |
| Total comprehensive income for the period | | 144,771 | 288,355 |
| Profit for the period attributable to: | | | |
| Unitholders of the parent entity | | 110,659 | 91,480 |
| Unitholders of other stapled entities (non-controlling interests) | | 35,053 | 202,946 |
| Stapled security holders | | 145,712 | 294,426 |
| Other non-controlling interest | | 1,008 | 924 |
| Profit for the period | | 146,720 | 295,350 |
| Total comprehensive income for the period attributable to: | | | |
| Unitholders of the parent entity | | 116,560 | 68,147 |
| Unitholders of other stapled entities (non-controlling interests) | | 27,203 | 219,284 |
| Stapled security holders | | 143,763 | 287,431 |
| Other non-controlling interest | | 1,008 | 924 |
| Total comprehensive income for the period | | 144,771 | 288,355 |
| | | Cents | Cents |
| Earnings per unit | | | |
| Basic earnings per unit on profit attributable to unitholders of the parent entity | | 2.29 | 1.89 |
| Diluted earnings per unit on profit attributable to unitholders of the parent entity | | 2.29 | 1.89 |

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

| | | |
|--|------|------|
| Earnings per stapled security | | |
| Basic earnings per unit on profit attributable to stapled security holders | 3.01 | 6.09 |
| Diluted earnings per unit on profit attributable to stapled security holders | 3.01 | 6.09 |

DEXUS Diversified Trust
Consolidated Statement of Financial Position
As at 31 December 2011

| | Note | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|------|-----------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | 3 | 77,032 | 73,746 |
| Receivables | | 26,130 | 36,175 |
| Non-current assets classified as held for sale | 4 | 28,018 | 59,260 |
| Inventories | 5 | 44,431 | 7,991 |
| Derivative financial instruments | | 14,930 | 23,112 |
| Current tax assets | | 1,271 | 1,247 |
| Other | | 11,361 | 11,396 |
| Total current assets | | 203,173 | 212,927 |
| Non-current assets | | | |
| Investment properties | 6 | 7,267,214 | 7,105,914 |
| Property, plant and equipment | | 4,018 | 3,926 |
| Inventories | 5 | 74,480 | 104,247 |
| Investments accounted for using the equity method | 7 | 205,133 | 200,356 |
| Derivative financial instruments | | 107,784 | 77,108 |
| Deferred tax assets | | 51,064 | 55,577 |
| Intangible assets | 8 | 223,908 | 224,684 |
| Other | | 2,519 | 2,905 |
| Total non-current assets | | 7,936,120 | 7,774,717 |
| Total assets | | 8,139,293 | 7,987,644 |
| Current liabilities | | | |
| Payables | | 101,421 | 108,916 |
| Interest bearing liabilities | 9 | 8,224 | 315,777 |
| Current tax liabilities | | 7,132 | 7,014 |
| Provisions | | 147,013 | 147,806 |
| Derivative financial instruments | | 11,712 | 5,000 |
| Total current liabilities | | 275,502 | 584,513 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 9 | 2,286,664 | 1,899,279 |
| Derivative financial instruments | | 216,441 | 155,085 |
| Deferred tax liabilities | | 24,237 | 18,151 |
| Provisions | | 14,461 | 17,624 |
| Other | | 6,183 | 6,151 |
| Total non-current liabilities | | 2,547,986 | 2,096,290 |
| Total liabilities | | 2,823,488 | 2,680,803 |
| Net assets | | 5,315,805 | 5,306,841 |
| Equity | | | |
| Equity attributable to unitholders of parent entity | | | |
| Contributed equity | 10 | 1,623,028 | 1,798,077 |
| Reserves | | (97,769) | (103,670) |
| Retained profits | | 277,575 | 222,638 |
| Parent entity unitholders' interest | | 1,802,834 | 1,917,045 |
| Equity attributable to unitholders of other stapled entities (non-controlling interests) | | | |
| Contributed equity | 10 | 3,189,433 | 3,014,665 |
| Reserves | | 60,716 | 68,566 |
| Retained profits | | 58,686 | 102,537 |
| Other stapled unitholders' interest | | 3,308,835 | 3,185,768 |
| Stapled security holders' interest | | 5,111,669 | 5,102,813 |
| Other non-controlling interest | | 204,136 | 204,028 |
| Total equity | | 5,315,805 | 5,306,841 |

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

DEXUS Diversified Trust
Consolidated Statement of Changes in Equity

For the half year ended 31 December 2011

| | Note | Stapled security holders equity | | | | | Other non-controlling interest | Total equity |
|---|------|---------------------------------|------------------|--------------------------------------|---------------------------|----------------------------------|--------------------------------|--------------|
| | | Contributed equity | Retained profits | Foreign currency translation reserve | Asset revaluation reserve | Stapled security holders' equity | | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance as at 1 July 2010 | | 4,798,214 | 33,186 | (72,967) | 42,739 | 4,801,172 | 205,275 | 5,006,447 |
| Profit for the period attributable to: | | | | | | | | |
| Unitholders of the parent entity | | - | 91,480 | - | - | 91,480 | - | 91,480 |
| Other stapled entities (non-controlling interests) | | - | 202,946 | - | - | 202,946 | - | 202,946 |
| Other non-controlling interest | | - | - | - | - | - | 924 | 924 |
| Profit for the period | | - | 294,426 | - | - | 294,426 | 924 | 295,350 |
| Other comprehensive (loss)/income for the period attributable to: | | | | | | | | |
| Unitholders of the parent entity | | - | - | (23,333) | - | (23,333) | - | (23,333) |
| Other stapled entities (non-controlling interests) | | - | - | 16,338 | - | 16,338 | - | 16,338 |
| Total other comprehensive loss for the period | | - | - | (6,995) | - | (6,995) | - | (6,995) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Contributions of equity, net of transaction costs | | 14,528 | - | - | - | 14,528 | (1,088) | 13,440 |
| Distributions paid or provided for | 11 | - | (125,331) | - | - | (125,331) | (6,344) | (131,675) |
| Total transactions with owners in their capacity as owners | | 14,528 | (125,331) | - | - | (110,803) | (7,432) | (118,235) |
| Transfer (from)/to retained profits | | - | (5,327) | - | - | (5,327) | 5,327 | - |
| Closing balance as at 31 December 2010 | | 4,812,742 | 196,954 | (79,962) | 42,739 | 4,972,473 | 204,094 | 5,176,567 |

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

DEXUS Diversified Trust
Consolidated Statement of Changes in Equity (continued)

For the half year ended 31 December 2011

| | Note | Stapled security holders equity | | | | | Other non-controlling interest | Total equity |
|--|------|---------------------------------|------------------|--------------------------------------|---------------------------|----------------------------------|--------------------------------|------------------|
| | | Contributed equity | Retained profits | Foreign currency translation reserve | Asset revaluation reserve | Stapled security holders' equity | | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance as at 1 July 2011 | | 4,812,742 | 325,175 | (77,843) | 42,739 | 5,102,813 | 204,028 | 5,306,841 |
| Profit for the period attributable to: | | | | | | | | |
| Unitholders of the parent entity | | - | 110,659 | - | - | 110,659 | - | 110,659 |
| Other stapled entities (non-controlling interests) | | - | 35,053 | - | - | 35,053 | - | 35,053 |
| Other non-controlling interest | | - | - | - | - | - | 1,008 | 1,008 |
| Profit for the period | | - | 145,712 | - | - | 145,712 | 1,008 | 146,720 |
| Other comprehensive income/(loss) for the period attributable to: | | | | | | | | |
| Unitholders of the parent entity | | - | - | 5,901 | - | 5,901 | - | 5,901 |
| Other stapled entities (non-controlling interests) | | - | - | (7,850) | - | (7,850) | - | (7,850) |
| Total other comprehensive loss for the period | | - | - | (1,949) | - | (1,949) | - | (1,949) |
| Transactions with owners in their capacity as owners | | | | | | | | |
| Capital payments and capital contributions, net of transaction costs | | (281) | - | - | - | (281) | - | (281) |
| Distributions paid or provided for | 11 | - | (129,202) | - | - | (129,202) | (6,324) | (135,526) |
| Total transactions with owners in their capacity as owners | | (281) | (129,202) | - | - | (129,483) | (6,324) | (135,807) |
| Transfer (from)/to retained profits | | - | (5,424) | - | - | (5,424) | 5,424 | - |
| Closing balance as at 31 December 2011 | | 4,812,461 | 336,261 | (79,792) | 42,739 | 5,111,669 | 204,136 | 5,315,805 |

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

DEXUS Diversified Trust
Consolidated Statement of Cash Flows

For the half year ended 31 December 2011

| | Note | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|--|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts in the course of operations (inclusive of GST) | | 424,287 | 393,488 |
| Payments in the course of operations (inclusive of GST) | | (175,691) | (166,001) |
| Interest received | | 887 | 662 |
| Finance costs paid to financial institutions | | (83,995) | (79,771) |
| Distributions received from associates accounted for using the equity method | | 4,056 | - |
| Income and withholding taxes paid | | (482) | (2,254) |
| Proceeds from sale of property classified as inventory | | 21,830 | - |
| Payments for property classified as inventory | | (24,023) | (39,602) |
| Net cash inflow from operating activities | | 166,869 | 106,522 |
| Cash flows from investing activities | | | |
| Proceeds from sale of investment properties | | 103,296 | 44,949 |
| Payments for capital expenditure on investment properties | | (91,578) | (181,142) |
| Payments for acquisition of investment properties | | (34,730) | (14,700) |
| Payments for acquisition of investments net of cash | | - | (872) |
| Payments for investments accounted for using the equity method | | (3,848) | (33,499) |
| Payments for property, plant and equipment | | (1,115) | (1,301) |
| Net cash outflow from investing activities | | (27,975) | (186,565) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 1,425,136 | 719,765 |
| Repayment of borrowings | | (1,427,635) | (546,501) |
| Distributions paid to security holders | | (125,331) | (103,583) |
| Distributions paid to other non-controlling interests | | (6,365) | (6,079) |
| Capital contribution and capital payment transaction costs | | (281) | - |
| Net cash (outflow)/inflow from financing activities | | (134,476) | 63,602 |
| Net increase/(decrease) in cash and cash equivalents | | 4,418 | (16,441) |
| Cash and cash equivalents at the beginning of the period | | 73,746 | 64,419 |
| Effects of exchange rate changes on cash and cash equivalents | | (1,132) | (3,904) |
| Cash and cash equivalents at the end of the period | 3 | 77,032 | 44,074 |

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 results of DDF, which comprises DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities. Equity attributable to other trusts stapled to DDF is a form of non-controlling interest 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 as Responsible Entity for DDF, DIT, DOT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

These general purpose interim Financial Statements for the half year ended 31 December 2011 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2011 and any public pronouncements made by the Group during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

As at 31 December 2011, the Group had a net current asset deficiency of \$72.3 million (June 2011: \$371.6 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 \$565.8 million and a \$200.0 million new facility as set out in note 9.

(b) Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies. Other than the estimation of fair values relating to derivatives and other financial instruments, investment properties and intangible assets, 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 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 2**Finance costs**

| | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|---|-----------------------|-----------------------|
| Interest paid/payable | (67,535) | (60,824) |
| Amount capitalised | 15,037 | 29,123 |
| Other finance costs | (2,372) | (2,128) |
| Net fair value (loss)/gain of interest rate swaps | (77,369) | 36,253 |
| Total finance (costs)/income | (132,239) | 2,424 |

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.99% (2010: 7.74%).

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

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|-----------------------|-----------------------|
| Cash at bank | 31,092 | 28,039 |
| Short-term deposits ¹ | 45,940 | 45,707 |
| Total current assets - cash and cash equivalents | 77,032 | 73,746 |

¹ As at 31 December 2011, the Group held C\$34.7 million (A\$33.5 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 law as part of the finalisation of the capital gains tax on disposal.

Note 4**Non-current assets classified as held for sale****(a) Non-current assets held for sale**

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|-----------------------|-----------------------|
| Investment properties held for sale | 28,018 | 59,260 |
| Total non-current assets classified as held for sale | 28,018 | 59,260 |

(b) Reconciliation

| | | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|--|---|---|--|
| Opening balance at the beginning of the period | | 59,260 | 18,068 |
| Disposals | | (30,106) | (15,674) |
| Transfer from investment properties | 6 | - | 59,260 |
| Foreign exchange differences on foreign currency translation | | (1,114) | (2,445) |
| Net fair value loss of investment properties held for sale | | (71) | - |
| Additions, amortisation and other | | 49 | 51 |
| Closing balance at the end of the period | | 28,018 | 59,260 |

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

Note 4

Non-current assets classified as held for sale (continued)

Disposals

- On 16 September 2011, Schillerstraße 51, Ellhofen was disposed of for gross proceeds of €6.8 million (A\$9.4 million).
- On 16 September 2011, Schillerstraße 42, 42a & Bahnhofstraße 44, 50, Ellhofen was disposed of for gross proceeds of €4.0 million (A\$5.5 million).
- On 16 September 2011, Sulmstraße, Ellhofen-Weinsberg was disposed of for gross proceeds of €9.8 million (A\$13.6 million).
- On 30 December 2011, Nievesheimerstraße 24, Worms was disposed of for gross proceeds of €2.5 million (A\$3.1 million).

Note 5

Inventories

(a) Land and properties held for resale

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|-----------------------|-----------------------|
| Current assets | | |
| Land and properties held for resale | 44,431 | 7,991 |
| Total current assets - inventories | 44,431 | 7,991 |
| Non-current assets | | |
| Land and properties held for resale | 74,480 | 104,247 |
| Total non-current assets - inventories | 74,480 | 104,247 |
| Total assets - inventories | 118,911 | 112,238 |

(b) Reconciliation

| | | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|---|------|---|--|
| | Note | | |
| Opening balance at the beginning of the period | | 112,238 | 45,470 |
| Transfer from investment properties | 6 | - | 6,448 |
| Disposals | | (19,110) | (3,353) |
| Impairment | | (2,014) | - |
| Acquisitions, additions and other | | 27,797 | 63,673 |
| Closing balance at the end of the period | | 118,911 | 112,238 |

Acquisition

- On 29 November 2011, undeveloped land was acquired at 3676 Ipswich Rd, Wacol QLD.

Disposals

- On 21 July 2011, two lots located at Templar Road, Erskine Park NSW were disposed of for gross proceeds of \$10.1 million.
- On 27 October 2011, a 6,534sqm development for Loscam at Foundation Drive, Laverton VIC was disposed of for gross proceeds of \$11.7 million.

Note 6

Non-current assets - investment properties

| (a) Properties | Ownership | Acquisition date | Independent valuation date | Independent valuation amount | Independent valuer | Book value 31 Dec 2011 | Book value 30 Jun 2011 |
|--|-----------|------------------|----------------------------|------------------------------|--------------------|------------------------|------------------------|
| | | | | \$'000 | | \$'000 | \$'000 |
| Kings Park Industrial Estate, Bowmans Road, Marayong, NSW | 100% | May 1990 | Dec 2009 | 88,000 | (i) | 88,724 | 88,660 |
| Target Distribution Centre, Lot 1, Tara Avenue, Altona North, VIC | 100% | Oct 1995 | Jun 2011 | 32,500 | (i) | 32,521 | 32,500 |
| Axxess Corporate Park, Mount Waverley, VIC | 100% | Oct 1996 | Jun 2010 | 179,400 | (g) | 181,801 | 181,249 |
| Knoxfield Industrial Estate, 20 Henderson Road, Knoxfield, VIC | 100% | Aug 1996 | Jun 2011 | 37,600 | (g) | 37,607 | 37,600 |
| 12 Frederick Street, St Leonards, NSW | 100% | Jul 2000 | Jun 2011 | 33,500 | (a) | 33,737 | 33,500 |
| 2 Alspec Place, Eastern Creek, NSW | 100% | Mar 2004 | Dec 2011 | 24,900 | (d) | 24,900 | 24,328 |
| 108-120 Silverwater Road, Silverwater, NSW | 100% | May 2010 | n/a | n/a | n/a | 26,062 | 25,931 |
| 40 Talavera Road, North Ryde, NSW | 100% | Oct 2002 | Dec 2011 | 31,500 | (g) | 31,500 | 27,981 |
| 44 Market Street, Sydney, NSW | 100% | Sep 1987 | Jun 2010 | 192,700 | (d) | 213,369 | 207,000 |
| 8 Nicholson Street, Melbourne, VIC | 100% | Nov 1993 | Jun 2009 | 85,000 | (i) | 80,279 | 80,162 |
| 130 George Street, Parramatta, NSW | 100% | May 1997 | Dec 2010 | 77,000 | (f) | 80,072 | 79,460 |
| Flinders Gate Complex, 172 Flinders Street & 189 Flinders Lane, Melbourne, VIC | 100% | Mar 1999 | Jun 2011 | 28,500 | (e) | 29,312 | 28,500 |
| 383-395 Kent Street, Sydney, NSW | 100% | Sep 1987 | Dec 2011 | 133,000 | (a) | 133,000 | 127,225 |
| 14 Moore Street, Canberra, ACT** | 100% | May 2002 | Jun 2010 | 37,000 | (i) | 30,000 | 33,000 |
| Sydney CBD Floor Space ¹ | 100% | Jul 2000 | Dec 2011 | 129 | (a) | 129 | 129 |
| 34-60 Little Collins Street, Melbourne, VIC** | 100% | Nov 1984 | Jun 2011 | 39,200 | (i) | 39,213 | 39,200 |
| 32-44 Flinders Street, Melbourne, VIC | 100% | Jun 1998 | Jun 2011 | 29,500 | (e) | 29,899 | 29,500 |
| Flinders Gate Carpark, 172-189 Flinders Street, Melbourne, VIC | 100% | Mar 1999 | Jun 2011 | 54,000 | (e) | 54,000 | 54,000 |
| 383-395 Kent Street Car Park, Sydney, NSW | 100% | Sep 1987 | Dec 2011 | 64,000 | (a) | 64,000 | 60,000 |
| 123 Albert St, Brisbane, QLD ² | 100% | Oct 1984 | n/a | n/a | n/a | 368,446 | - |
| 2 - 4 Military Rd, Matraville, NSW | 100% | Dec 2009 | n/a | n/a | n/a | 51,400 | 48,902 |
| 79-99 St Hilliers Road, Auburn, NSW | 100% | Sep 1997 | Dec 2011 | 37,500 | (g) | 37,500 | 37,400 |
| 3 Brookhollow Avenue, Baulkham Hills, NSW | 100% | Dec 2002 | Jun 2010 | 40,000 | (e) | 40,365 | 40,112 |
| 1 Garigal Road, Belrose, NSW | 100% | Dec 1998 | Jun 2009 | 24,000 | (f) | 20,500 | 20,500 |

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

2 Classified as development property held as investment property at 30 June 2011.

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

Note 6

Non-current assets - investment properties (continued)

| (a) Properties (continued) | Ownership | Acquisition date | Independent valuation date | Independent valuation amount | Independent valuer | Book value 31 Dec 2011 | Book value 30 Jun 2011 |
|--|-----------|------------------|----------------------------|------------------------------|--------------------|------------------------|------------------------|
| | | | | \$'000 | | \$'000 | \$'000 |
| 2 Minna Close, Belrose, NSW | 100% | Dec 1998 | Jun 2009 | 27,600 | (f) | 27,346 | 27,312 |
| 114 - 120 Old Pittwater Road, Brookvale, NSW | 100% | Sep 1997 | Dec 2011 | 45,500 | (a) | 45,500 | 44,128 |
| 145 - 151 Arthur Street, Flemington, NSW | 100% | Sep 1997 | Jun 2011 | 28,000 | (f) | 28,001 | 28,000 |
| 436 - 484 Victoria Road, Gladesville, NSW | 100% | Sep 1997 | Dec 2011 | 41,500 | (e) | 41,500 | 43,500 |
| 1 Foundation Place, Greystanes, NSW | 100% | Feb 2003 | Jun 2010 | 41,500 | (f) | 43,201 | 43,000 |
| 5 - 15 Roseberry Avenue & 25 - 55 Rothschild Avenue, Rosebery, NSW | 100% | Apr 1998 | Dec 2010 | 89,000 | (f) | 90,115 | 89,756 |
| 10 - 16 South Street, Rydalmere, NSW | 100% | Sep 1997 | Jun 2011 | 39,250 | (g) | 40,273 | 39,250 |
| Pound Road West, Dandenong, VIC | 100% | Jan 2004 | Dec 2011 | 74,700 | (g) | 75,464 | 75,300 |
| DEXUS Industrial Estate, Boundary Road, Laverton North, VIC | 100% | Jul 2002 | Dec 2011 | 120,900 | (f) | 123,273 | 123,393 |
| 250 Forest Road, South Lara, VIC | 100% | Dec 2002 | Dec 2010 | 50,000 | (i) | 51,899 | 50,000 |
| 15 - 23 Whicker Road, Gillman, SA | 100% | Dec 2002 | Dec 2010 | 25,500 | (a) | 28,825 | 28,800 |
| 25 Donkin Street, Brisbane, QLD | 100% | Dec 1998 | Dec 2010 | 27,000 | (f) | 26,653 | 26,200 |
| 52 Holbeche Road, Arndell Park, NSW | 100% | Jul 1998 | Dec 2009 | 11,500 | (a) | 12,510 | 12,500 |
| 30 - 32 Bessemer Street, Blacktown, NSW | 100% | May 1997 | Jun 2011 | 16,250 | (e) | 15,500 | 16,250 |
| 27 - 29 Liberty Road, Huntingwood, NSW | 100% | Jul 1998 | Dec 2010 | 8,000 | (i) | 8,026 | 8,000 |
| 154 O'Riordan Street, Mascot, NSW | 100% | Jun 1997 | Jun 2011 | 13,750 | (e) | 13,893 | 13,750 |
| 11 Talavera Road, North Ryde, NSW | 100% | Jun 2002 | Jun 2010 | 127,000 | (g) | 145,251 | 141,000 |
| DEXUS Industrial Estate, Egerton Street, Silverwater, NSW | 100% | May 1997 | Dec 2009 | 39,500 | (e) | 42,048 | 40,200 |
| 114 Fairbank Road, Clayton, VIC | 100% | Jul 1997 | Dec 2010 | 14,900 | (f) | 15,123 | 15,090 |
| 30 Bellrick Street, Acacia Ridge, QLD | 100% | Jun 1997 | Jun 2010 | 19,600 | (d) | 20,303 | 20,300 |
| Quarry Greystanes, NSW - Solaris | 100% | Dec 2007 | Dec 2011 | 25,250 | (e) | 25,250 | 24,502 |
| Quarry Greystanes, NSW - Symbion | 100% | Dec 2007 | n/a | n/a | n/a | 30,472 | 30,411 |
| Quarry Greystanes, NSW - Fujitsu ¹ | 100% | Dec 2007 | n/a | n/a | n/a | 39,600 | - |
| European Portfolio | 100% | Jul 2006 | Dec 2011 | 61,699 | (e) | 61,444 | 114,660 |

1 Classified as development property held as investment property at 30 June 2011.

Note 6

Non-current assets - investment properties (continued)

| (a) Properties (continued) | Ownership | Acquisition date | Independent valuation date | Independent valuation amount | Independent valuer | Book value 31 Dec 2011 | Book value 30 Jun 2011 |
|---|-----------|------------------|----------------------------|------------------------------|--------------------|------------------------|------------------------|
| | | | | \$'000 | | \$'000 | \$'000 |
| 45 Clarence Street, Sydney, NSW | 100% | Dec 1998 | Jun 2011 | 247,500 | (f) | 248,749 | 247,500 |
| Governor Phillip Tower & Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW ¹ | 50% | Dec 1998 | Dec 2010 | 643,000 | (d) | 646,632 | 645,443 |
| 309-321 Kent Street, Sydney, NSW ¹ | 50% | Dec 1998 | Dec 2010 | 182,500 | (i) | 185,063 | 184,308 |
| 1 Margaret Street, Sydney, NSW | 100% | Dec 1998 | Dec 2011 | 173,500 | (d) | 173,500 | 170,863 |
| Victoria Cross 60 Miller Street, North Sydney, NSW | 100% | Dec 1998 | Jun 2011 | 135,000 | (a) | 137,538 | 135,000 |
| The Zenith, 821-843 Pacific Highway, Chatswood, NSW ¹ | 50% | Dec 1998 | Jun 2010 | 107,500 | (e) | 113,878 | 112,953 |
| Woodside Plaza, 240 St Georges Terrace, Perth, WA | 100% | Jan 2001 | Jun 2010 | 425,000 | (e) | 441,200 | 441,000 |
| 30 The Bond, 30-34 Hickson Road, Sydney, NSW | 100% | May 2002 | Dec 2010 | 145,000 | (a) | 146,203 | 145,455 |
| Southgate Complex, 3 Southgate Avenue, Southbank, VIC | 100% | Aug 2000 | Jun 2009 | 340,000 | (i) | 399,260 | 385,000 |
| 201-217 Elizabeth Street, Sydney, NSW ¹ | 50% | Aug 2000 | Jun 2011 | 144,000 | (d) | 146,375 | 144,000 |
| Garema Court, 140-180 City Walk, Civic, ACT ** | 100% | Aug 2000 | Dec 2011 | 29,500 | (a) | 29,500 | 31,000 |
| Australia Square Complex, 264-278 George Street, Sydney, NSW ¹ | 50% | Aug 2000 | Dec 2011 | 278,750 | (f) | 278,750 | 271,463 |
| Lumley Centre, 88 Shortland Street, Auckland, New Zealand | 100% | Sep 2005 | Jun 2010 | 97,756 | (d) | 93,738 | 94,974 |
| 13201 South Orange Avenue, Orlando | 100% | Jun 2007 | Dec 2011 | 32,395 | (a) | 32,395 | 29,435 |
| Town Park Drive, Atlanta | 100% | Sep 2004 | Jun 2011 | 4,431 | (a) | 5,908 | 4,190 |
| MD Food Park, Baltimore | 100% | Sep 2004 | Dec 2010 | 16,148 | (a) | 18,413 | 17,134 |
| West Nursery, Baltimore | 100% | Sep 2004 | Jun 2011 | 5,120 | (a) | 5,380 | 4,842 |
| Cabot Techs, Baltimore | 100% | Sep 2004 | Dec 2011 | 14,248 | (a) | 14,248 | 14,703 |
| 9112 Guildford Road, Baltimore | 100% | Sep 2004 | Dec 2011 | 7,099 | (a) | 7,099 | 7,147 |
| 8155 Stayton Drive, Baltimore | 100% | Sep 2004 | Jun 2010 | 6,105 | (a) | 6,715 | 5,773 |
| Patuxent Range Road, Baltimore | 100% | Sep 2004 | Jun 2010 | 8,664 | (a) | 10,001 | 9,079 |
| Bristol Court, Baltimore | 100% | Sep 2004 | Jun 2010 | 8,173 | (a) | 9,848 | 9,219 |
| NE Baltimore, Baltimore | 100% | Sep 2004 | Jun 2010 | 6,145 | (a) | 5,898 | 6,220 |

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 6

Non-current assets - investment properties (continued)

| (a) Properties (continued) | Ownership | Acquisition date | Independent valuation date | Independent valuation amount | Independent valuer | Book value 31 Dec 2011 | Book value 30 Jun 2011 |
|--|-----------|------------------|----------------------------|------------------------------|--------------------|------------------------|------------------------|
| | | | | \$'000 | | \$'000 | \$'000 |
| 1181 Portal, 1831 Portal and 6615 Tributary, Baltimore | 100% | Jun 2005 | Jun 2011 | 9,880 | (a) | 10,634 | 9,344 |
| 9900 Brookford Street, Charlotte | 100% | Sep 2004 | Dec 2011 | 2,954 | (a) | 2,954 | 2,084 |
| Westinghouse, Charlotte | 100% | Sep 2004 | Jun 2011 | 15,163 | (a) | 15,419 | 14,340 |
| Airport Exchange, Cincinnati | 100% | Sep 2004 | Dec 2010 | 1,733 | (a) | 2,787 | 1,656 |
| Empire Drive, Cincinnati | 100% | Sep 2004 | Dec 2011 | 3,643 | (a) | 3,643 | 3,896 |
| International Way, Cincinnati | 100% | Sep 2004 | Dec 2011 | 9,157 | (a) | 9,157 | 8,732 |
| Kentucky Drive, Cincinnati | 100% | Sep 2004 | Dec 2011 | 10,634 | (a) | 10,634 | 10,811 |
| Kenwood Road, Cincinnati | 100% | Sep 2004 | Jun 2011 | 13,785 | (a) | 11,816 | 13,037 |
| World Park, Cincinnati | 100% | Sep 2004 | Dec 2010 | 6,893 | (a) | 3,915 | 6,379 |
| Equity/Westbelt/Dividend, Columbus | 100% | Sep 2004 | Dec 2011 | 19,063 | (a) | 19,063 | 16,840 |
| 2700 International Street, Columbus | 100% | Sep 2004 | Dec 2010 | 2,560 | (a) | - | 1,932 |
| SE Columbus, Columbus | 100% | Sep 2004 | Dec 2010 | 2,508 | (a) | 2,140 | 1,886 |
| Arlington, Dallas | 100% | Sep 2004 | Jun 2011 | 6,499 | (a) | 7,018 | 6,146 |
| 1900 Diplomat Drive, Dallas | 100% | Sep 2004 | Jun 2010 | 3,151 | (a) | 3,958 | 2,943 |
| 2055 Diplomat Drive, Dallas | 100% | Sep 2004 | Jun 2011 | 1,920 | (a) | 1,997 | 1,816 |
| North Lake, Dallas | 100% | Sep 2004 | Jun 2010 | 9,738 | (a) | 12,259 | 10,532 |
| 555 Airline Drive, Dallas | 100% | Sep 2004 | Jun 2010 | 4,628 | (a) | 5,186 | 4,900 |
| Hillguard, Dallas | 100% | Sep 2004 | Dec 2011 | 8,566 | (a) | 8,566 | 7,668 |
| 11011 Regency Crest Drive, Dallas | 100% | Sep 2004 | Dec 2011 | 7,286 | (a) | 7,286 | 6,024 |
| East Collins, Dallas | 100% | Sep 2004 | Jun 2010 | 3,151 | (a) | 3,391 | 3,072 |
| 3601 East Plano/1000 Shiloh, Dallas | 100% | Sep 2004 | Dec 2011 | 12,702 | (a) | 12,702 | 12,240 |
| East Plano Parkway, Dallas | 100% | Sep 2004 | Dec 2010 | 21,564 | (a) | 22,936 | 21,548 |
| 820-860 Avenue F, Dallas | 100% | Sep 2004 | Dec 2011 | 4,037 | (a) | 4,037 | 4,851 |
| 10th Street, Dallas | 100% | Sep 2004 | Jun 2010 | 10,625 | (a) | 9,200 | 8,800 |

Note 6

Non-current assets - investment properties (continued)

| (a) Properties (continued) | Ownership | Acquisition date | Independent valuation date | Independent valuation amount | Independent valuer | Book value | Book value |
|--|-----------|------------------|----------------------------|------------------------------|--------------------|-------------|-------------|
| | | | | | | 31 Dec 2011 | 30 Jun 2011 |
| | | | | \$'000 | | \$'000 | \$'000 |
| Capital Avenue, Dallas | 100% | Sep 2004 | Jun 2010 | 5,752 | (a) | 6,434 | 5,885 |
| CTC @ Valwood, Dallas | 100% | Sep 2004 | Jun 2010 | 3,741 | (a) | 3,771 | 3,315 |
| Glendale, Los Angeles | 100% | Sep 2004 | Dec 2011 | 57,404 | (a) | 57,404 | 54,192 |
| 14489 Industry Circle, Los Angeles | 100% | Sep 2004 | Dec 2010 | 7,336 | (a) | 8,212 | 6,957 |
| 14555 Alondra/6530 Altura, Los Angeles | 100% | Sep 2004 | Dec 2011 | 17,625 | (a) | 17,625 | 17,065 |
| San Fernando Valley, Los Angeles | 100% | Sep 2004 | Dec 2010 | 20,225 | (a) | 22,027 | 20,832 |
| 2950 Lexington Avenue S, Minneapolis | 100% | Sep 2004 | Dec 2011 | 8,241 | (a) | 8,241 | 7,589 |
| Mounds View, Minneapolis | 100% | Sep 2004 | Dec 2011 | 15,587 | (a) | 15,587 | 12,118 |
| 6105 Trenton Lane, Minneapolis | 100% | Sep 2004 | Jun 2010 | 6,558 | (a) | 6,653 | 6,272 |
| CTC @ Dulles, Northern Virginia | 100% | Sep 2004 | Dec 2011 | 23,631 | (a) | 23,631 | 23,280 |
| Alexandria, Northern Virginia | 100% | Sep 2004 | Jun 2011 | 40,567 | (a) | 40,932 | 38,365 |
| Guildford, Northern Virginia | 100% | Sep 2004 | Jun 2010 | 14,474 | (a) | - | 16,272 |
| Orlando Central Park, Orlando | 100% | Sep 2004 | Dec 2011 | 57,700 | (a) | 57,700 | 54,847 |
| 7500 Exchange Drive, Orlando | 100% | Sep 2004 | Jun 2010 | 3,741 | (a) | 4,697 | 3,962 |
| 105-107 South 41st Avenue, Phoenix | 100% | Sep 2004 | Dec 2010 | 10,047 | (a) | 14,021 | 9,889 |
| 1429-1439 South 40th Avenue, Phoenix | 100% | Sep 2004 | Dec 2010 | 8,467 | (a) | 8,143 | 8,449 |
| 10397 West Van Buren St., Phoenix | 100% | Sep 2004 | Dec 2011 | 11,638 | (a) | 11,638 | 7,984 |
| 844 44th Avenue, Phoenix | 100% | Sep 2004 | Dec 2010 | 6,006 | (a) | 6,000 | 5,671 |
| 220 South 9th Street, Phoenix | 100% | Sep 2004 | Dec 2011 | 6,400 | (a) | 6,400 | 5,595 |
| 431 North 47th Avenue, Phoenix | 100% | Sep 2004 | Jun 2010 | 5,317 | (a) | 6,203 | 5,350 |
| 601 South 55th Avenue, Phoenix | 100% | Sep 2004 | Dec 2011 | 5,199 | (a) | 5,199 | 3,850 |
| 1000 South Priest Drive, Phoenix | 100% | Sep 2004 | Dec 2011 | 2,895 | (a) | 2,895 | 1,867 |
| 1120-1150 W. Alameda Drive, Phoenix | 100% | Sep 2004 | Jun 2011 | 4,558 | (a) | 5,337 | 4,311 |
| 12th Street, Chino, Inland Empire | 100% | Sep 2004 | Dec 2010 | 6,165 | (a) | 7,223 | 6,790 |

Note 6

Non-current assets - investment properties (continued)

| (a) Properties (continued) | Ownership | Acquisition date | Independent valuation date | Independent valuation amount | Independent valuer | Book value | Book value |
|---|-----------|------------------|----------------------------|------------------------------|--------------------|-------------|-------------|
| | | | | | | 31 Dec 2011 | 30 Jun 2011 |
| | | | | \$'000 | | \$'000 | \$'000 |
| De Forest Circle, Mira Loma, Inland Empire | 100% | Sep 2004 | Dec 2010 | 11,914 | (a) | 14,287 | 12,308 |
| Ontario, Riverside | 100% | Sep 2004 | Jun 2011 | 26,280 | (a) | 24,497 | 24,853 |
| 4190 East Santa Ana St, Ontario, Inland Empire | 100% | Sep 2004 | Dec 2010 | 4,282 | (a) | 5,179 | 4,616 |
| Rancho Cucamonga, Riverside | 100% | Sep 2004 | Dec 2010 | 18,965 | (a) | 23,110 | 20,308 |
| 12000 Jersey Court, Rancho Cucamonga, Inland Empire | 100% | Sep 2004 | Dec 2011 | 4,401 | (a) | 4,401 | 3,975 |
| Airway Road, San Diego | 100% | Sep 2004 | Dec 2011 | 7,188 | (a) | 7,188 | 7,540 |
| Kent West, Seattle | 100% | Sep 2004 | Jun 2011 | 26,585 | (a) | 27,064 | 25,142 |
| 26507 79th Avenue - South, Seattle | 100% | Sep 2004 | Dec 2011 | 9,679 | (a) | 9,679 | 8,877 |
| Calvert/Murry's, Northern Virginia | 100% | Sep 2004 | Jun 2011 | 4,825 | (a) | 4,833 | 4,563 |
| 7700 68th Avenue, Brooklyn Park | 100% | Nov 2005 | Jun 2010 | 2,697 | (a) | 2,954 | 2,441 |
| 7500 West 78th Street, Bloomington | 100% | Nov 2005 | Jun 2010 | 4,057 | (a) | 3,800 | 3,213 |
| 1285 & 1301 Corporate Center Drive, 1230 & 1270 Eagan Industrial Road, Eagan | 100% | Nov 2005 | Jun 2011 | 12,180 | (a) | 13,756 | 11,519 |
| 3691 Perris Boulevard, Perris, Inland Empire | 100% | Jan 2008 | Dec 2010 | 105,357 | (a) | 120,016 | 113,337 |
| 8151 & 8161 Interchange Parkway, San Antonio | 100% | Jul 2007 | Dec 2011 | 12,800 | (a) | 12,800 | 12,734 |
| Cornerstone I & II, 5411 Interstate 10 East & 1228 Cornerway Boulevard, San Antonio | 100% | Aug 2007 | Dec 2011 | 13,785 | (a) | 13,785 | 12,860 |
| 302 and 402 Tayman Road, Port of San Antonio | 100% | Oct 2007 | Jun 2011 | 15,853 | (a) | 15,876 | 14,992 |
| 1803 Grandstand Avenue, Alamo Downs, San Antonio | 100% | Aug 2007 | Jun 2010 | 5,795 | (a) | 9,172 | 8,637 |
| 195 King Mill Road, McDonough | 100% | Nov 2009 | Dec 2011 | 64,986 | (a) | 64,986 | 61,401 |
| 19700 38th Avenue East, Spanaway | 100% | Oct 2009 | Dec 2010 | 55,632 | (a) | 55,632 | 52,612 |
| 6241 Shook Road, Columbus, Franklin County | 100% | Jul 2009 | Dec 2010 | 60,064 | (a) | 58,228 | 55,067 |
| 28515 Westinghouse Place, Santa Clarita | 100% | Dec 2006 | Dec 2011 | 35,742 | (a) | 35,742 | 33,552 |
| Tri-County 5, Tri-County Parkway, Schertz, Texas | 100% | July 2007 | Jun 2010 | 1,141 | (a) | - | 1,183 |
| Tri-County 6, Tri-County Parkway, Schertz, Texas | 100% | July 2007 | Jun 2010 | 1,882 | (a) | 2,425 | 2,188 |
| 202 S Tayman Street, San Antonio, Texas | 100% | Nov 2007 | Jun 2011 | 8,566 | (a) | 8,811 | 8,101 |

Note 6

Non-current assets - investment properties (continued)

| (a) Properties (continued) | Ownership | Acquisition date | Independent valuation date | Independent valuation amount | Independent valuer | Book value 31 Dec 2011 | Book value 30 Jun 2011 |
|--|-----------|------------------|----------------------------|------------------------------|--------------------|------------------------|------------------------|
| | | | | \$'000 | | \$'000 | \$'000 |
| 1100 Hatcher Ave and 17521 & 17531 Railroad Street | 100% | Oct 2010 | n/a | n/a | n/a | 15,538 | 13,809 |
| 14501 Artesia Boulevard La Mirada | 100% | Jan 2011 | Dec 2011 | 31,312 | (a) | 31,312 | 26,077 |
| 6711 Valley View St La Palma | 100% | Jul 2011 | n/a | n/a | n/a | 20,806 | - |
| Total investment properties excluding development properties | | | | | | 7,078,645 | 6,566,931 |
| Total development properties held as investment property | | | | | | 188,569 | 538,983 |
| Total investment properties | | | | | | 7,267,214 | 7,105,914 |

- (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

Note 6**Non-current assets - investment properties (continued)****(a) Properties (continued)****Valuation basis**

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

Acquisitions

- On 6 July 2011, 6711 Valley View Street, La Palma, California was acquired for US\$18.3 million (A\$17.1 million), excluding acquisition costs.
- On 27 October 2011, 2250 Riverside Avenue, Colton, California was acquired for US\$18.4 million (A\$17.5 million), excluding acquisition costs.

Disposals

- On 14 September 2011, Tri-County 5, Tri-County Parkway, Schertz, San Antonio, Texas was disposed of for gross proceeds of US\$1.8 million (A\$1.8 million).
- On 16 September 2011, 2700 International Street, Columbus, Ohio was disposed of for gross proceeds of US\$3.1 million (A\$3.0 million).
- On 26 September 2011, 44633-44645 Guilford Road & 21641 Beaumeade Circle, Ashburn, Virginia was disposed of for gross proceeds of US\$22.2 million (A\$22.9 million).
- On 30 November 2011, Kopenhagenerstraße, Duisburg was disposed of for gross proceeds of €18.9 million (A\$25.1 million).
- On 30 November 2011, Theodorstraße, Düsseldorf was disposed of for gross proceeds of €14.5 million (A\$19.3 million).
- On 23 December 2011, 9842 International Boulevard, Cincinnati, Ohio was disposed of for gross proceeds of US\$4.5 million (A\$4.4 million).

(b) Reconciliation

| | Note | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|--|------|---|--|
| Opening balance at the beginning of the period | | 7,105,914 | 7,146,397 |
| Additions | | 74,385 | 267,455 |
| Acquisitions | | 35,175 | 41,205 |
| Lease incentives | | 27,940 | 85,439 |
| Amortisation of lease incentives | | (30,392) | (58,732) |
| Rent straightlining | | 1,138 | (2,119) |
| Disposals | | (69,616) | (141,674) |
| Transfer to non-current assets classified as held for sale | 4 | - | (59,260) |
| Transfer to inventories | 5 | - | (6,448) |
| Net fair value gain of investment properties | | 60,027 | 148,433 |
| Foreign exchange differences on foreign currency translation | | 62,643 | (314,782) |
| Closing balance at the end of the period | | 7,267,214 | 7,105,914 |

(c) Investment properties pledged as security

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

Note 7

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

The investment in Bent Street Trust is accounted for in the Financial Statements using the equity method of accounting. Information relating to this entity is set out below:

| Name of entity | Principal activity | Ownership interest | | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|----------------------------|--------------------|------------------|-----------------------|-----------------------|
| | | 31 Dec 2011 % | 30 Jun 2011 % | | |
| Bent Street Trust | Office property investment | 33.3 | 33.3 | 205,133 | 200,356 |
| Total non-current assets - investments accounted for using the equity method | | | | 205,133 | 200,356 |

The Bent Street Trust was formed in Australia.

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

| | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|--|---|--|
| Opening balance at the beginning of the period | 200,356 | 93,344 |
| Units issued during the period | 5,112 | 73,558 |
| Share of net profit after tax ¹ | 3,108 | 34,053 |
| Distributions received/receivable | (3,443) | (599) |
| Closing balance at the end of the period | 205,133 | 200,356 |
| Results attributable to investments accounted for using the equity method | | |
| Operating profit before income tax | 3,108 | 34,053 |
| Operating profit after income tax | 3,108 | 34,053 |
| Less: Distributions received/receivable | (3,443) | (599) |
| | (335) | 33,454 |
| Retained profits/(accumulated losses) at the beginning of the period | 844 | (32,610) |
| Retained profits at the end of the period | 509 | 844 |

¹ Share of net profit after tax includes a fair value gain of nil (June 2011: gain of \$33.6 million) in relation to the Group's share of the Bligh Street investment property.

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

| | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|---|---|--|
| Management rights | | |
| Opening balance at the beginning of the period | 222,353 | 223,000 |
| Amortisation charge | (213) | (647) |
| Closing balance at the end of the period | 222,140 | 222,353 |
| Cost | 252,382 | 252,382 |
| Accumulated amortisation | (2,439) | (2,226) |
| Accumulated impairment | (27,803) | (27,803) |
| Total management rights | 222,140 | 222,353 |
| Goodwill | | |
| Opening balance at the beginning of the period | 2,331 | 2,525 |
| Impairment | (563) | (194) |
| Closing balance at the end of the period | 1,768 | 2,331 |
| Cost | 2,998 | 2,998 |
| Accumulated impairment | (1,230) | (667) |
| Total goodwill | 1,768 | 2,331 |
| Total non-current assets - intangible assets | 223,908 | 224,684 |

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited, a wholly owned subsidiary of DXO, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of \$7,556,350) are measured at cost and amortised using the straight-line method over their estimated useful lives of 21 years. Management rights that are deemed to have an indefinite life are held at a value of \$214,584,150.

As at 31 December 2011, management had not identified any events or circumstances that would indicate an impairment of the carrying value of management rights associated with indefinite life trusts.

Note 9**Interest bearing liabilities**

| | Notes | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|----------|-----------------------|-----------------------|
| Current | | | |
| Secured | | | |
| Bank loans | (b), (d) | 1,519 | 250,983 |
| Total secured | | 1,519 | 250,983 |
| Unsecured | | | |
| US senior notes | | 6,892 | 65,183 |
| Total unsecured | | 6,892 | 65,183 |
| Deferred borrowing costs | | (187) | (389) |
| Total current liabilities - interest bearing liabilities | | 8,224 | 315,777 |
| Non-current | | | |
| Secured | | | |
| Bank loans | (b), (c) | 153,853 | 153,218 |
| Total secured | | 153,853 | 153,218 |
| Unsecured | | | |
| US senior notes | | 762,505 | 720,967 |
| Bank loans | (a) | 1,048,695 | 701,573 |
| Medium term notes | | 340,000 | 340,000 |
| Preference shares | (e) | 91 | 86 |
| Total unsecured | | 2,151,291 | 1,762,626 |
| Deferred borrowing costs | | (18,480) | (16,565) |
| Total non-current liabilities - interest bearing liabilities | | 2,286,664 | 1,899,279 |
| Total interest bearing liabilities | | 2,294,888 | 2,215,056 |

| | | | | | 31 Dec 2011 \$'000 | 31 Dec 2011 \$'000 |
|--|------|----------------|-----------|------------------|-----------------------|-----------------------|
| Type of Facility | Note | Currency | Security | Maturity Date | Utilised | Facility Limit |
| US senior notes (144A) | | US\$ | Unsecured | Oct-14 to Mar-21 | 539,976 | 539,976 |
| US senior notes (USPP) | | US\$ | Unsecured | Mar-12 to Mar-17 | 229,420 | 229,420 |
| Medium term notes | | A\$ | Unsecured | Jul-14 to Apr-17 | 340,000 | 340,000 |
| Multi-option revolving credit facilities | (a) | Multi Currency | Unsecured | May-12 to Jul-17 | 1,048,695 | 1,617,567 |
| Bank debt - secured | (b) | US\$ | Secured | Feb-14 | 79,654 | 79,654 |
| Bank debt - secured | (c) | US\$ | Secured | Jun-17 to Dec-17 | 75,719 | 75,719 |
| Total | | | | | 2,313,464 | 2,882,336 |
| Bank guarantee utilised | | | | | 3,030 | |
| Unused at balance date | | | | | 565,842 | |

Note 9

Interest bearing liabilities (continued)

Financing arrangements

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 20 facilities maturing between May 2012 and July 2017 with a weighted average maturity of September 2014. The total facility limit comprises US\$223.5 million (A\$220.1 million) and A\$1,397.5 million. Of the total facility limit, A\$72.5 million is maturing in May 2012, none of which is drawn and A\$3.0 million is utilised as bank guarantees for developments.

(b) Bank loans - secured

This includes a US\$80.9 million (A\$79.7 million) secured bank debt facility that amortises over the life of the loan through monthly principal payments (US\$1.5 million payable within 12 months) with a final maturity date of February 2014. The facility is secured by mortgages over investment properties totalling US\$142.3 million (A\$140.1 million) as at 31 December 2011. During the current period, US\$7.3 million (A\$7.2 million) of the principal in addition to the amortisation has been repaid with associated mortgages discharged.

(c) Bank loans - secured

This includes a total of US\$76.9 million (A\$75.7 million) of secured bank facilities with a weighted average maturity of October 2017. The facilities are secured by mortgages over investment properties totaling US\$178.4 million (A\$175.6 million) as at 31 December 2011.

(d) Bank loans - secured

During the period, an A\$250.0 million secured bank loan was repaid and associated mortgages discharged.

(e) Preferred shares

DEXUS Industrial Properties Inc. (US REIT) has issued US\$92,550 (A\$91,128) of preferred shares as part of the requirement to be classified as a Real Estate Investment Trust (REIT) under US tax legislation. These preferred shares 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

An A\$200.0 million bilateral facility became available in January 2012 with a maturity of January 2015.

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

| | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|---|---|--|
| Opening balance at the beginning of the period | 1,798,077 | 1,789,973 |
| Capital payments | (174,979) | - |
| Distributions reinvested | - | 8,104 |
| Transaction costs | (70) | - |
| Closing balance at the end of the period | 1,623,028 | 1,798,077 |

(b) Contributed equity of unitholders of other stapled entities

| | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|---|---|--|
| Opening balance at the beginning of the period | 3,014,665 | 3,008,241 |
| Capital contributions | 174,979 | - |
| Distributions reinvested | - | 6,424 |
| Transaction costs | (211) | - |
| Closing balance at the end of the period | 3,189,433 | 3,014,665 |

Capital payments and capital contributions

In December 2011, DXS implemented the Capital Reallocation Proposal approved by security holders at the 2011 Annual General Meeting held on 31 October 2011. Under the Capital Reallocation Proposal, DOT and DDF made capital payments to security holders of 3.616 cents for each DOT and DDF unit which was then compulsorily applied as a capital contribution to DIT and DXO units. Security holders did not receive any cash as part of the Capital Reallocation Proposal.

(c) Number of securities on issue

| | For the 6 months to 31 Dec 2011 No. of securities | For the 12 months to 30 Jun 2011 No. of securities |
|---|---|--|
| Opening balance at the beginning of the period | 4,839,024,176 | 4,820,821,799 |
| Distributions reinvested | - | 18,202,377 |
| Closing balance at the end of the period | 4,839,024,176 | 4,839,024,176 |

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

| | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|--|-----------------------|-----------------------|
| 31 December (payable 29 February 2012) | 129,202 | 125,331 |
| | 129,202 | 125,331 |

Note 11**Distributions paid and payable (continued)****(b) Distribution to other non-controlling interests**

| | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|--|-----------------------|-----------------------|
| DEXUS RENTS Trust (paid 18 October 2011) | 3,223 | 3,162 |
| DEXUS RENTS Trust (paid 17 January 2012) | 3,101 | 3,182 |
| | 6,324 | 6,344 |
| Total distributions | 135,526 | 131,675 |

(c) Distribution rate

| | 31 Dec 2011 Cents per security | 31 Dec 2010 Cents per security |
|--|--------------------------------------|--------------------------------------|
| 31 December (payable 29 February 2012) | 2.67 | 2.59 |
| Total distributions | 2.67 | 2.59 |

Note 12**Contingent liabilities**

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

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'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 | 2,500 | 5,650 |
| 123 Albert Street, Brisbane, QLD | 500 | 5,682 |
| 34-60 Little Collins Street, Melbourne, VIC | 30 | 30 |
| Total contingent liabilities | 3,030 | 11,362 |

¹ Bank guarantee held in relation to an equity accounted investment (refer note 7).

DDF together with DIT, DOT and DXO is a guarantor of a total of A\$1,397.5 million and US\$223.5 million (A\$220.1 million) of bank bilateral facilities, a total of A\$340.0 million of medium term notes, a total of US\$233.0 million (A\$229.4 million) of privately placed notes, and a total of US\$550.0 million (A\$541.6 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 13

Events occurring after reporting date

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

Note 14

Operating segments

(a) Description of segments

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

| | |
|------------------------------------|---|
| Office - 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 portfolio. This operating segment does not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to its relatively small scale. As a result this non-core operating segment has been included in 'all other segments' in the operating segment information. |

¹ The Canadian asset was sold on 24 June 2011.

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

The segment information provided to the CODM for the reportable segments for the half year ended 31 December 2011 and 31 December 2010 includes the following:

| | Office Australia & New Zealand ¹ | Industrial Australia | Industrial North America | Management Business | Financial Services | All other segments | Eliminations | Total |
|-------------------------------------|---|-------------------------|--------------------------------|------------------------|-----------------------|-----------------------|--------------|-----------|
| 31 December 2011 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment performance measures | | | | | | | | |
| Property revenue | 192,966 | 73,526 | 53,137 | 141 | - | 7,572 | - | 327,342 |
| Proceeds from sale of inventory | - | - | - | 21,830 | - | - | - | 21,830 |
| Management fee revenue | - | - | - | 25,667 | - | - | - | 25,667 |
| Interest revenue | - | - | - | - | 799 | - | - | 799 |
| Inter-segment revenue | - | - | - | 18,597 | - | - | (18,597) | - |
| Total operating segment revenue | 192,966 | 73,526 | 53,137 | 66,235 | 799 | 7,572 | (18,597) | 375,638 |
| Net operating income (NOI) | 141,042 | 58,350 | 37,593 | - | - | 5,447 | - | 242,432 |
| Management business EBIT | - | - | - | 3,509 | - | - | - | 3,509 |
| Segment asset measures | | | | | | | | |
| Direct property portfolio | 4,575,294 | 1,559,995 | 1,282,419 | 118,911 | - | 89,462 | - | 7,626,081 |

1 Includes the Group's share of its investment accounted for using the equity method of accounting.

Note 14

Operating segments (continued)

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

| | Office Australia & New Zealand ¹ | Industrial Australia | Industrial North America | Management Business | Financial Services | All other segments | Eliminations | Total |
|-------------------------------------|---|-------------------------|--------------------------------|------------------------|-----------------------|-----------------------|--------------|-----------|
| 31 December 2010 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Segment performance measures | | | | | | | | |
| Property revenue | 172,885 | 70,853 | 59,432 | 552 | - | 10,706 | - | 314,428 |
| Management fee revenue | - | - | - | 28,179 | - | - | - | 28,179 |
| Interest revenue | - | - | - | - | 717 | - | - | 717 |
| Inter-segment revenue | (9) | - | - | 17,272 | - | - | (17,263) | - |
| Total operating segment revenue | 172,876 | 70,853 | 59,432 | 46,003 | 717 | 10,706 | (17,263) | 343,324 |
| Net operating income (NOI) | 127,166 | 56,790 | 41,601 | - | - | 8,098 | - | 233,655 |
| Management business EBIT | - | - | - | 1,516 | - | - | - | 1,516 |
| Segment asset measures | | | | | | | | |
| Direct property portfolio | 4,307,824 | 1,521,687 | 1,252,901 | 87,654 | - | 172,911 | - | 7,342,977 |

1 Includes the Group's share of its investment accounted for using the equity method of accounting.

Note 14**Operating segments (continued)****(c) Other segment information****(i) 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.

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

| | 31 Dec 2011 | 31 Dec 2010 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Property revenue per Statement of Comprehensive Income | 323,078 | 314,428 |
| Property expenses per Statement of Comprehensive Income | (77,999) | (75,268) |
| Intercompany property revenue and expenses ¹ | (5,723) | (5,505) |
| Share of net operating income from associates | 3,076 | - |
| Net operating income (NOI) | 242,432 | 233,655 |
| Add: management business EBIT | 3,509 | 1,516 |
| Less: Internal management fees ² | (12,618) | (11,832) |
| Less: Inter-segment eliminations | (533) | (405) |
| Other income and expense ³ | (1,632) | (3,140) |
| Operating EBIT | 231,158 | 219,794 |
| Interest revenue | 799 | 717 |
| Finance (costs)/income | (132,239) | 2,424 |
| Share of net fair value gain of investments accounted for using the equity method | - | 12,870 |
| Net fair value gain of investment properties | 59,956 | 55,022 |
| Net gain on sale of investment properties | 2,905 | 4,697 |
| Net fair value (loss)/gain of derivatives | (517) | 1,932 |
| Impairment and other | (2,577) | (74) |
| Tax expense | (12,765) | (2,032) |
| Other non-controlling interests | (1,008) | (924) |
| Net profit attributable to stapled security holders | 145,712 | 294,426 |

1 Includes internal property expenses of \$5.5 million (2010: \$5.0 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 \$10.1 million (2010: \$9.2 million) and \$2.5 million (2010: \$2.6 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.

Note 14**Operating segments (continued)****(c) Other segment information (continued)****(ii) 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.

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

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|--|-----------------------|-----------------------|
| Investment properties | 7,267,214 | 7,105,914 |
| Non-current assets held for sale | 28,018 | 59,260 |
| Inventories | 118,911 | 112,238 |
| Investment property (accounted for using the equity method) ¹ | 211,938 | 209,670 |
| Direct property portfolio | 7,626,081 | 7,487,082 |
| Cash | 77,032 | 73,746 |
| Receivables | 26,130 | 36,175 |
| Intangible assets | 223,908 | 224,684 |
| Derivative financial instruments | 122,714 | 100,220 |
| Deferred tax assets | 51,064 | 55,577 |
| Current tax assets | 1,271 | 1,247 |
| Property, plant and equipment | 4,018 | 3,926 |
| Prepayments & other assets ² | 7,075 | 4,987 |
| Total assets | 8,139,293 | 7,987,644 |

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

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

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 5 to 31 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Diversified Trust will be able to pay its debts as and when they become due and payable.

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



Christopher T Beare

Chair

14 February 2012



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Diversified Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Property Group (the consolidated entity). The consolidated entity comprises both DEXUS Diversified Trust (the Trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Diversified Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read "EA Barron", written over a circular stamp or seal.

EA Barron
Partner

Sydney
14 February 2012

2011

DEXUS Industrial Trust (ARSN 090 879 137)

Interim Report
31 December 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. The DDF consolidated Financial Statements are presented in separate Financial Statements.

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Industrial Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2011. The consolidated Financial Statements represents DEXUS Industrial Trust and its consolidated entities (DIT or the Trust).

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

1 Directors

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

| Directors | Appointed | Resigned |
|---------------------------|----------------|-----------------|
| Christopher T Beare | 4 August 2004 | |
| Elizabeth A Alexander, AM | 1 January 2005 | |
| Barry R Brownjohn | 1 January 2005 | |
| John C Conde, AO | 29 April 2009 | |
| Tonianne Dwyer | 24 August 2011 | |
| Stewart F Ewen, OAM | 4 August 2004 | |
| Victor P Hoog Antink | 1 October 2004 | |
| Brian E Scullin | 1 January 2005 | 31 October 2011 |
| Richard Sheppard | 1 January 2012 | |
| Peter B St George | 29 April 2009 | |

2 Review and results of operations

The results for the half year ended 31 December 2011 were:

- Loss attributable to unitholders was \$22.5 million (December 2010: \$79.1 million profit);
- Total assets were \$1,849.9 million (June 2011: \$1,881.9 million); and
- Net assets were \$722.6 million (June 2011: \$576.6 million).

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

3 Auditor's Independence Declaration

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

4 Rounding of amounts and currency

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

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 14 February 2012. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
14 February 2012



Victor P Hoog Antink
Chief Executive Officer
14 February 2012



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Industrial Trust for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'EA Barron', with a large, stylized circular flourish at the end.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
14 February 2012

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2011

| | Note | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|---|------|-----------------------|-----------------------|
| Revenue from ordinary activities | | | |
| Property revenue | | 64,102 | 73,030 |
| Interest revenue | | 807 | 957 |
| Total revenue from ordinary activities | | 64,909 | 73,987 |
| Share of net profit of associates accounted for using the equity method | | 12,734 | 11,474 |
| Net fair value gain of investment properties | | - | 22,925 |
| Net fair value gain of derivatives | | - | 1,335 |
| Net foreign exchange gain | | 361 | 1,099 |
| Other income | | 7 | 25 |
| Total income | | 78,011 | 110,845 |
| Expenses | | | |
| Property expenses | | (13,929) | (14,459) |
| Responsible Entity fees | | (2,031) | (2,065) |
| Finance costs | 2 | (75,762) | (14,404) |
| Net loss on sale of investment properties | | (3,199) | (117) |
| Net fair value loss of investment properties | | (3,436) | - |
| Net fair value loss of derivatives | | (501) | - |
| Other expenses | | (812) | (885) |
| Total expenses | | (99,670) | (31,930) |
| (Loss)/profit before tax | | (21,659) | 78,915 |
| Tax (expense)/benefit | | | |
| Income tax (expense)/benefit | | (67) | 13 |
| Withholding tax (expense)/benefit | | (793) | 206 |
| Total tax (expense)/benefit | | (860) | 219 |
| (Loss)/profit after tax | | (22,519) | 79,134 |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations | | (6,394) | 23,278 |
| Total comprehensive (loss)/income for the period | | (28,913) | 102,412 |
| Earnings per unit | | Cents | Cents |
| Basic earnings per unit on (loss)/profit attributable to unitholders of the parent entity | | (0.96) | 0.58 |
| Diluted earnings per unit on (loss)/profit attributable to unitholders of the parent entity | | (0.96) | 0.58 |

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

| | Note | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|------|-----------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | 3 | 43,517 | 39,837 |
| Receivables | | 5,877 | 5,662 |
| Non-current assets classified as held for sale | 4 | 28,018 | 60,688 |
| Loan with related parties | 5 | 266,460 | 259,537 |
| Derivative financial instruments | | 13,570 | 20,854 |
| Current tax assets | | 256 | 233 |
| Other | | 1,072 | 2,592 |
| Total current assets | | 358,770 | 389,403 |
| Non-current assets | | | |
| Investment properties | 6 | 1,276,981 | 1,307,484 |
| Investments accounted for using the equity method | 7 | 184,694 | 162,513 |
| Deferred tax assets | | 5,941 | 6,061 |
| Derivative financial instruments | | 23,345 | 16,283 |
| Other | | 188 | 197 |
| Total non-current assets | | 1,491,149 | 1,492,538 |
| Total assets | | 1,849,919 | 1,881,941 |
| Current liabilities | | | |
| Payables | | 58,350 | 48,538 |
| Current tax liabilities | | 5,968 | 5,956 |
| Provisions | | - | 12,360 |
| Derivative financial instruments | | 6,208 | 2,039 |
| Total current liabilities | | 70,526 | 68,893 |
| Non-current liabilities | | | |
| Loans with related parties | 5 | 908,389 | 1,111,503 |
| Interest bearing liabilities | 8 | 49,703 | 47,758 |
| Derivative financial instruments | | 97,961 | 76,412 |
| Other | | 779 | 810 |
| Total non-current liabilities | | 1,056,832 | 1,236,483 |
| Total liabilities | | 1,127,358 | 1,305,376 |
| Net assets | | 722,561 | 576,565 |
| Equity | | | |
| Contributed equity | 9 | 1,100,025 | 925,116 |
| Reserves | | 35,248 | 41,642 |
| Accumulated losses | | (412,712) | (390,193) |
| Total equity | | 722,561 | 576,565 |

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

| | | Contributed equity | Accumulated losses | Foreign currency translation reserve | Total equity |
|--|------|-----------------------|-----------------------|---|-----------------|
| | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance as at 1 July 2010 | | 925,116 | (492,578) | 12,163 | 444,701 |
| Profit after tax | | - | 79,134 | - | 79,134 |
| Other comprehensive income | | - | - | 23,278 | 23,278 |
| Transactions with owners in their capacity as owners | | | | | |
| Contribution of equity, net of transaction costs | 9 | - | - | - | - |
| Closing balance as at 31 December 2010 | | 925,116 | (413,444) | 35,441 | 547,113 |
| Opening balance as at 1 July 2011 | | 925,116 | (390,193) | 41,642 | 576,565 |
| Loss after tax | | - | (22,519) | - | (22,519) |
| Other comprehensive income | | - | - | (6,394) | (6,394) |
| Transactions with owners in their capacity as owners | | | | | |
| Capital contribution, net of transaction costs | 9 | 174,909 | - | - | 174,909 |
| Closing balance as at 30 December 2011 | | 1,100,025 | (412,712) | 35,248 | 722,561 |

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2011

| | Note | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|---|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts in the course of operations (inclusive of GST) | | 75,152 | 79,469 |
| Payments in the course of operations (inclusive of GST) | | (24,783) | (28,288) |
| Interest received | | 823 | 910 |
| Finance costs paid | | (18,907) | (18,960) |
| Income and withholding taxes paid | | (386) | (242) |
| Net cash inflow from operating activities | | 31,899 | 32,889 |
| Cash flows from investing activities | | | |
| Proceeds from sale of investment properties | | 72,930 | 7,578 |
| Payments for capital expenditure on investment properties | | (11,722) | (13,200) |
| Net cash inflow/(outflow) from investing activities | | 61,208 | (5,622) |
| Cash flows from financing activities | | | |
| Proceeds from capital contribution | | 174,979 | - |
| Capital contribution transaction costs | | (70) | - |
| Borrowings provided by entities within DXS | | 124,655 | 29,237 |
| Borrowings provided to entities within DXS | | (379,909) | (61,843) |
| Proceeds from borrowings | | 14,089 | - |
| Repayment of borrowings | | (9,015) | - |
| Distributions paid to unitholders | | (12,360) | - |
| Net cash outflow from financing activities | | (87,631) | (32,606) |
| Net increase/(decrease) in cash and cash equivalents | | 5,476 | (5,339) |
| Cash and cash equivalents at the beginning of the period | | 39,837 | 16,537 |
| Effects of exchange rate changes on cash and cash equivalents | | (1,796) | (1,431) |
| Cash and cash equivalents at the end of the period | 3 | 43,517 | 9,767 |

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2011 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2011 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(b) Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Trust’s accounting policies. Other than the estimation of fair values relating to derivatives and other financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period have a significant risk of causing material adjustments to the Financial Statements in the next 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 2**Finance costs**

| | 31 Dec 2011 | 31 Dec 2010 |
|---|-----------------|-----------------|
| | \$'000 | \$'000 |
| Interest paid/payable | (500) | (811) |
| Interest paid to related parties | (33,635) | (37,677) |
| Amount capitalised | 562 | 500 |
| Other finance costs | (116) | (78) |
| Net fair value (loss)/gain of interest rate swaps | (42,073) | 23,662 |
| Total finance costs | (75,762) | (14,404) |

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.99% (2010: 7.83%).

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

| | 31 Dec 2011 | 30 Jun 2011 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Cash at bank | 10,035 | 6,436 |
| Short-term deposits ¹ | 33,482 | 33,401 |
| Total current assets - cash and cash equivalents | 43,517 | 39,837 |

¹ As at 31 December 2011, the Trust held C\$34.7 million (A\$33.5 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 law as part of the finalisation of the capital gains tax on disposal.

Note 4**Non-current assets classified as held for sale****(a) Non-current assets held for sale**

| | 31 Dec 2011 | 30 Jun 2011 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Investment properties held for sale | 28,018 | 60,688 |
| Total non-current assets classified as held for sale | 28,018 | 60,688 |

(b) Reconciliation

| | | For the 6 months to 31 Dec 2011 | For the 12 months to 30 Jun 2011 |
|--|------|---------------------------------------|--|
| | Note | \$'000 | \$'000 |
| Opening balance at the beginning of the period | | 60,688 | - |
| Disposals | | (30,799) | - |
| Transfer from investment properties | 6 | - | 60,688 |
| Foreign exchange differences on foreign currency translation | | (1,127) | - |
| Net fair value loss of investment properties held for sale | | (793) | - |
| Additions, amortisation and other | | 49 | - |
| Closing balance at the end of the period | | 28,018 | 60,688 |

Note 4

Non-current assets classified as held for sale (continued)

Disposals

- On 16 September 2011, Schillerstraße 51, Ellhofen was disposed of for €6.8 million (A\$9.4 million).
- On 16 September 2011, Schillerstraße 42, 42a & Bahnhofstraße 44, 50, Ellhofen was disposed of for €4.0 million (A\$5.5 million).
- On 16 September 2011, Sulmstraße, Ellhofen-Weinsberg was disposed of for €9.8 million (A\$13.6 million).
- On 30 December 2011, Nievesheimerstraße 24, Worms was disposed of for €2.5 million (A\$3.1 million).

Note 5

Loans with related parties

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|-----------------------|-----------------------|
| Current assets - loans with related parties | | |
| Non-interest bearing loans with entities within DXS ¹ | 138,948 | 138,948 |
| Interest bearing loans with entities within DXS | 127,512 | 120,589 |
| Total current assets - loans with related parties | 266,460 | 259,537 |
| Non-current liabilities - loans with related parties | | |
| Interest bearing loans with related parties ² | 853,287 | 1,059,393 |
| Interest bearing loans with entities within DXS | 55,102 | 52,110 |
| Total non-current liabilities - loans with related parties | 908,389 | 1,111,503 |

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

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

Note 6

Non-current assets - investment properties

| | | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|--|-------------|---|--|
| | Note | | |
| Opening balance at the beginning of the period | | 1,307,484 | 1,462,007 |
| Additions | | 7,290 | 16,500 |
| Lease incentives | | 6,910 | 18,398 |
| Amortisation of lease incentives | | (3,626) | (7,395) |
| Net fair value (loss)/gain of investment properties | | (2,643) | 39,696 |
| Rent straightlining | | 157 | 805 |
| Disposals | | (45,595) | (97,563) |
| Transfer to non-current assets classified as held for sale | 4 | - | (60,688) |
| Foreign exchange differences on foreign currency translation | | 7,004 | (64,276) |
| Closing balance at the end of the period | | 1,276,981 | 1,307,484 |

Disposals

- On 30th November 2011, Kopenhagenerstraße, Duisburg was disposed of for €18.9 million (A\$25.1 million).
- On 30th November 2011, Theodorstraße, Düsseldorf was disposed of for €14.5 million (A\$19.3 million).

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

The investment in DEXUS Industrial Properties, Inc. is accounted for in the Financial Statements using the equity method of accounting. Information relating to this entity is set out below.

| Name of entity | Principal activity | Ownership Interest | | | |
|---|--------------------------------------|--------------------|-------------|----------------|----------------|
| | | 31 Dec 2011 | 30 Jun 2011 | 31 Dec 2011 | 30 Jun 2011 |
| | | % | % | \$'000 | \$'000 |
| DEXUS Industrial Properties, Inc. ¹ | Asset, property and funds management | 50.0 | 50.0 | 184,694 | 162,513 |
| Total non-current assets - investments accounted for using the equity method | | | | 184,694 | 162,513 |

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

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

| Movements in carrying amounts of investments accounted for using the equity method | For the | For the |
|--|------------------|------------------|
| | 6 months to | 12 months to |
| | 31 Dec 2011 | 30 Jun 2011 |
| | \$'000 | \$'000 |
| Opening balance at the beginning of the period | 162,513 | 122,627 |
| Interest acquired during the period | - | 50,322 |
| Share of net profit after tax | 12,734 | 20,326 |
| Foreign exchange difference on foreign currency translation | 9,447 | (30,762) |
| Closing balance at the end of the period | 184,694 | 162,513 |
| Results attributable to investments accounted for using the equity method | | |
| Operating profit before income tax | 12,734 | 20,326 |
| Operating profit after income tax | 12,734 | 20,326 |
| Less: Dividends received | - | - |
| | 12,734 | 20,326 |
| Accumulated losses at the beginning of the period | (226,926) | (247,252) |
| Accumulated losses at the end of the period | (214,192) | (226,926) |

Note 8**Non-current liabilities - interest bearing liabilities**

| | Note | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|------|-----------------------|-----------------------|
| Non-current | | | |
| Bank loans | (a) | 51,103 | 48,329 |
| Total secured | | 51,103 | 48,329 |
| Deferred borrowing costs | | (1,400) | (571) |
| Total non-current liabilities - interest bearing liabilities | | 49,703 | 47,758 |

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

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

(a) Bank loans - secured

This includes a US\$51.9 million (A\$49.7 million) secured bank facility maturing in December 2017. The facility is secured by a mortgage over one investment property with a value of US\$121.9 million (A\$120.0 million) as at 31 December 2011.

Note 9**Contributed equity**

| | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|---|---|--|
| (a) Contributed equity | | |
| Opening balance at the beginning of the period | 925,116 | 925,116 |
| Capital contribution | 174,979 | - |
| Capital contribution transaction costs | (70) | - |
| Closing balance at the end of the period | 1,100,025 | 925,116 |
| (b) Number of units on issue | | |
| | For the 6 months to 31 Dec 2011 No. of units | For the 12 months to 30 Jun 2011 No. of units |
| Opening balance at the beginning of the period | 4,839,024,176 | 4,820,821,799 |
| Distributions reinvested | - | 18,202,377 |
| Closing balance at the end of the period | 4,839,024,176 | 4,839,024,176 |

Capital contribution

In December 2011, DXS implemented the Capital Reallocation Proposal approved by security holders at the 2011 Annual General Meeting held on 31 October 2011. Under the Capital Reallocation Proposal, DOT and DDF made capital payments to security holders of 3.616 cents for each DOT and DDF unit which was then compulsorily applied as a capital contribution to DIT and DXO units. Security holders did not receive any cash as part of the Capital Reallocation Proposal.

Note 10

Contingent liabilities

The Trust together with DDF, DXO and DOT is a guarantor of a total of A\$1,397.5 million and US\$223.5 million (A\$220.1 million) of bank bilateral facilities, a total of A\$340.0 million of medium term notes, a total of US\$233.0 million (A\$229.4 million) of privately placed notes, and a total of US\$550.0 million (A\$541.6 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS.

The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust together with DDF, 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 DXS's distribution payments, but subordinated to the claims of the senior creditors.

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

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

Note 11

Events occurring after reporting date

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

Note 12

Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified DXS's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across DXS and to appropriately allocate resources. Refer to the table below for a brief description of DXS'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 DXS and the third party funds management business. |
| Financial Services | The treasury function of DXS 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 portfolio. This operating segment does not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to its relatively small scale. As a result this non-core operating segment has been included in 'all other segments' in the operating segment information. |

¹ The Canadian asset was sold on 24 June 2011.

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

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

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Industrial Trust will be able to pay its debts as and when they become due and payable.

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



Christopher T Beare

Chair

14 February 2012



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Industrial Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Industrial Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Industrial Trust (the Trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Industrial Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read "EA Barron", written over a circular stamp or seal.

EA Barron
Partner

Sydney
14 February 2012

2011

DEXUS Office Trust
(ARSN 090 768 531)

Interim Report
31 December 2011



DEXUS
PROPERTY GROUP

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

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

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Office Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2011. The consolidated Financial Statements represents DEXUS Office Trust and its consolidated entities (DOT or the Trust).

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

1 Directors

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

| Directors | Appointed | Resigned |
|---------------------------|----------------|-----------------|
| Christopher T Beare | 4 August 2004 | |
| Elizabeth A Alexander, AM | 1 January 2005 | |
| Barry R Brownjohn | 1 January 2005 | |
| John C Conde, AO | 29 April 2009 | |
| Tonianne Dwyer | 24 August 2011 | |
| Stewart F Ewen, OAM | 4 August 2004 | |
| Victor P Hoog Antink | 1 October 2004 | |
| Brian E Scullin | 1 January 2005 | 31 October 2011 |
| Richard Sheppard | 1 January 2012 | |
| Peter B St George | 29 April 2009 | |

2 Review and results of operations

The results for the half year ended 31 December 2011 were:

- Profit attributable to unitholders was \$76.0 million (December 2010: \$138.5 million);
- Total assets were \$3,283.3 million (June 2011: \$3,248.5 million); and
- Net assets were \$2,628.8 million (June 2011: \$2,808.2 million).

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

3 Auditor's Independence Declaration

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

4 Rounding of amounts and currency

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

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 14 February 2012. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
14 February 2012


Victor P Hoog Antink
Chief Executive Officer
14 February 2012



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Office Trust for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'EA Barron', with a large, stylized circular flourish at the end.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
14 February 2012

| | Note | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|--|------|-----------------------|-----------------------|
| Revenue from ordinary activities | | | |
| Property revenue | | 134,303 | 128,934 |
| Interest revenue | | 206 | 189 |
| Total revenue from ordinary activities | | 134,509 | 129,123 |
| Net fair value gain of investment properties | | 19,736 | 28,331 |
| Share of net profit of associates accounted for using the equity method | 4 | 3,108 | 12,870 |
| Finance income | 2 | - | 8,472 |
| Net foreign exchange gain | | 13 | 26 |
| Net fair value gain of derivatives | | - | 29 |
| Other income | | - | 89 |
| Total income | | 157,366 | 178,940 |
| Expenses | | | |
| Property expenses | | (35,354) | (34,185) |
| Responsible Entity fees | | (4,912) | (4,609) |
| Finance costs | 2 | (39,287) | - |
| Other expenses | | (799) | (743) |
| Total expenses | | (80,352) | (39,537) |
| Profit before tax | | 77,014 | 139,403 |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations | | (1,509) | (6,940) |
| Total comprehensive income for the period | | 75,505 | 132,463 |
| Profit for the period attributable to: | | | |
| Unitholders of DEXUS Office Trust | | 76,006 | 138,493 |
| Non-controlling interests | | 1,008 | 910 |
| Profit for the period | | 77,014 | 139,403 |
| Total comprehensive income for the period attributable to: | | | |
| Unitholders of DEXUS Office Trust | | 74,497 | 131,553 |
| Non-controlling interests | | 1,008 | 910 |
| Total comprehensive income for the period | | 75,505 | 132,463 |
| Earnings per unit | | Cents | Cents |
| Basic earnings per unit on profit attributable to unitholders of the parent entity | | 1.43 | 2.62 |
| Diluted earnings per unit on profit attributable to unitholders of the parent entity | | 1.43 | 2.62 |

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

| | Note | 31 Dec 2011 \$'000 | 30 June 2011 \$'000 |
|---|------|-----------------------|------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 7,124 | 7,671 |
| Receivables | | 5,483 | 6,005 |
| Derivative financial instruments | | 33 | 266 |
| Other | | 2,788 | 2,797 |
| Total current assets | | 15,428 | 16,739 |
| Non-current assets | | | |
| Investment properties | 3 | 3,056,884 | 3,026,959 |
| Derivative financial instruments | | 5,090 | 3,544 |
| Investments accounted for using the equity method | 4 | 205,133 | 200,356 |
| Other | | 773 | 860 |
| Total non-current assets | | 3,267,880 | 3,231,719 |
| Total assets | | 3,283,308 | 3,248,458 |
| Current liabilities | | | |
| Payables | | 32,729 | 38,452 |
| Interest bearing liabilities | 6 | - | 249,700 |
| Loans with related parties | 5 | 55,684 | 55,684 |
| Provisions | | 73,481 | 64,739 |
| Derivative financial instruments | | 1,199 | 1,207 |
| Total current liabilities | | 163,093 | 409,782 |
| Non-current liabilities | | | |
| Loans with related parties | 5 | 445,828 | 14,423 |
| Derivative financial instruments | | 45,037 | 15,552 |
| Other | | 549 | 551 |
| Total non-current liabilities | | 491,414 | 30,526 |
| Total liabilities | | 654,507 | 440,308 |
| Net assets | | 2,628,801 | 2,808,150 |
| Equity | | | |
| Contributed equity | 7 | 1,888,165 | 2,063,214 |
| Reserves | | (17,324) | (15,815) |
| Retained profits | | 553,824 | 556,723 |
| | | 2,424,665 | 2,604,122 |
| Non-controlling interests | | 204,136 | 204,028 |
| Total equity | | 2,628,801 | 2,808,150 |

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2011

| | | Contributed equity | Retained profits | Foreign currency translation reserve | Unitholder equity | Non-controlling interests | Total equity |
|--|------|-----------------------|---------------------|---|----------------------|------------------------------|------------------|
| | Note | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance as at 1 July 2010 | | 2,056,790 | 433,945 | (10,555) | 2,480,180 | 204,201 | 2,684,381 |
| Profit for the period | | - | 138,493 | - | 138,493 | 910 | 139,403 |
| Other comprehensive loss for the period | | - | - | (6,940) | (6,940) | - | (6,940) |
| Transactions with owners in their capacity as owners | | | | | | | |
| Contributions of equity, net of transaction costs | 7 | 6,424 | - | - | 6,424 | - | 6,424 |
| Distributions paid or provided for | 8 | - | (65,698) | - | (65,698) | (6,344) | (72,042) |
| Transfer to retained profits | | - | (5,327) | - | (5,327) | 5,327 | - |
| Closing balance as at 31 December 2010 | | 2,063,214 | 501,413 | (17,495) | 2,547,132 | 204,094 | 2,751,226 |
| Opening balance as at 1 July 2011 | | 2,063,214 | 556,723 | (15,815) | 2,604,122 | 204,028 | 2,808,150 |
| Profit for the period | | - | 76,006 | - | 76,006 | 1,008 | 77,014 |
| Other comprehensive loss for the period | | - | - | (1,509) | (1,509) | - | (1,509) |
| Transactions with owners in their capacity as owners | | | | | | | |
| Capital payment, net of transaction costs | 7 | (175,049) | - | - | (175,049) | - | (175,049) |
| Distributions paid or provided for | 8 | - | (73,481) | - | (73,481) | (6,324) | (79,805) |
| Transfer to retained profits | | - | (5,424) | - | (5,424) | 5,424 | - |
| Closing balance as at 31 December 2011 | | 1,888,165 | 553,824 | (17,324) | 2,424,665 | 204,136 | 2,628,801 |

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2011

| | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|--|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Receipts in the course of operations (inclusive of GST) | 157,855 | 148,465 |
| Payments in the course of operations (inclusive of GST) | (52,054) | (48,274) |
| Interest received | 206 | 189 |
| Finance costs paid to financial institutions | (7,349) | (9,087) |
| Distributions received from associates accounted for using the equity method | 4,056 | - |
| Net cash inflow from operating activities | 102,714 | 91,293 |
| Cash flows from investing activities | | |
| Payments for capital expenditure on investment properties | (28,417) | (28,819) |
| Payments for investments accounted for using the equity method | (3,848) | (33,499) |
| Net cash outflow from investing activities | (32,265) | (62,318) |
| Cash flows from financing activities | | |
| Borrowings provided to entities within DXS | (94,328) | (78,662) |
| Borrowings provided by entities within DXS | 519,540 | 96,906 |
| Repayment of borrowings | (250,000) | - |
| Capital payment | (174,979) | - |
| Capital payment transaction costs | (70) | - |
| Distributions paid to unitholders | (64,738) | (45,802) |
| Distributions paid to non-controlling interests | (6,365) | (6,079) |
| Net cash outflow from financing activities | (70,940) | (33,637) |
| Net decrease in cash and cash equivalents | (491) | (4,662) |
| Cash and cash equivalents at the beginning of the period | 7,671 | 8,766 |
| Effects of exchange rate changes on cash and cash equivalents | (56) | (58) |
| Cash and cash equivalents at the end of the period | 7,124 | 4,046 |

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2011 have been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2011 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of previous financial year and corresponding interim reporting period, unless otherwise stated.

As at 31 December 2011, the Trust had a net current asset deficiency of \$147.7 million (June 2011: \$393.0 million). The DXS group has in place both external and internal funding arrangements to support the cashflow requirements of the Trust. The Trust is a going concern and the Financial Statements have been prepared on that basis.

(b) Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Trust’s accounting policies. Other than the estimation of fair values relating to certain derivatives and other financial instruments and investment properties, 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 reporting period.

Note 2**Finance costs**

| | 31 Dec 2011 | 31 Dec 2010 |
|---|-----------------|--------------|
| | \$'000 | \$'000 |
| Interest paid/payable | (3,835) | (8,237) |
| Interest paid to related parties | (8,097) | (620) |
| Amount capitalised | 1,264 | 5,258 |
| Other finance costs | (300) | (546) |
| Net fair value (loss)/gain of interest rate swaps | (28,319) | 12,617 |
| Total finance (costs)/income | (39,287) | 8,472 |

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.99% (2010: 7.83%).

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

| | For the 6 months to 31 Dec 2011 | For the 12 months to 30 June 2011 |
|--|---------------------------------------|---|
| | \$'000 | \$'000 |
| Opening balance at the beginning of the period | 3,026,959 | 2,939,511 |
| Additions | 19,687 | 39,736 |
| Lease incentives | 6,498 | 22,178 |
| Amortisation of lease incentives | (14,454) | (26,843) |
| Net fair value gain of investment properties | 19,736 | 56,970 |
| Rent straightlining | (152) | 683 |
| Foreign exchange differences on foreign currency translation | (1,390) | (5,276) |
| Closing balance at the end of the period | 3,056,884 | 3,026,959 |

Note 4

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

The investment in Bent Street Trust is accounted for in the Financial Statements using the equity method of accounting. Information relating to this entity is set out below.

| Name of entity | Principal activity | Ownership Interest | | 31 Dec 2011 \$'000 | 30 June 2011 \$'000 |
|---|----------------------------|--------------------|-------------------|-----------------------|------------------------|
| | | 31 Dec 2011 % | 30 June 2011 % | | |
| Bent Street Trust | Office property investment | 33.3 | 33.3 | 205,133 | 200,356 |
| Total non-current assets - investments accounted for using the equity method | | | | 205,133 | 200,356 |

The Bent Street Trust was formed in Australia.

| Movements in carrying amounts of investments accounted for using the equity method | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 June 2011 \$'000 |
|--|---|---|
| | | |
| Opening balance at the beginning of the period | 200,356 | 93,344 |
| Units issued during the period | 5,112 | 73,558 |
| Share of net profit after tax ¹ | 3,108 | 34,053 |
| Distributions received/receivable | (3,443) | (599) |
| Closing balance at the end of the period | 205,133 | 200,356 |
| Results attributable to investments accounted for using the equity method | | |
| Operating profit before income tax | 3,108 | 34,053 |
| Operating profit after income tax | 3,108 | 34,053 |
| Less: Distributions received/receivable | (3,443) | (599) |
| | (335) | 33,454 |
| Retained profits/(accumulated losses) at the beginning of the period | 844 | (32,610) |
| Retained profits at the end of the period | 509 | 844 |

¹ Share of net profit after tax includes a fair value gain of nil (June 2011: gain of \$33.6 million) in relation to the Trust's share of the Bligh Street investment property.

Note 5**Loans with related parties**

| | 31 Dec 2011 \$'000 | 30 June 2011 \$'000 |
|---|-----------------------|------------------------|
| Current liabilities - loans with related parties | | |
| Non-interest bearing loans with entities within DXS ¹ | 55,684 | 55,684 |
| Total current liabilities - loans with related parties | 55,684 | 55,684 |
| Non-current liabilities - loans with related parties | | |
| Interest bearing loans with related parties ² | 445,828 | 14,423 |
| Total non-current liabilities - loans with related parties | 445,828 | 14,423 |

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

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

Note 6**Current liabilities - interest bearing liabilities**

| | | 31 Dec 2011 \$'000 | 30 June 2011 \$'000 |
|---|-------------|-----------------------|------------------------|
| | Note | | |
| Secured | | | |
| Bank loans | (a) | - | 250,000 |
| Total secured | | - | 250,000 |
| Deferred borrowing costs | | - | (300) |
| Total current liabilities - interest bearing liabilities | | - | 249,700 |

(a) Bank loans - secured

During the period, a \$250 million secured bank loan was repaid and the associated mortgage discharged.

Note 7**Contributed equity**

| (a) Contributed equity | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 June 2011 \$'000 |
|---|---|---|
| | | |
| Opening balance at the beginning of the period | 2,063,214 | 2,056,790 |
| Distributions reinvested | - | 6,424 |
| Capital payment | (174,979) | - |
| Capital payment transaction costs | (70) | - |
| Closing balance at the end of the period | 1,888,165 | 2,063,214 |

| (b) Number of units on issue | For the 6 months to 31 Dec 2011 No. of units | For the 12 months to 30 June 2011 No. of units |
|---|---|---|
| | | |
| Opening balance at the beginning of the period | 4,839,024,176 | 4,820,821,799 |
| Distributions reinvested | - | 18,202,377 |
| Closing balance at the end of the period | 4,839,024,176 | 4,839,024,176 |

Capital payment

In December 2011, DXS implemented the Capital Reallocation Proposal approved by security holders at the 2011 Annual General Meeting held on 31 October 2011. Under the Capital Reallocation Proposal, DOT and DDF made capital payments to security holders of 3.616 cents for each DOT and DDF unit which was then compulsorily applied as a capital contribution to DIT and DXO units. Security holders did not receive any cash as part of the Capital Reallocation Proposal.

Note 8**Distributions paid and payable**

| (a) Distribution to unitholders | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|---|-----------------------|-----------------------|
| | | |
| 31 December 2011 (payable 29 February 2012) | 73,481 | 65,698 |
| | 73,481 | 65,698 |

| (b) Distribution to non-controlling interests | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|---|-----------------------|-----------------------|
| | | |
| DEXUS RENTS Trust (paid 18 October 2011) | 3,223 | 3,162 |
| DEXUS RENTS Trust (paid 17 January 2012) | 3,101 | 3,182 |
| | 6,324 | 6,344 |
| Total distributions | 79,805 | 72,042 |

| (c) Distribution rate | 31 Dec 2011 Cents per unit | 31 Dec 2010 Cents per unit |
|--|-------------------------------|-------------------------------|
| | | |
| 31 December (payable 29 February 2012) | 1.52 | 1.36 |
| Total distributions | 1.52 | 1.36 |

Note 9

Contingent liabilities

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

| | 31 Dec 2011 \$'000 | 30 June 2011 \$'000 |
|---|-----------------------|------------------------|
| Bank guarantees by the Trust in respect of variations and other financial risks associated with the development of: | | |
| Bligh Street, Sydney, NSW ¹ | 5,650 | 5,650 |
| Total contingent liabilities | 5,650 | 5,650 |

¹ Bank guarantee held in relation to an equity accounted investment. (Refer note 4).

The Trust together with DDF, DIT and DXO is a guarantor of a total of A\$1,397.5 million and US\$223.5 million (A\$220.1 million) of bank bilateral facilities, a total of A\$340.0 million of medium term notes, a total of US\$233.0 million (A\$229.4 million) of privately placed notes, and a total of US\$550.0 million (A\$541.6million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust together with DDF, DIT 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 DXS's distribution payments, but subordinated to the claims of senior creditors.

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

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

Note 10

Events occurring after reporting date

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

Note 11

Operating segments

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within the Group. DXS management has identified DXS's operating segments based on the sectors analysed within the management reports reviewed by the CODM in order to monitor performance across DXS and to appropriately allocate resources. Refer to the table below for a brief description of DXS'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 DXS and the third party funds management business. |
| Financial Services | The treasury function of DXS 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 portfolio. This operating segment does not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to its relatively small scale. As a result this non-core operating segment has been included in 'all other segments' in the operating segment information. |

¹ The Canadian asset was sold on 24 June 2011.

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

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

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Office Trust will be able to pay its debts as and when they become due and payable.

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



Christopher T Beare
Chair
14 February 2012



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Office Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Office Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Office Trust (the Trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Office Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'EA Barron', written over a circular stamp or seal.

EA Barron
Partner

Sydney
14 February 2012

DEXUS Operations Trust (ARSN 110 521 223)

Interim Report
31 December 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. The DDF consolidated Financial Statements are presented in separate Financial Statements.

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

The Directors of DEXUS Funds Management Limited (DXFM) as Responsible Entity of DEXUS Operations Trust present their Directors' Report together with the consolidated Financial Statements for the half year ended 31 December 2011. The consolidated Financial Statements represents DEXUS Operations Trust and its consolidated entities (DXO or the Trust).

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

1 Directors

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

| Directors | Appointed | Resigned |
|---------------------------|----------------|-----------------|
| Christopher T Beare | 4 August 2004 | |
| Elizabeth A Alexander, AM | 1 January 2005 | |
| Barry R Brownjohn | 1 January 2005 | |
| John C Conde, AO | 29 April 2009 | |
| Tonianne Dwyer | 24 August 2011 | |
| Stewart F Ewen, OAM | 4 August 2004 | |
| Victor P Hoog Antink | 1 October 2004 | |
| Brian E Scullin | 1 January 2005 | 31 October 2011 |
| Richard Sheppard | 1 January 2012 | |
| Peter B St George | 29 April 2009 | |

2 Review of results and operations

The results for the half year ended 31 December 2011 were:

- loss attributable to unitholders was \$2.5 million (December 2010: \$23.4 million);
- total assets were \$643.8 million (June 2011: \$602.1 million); and
- net assets were \$150.9 million (June 2011: \$21.5 million net asset deficiency).

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

3 Auditor's independence declaration

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

4 Rounding of amounts and currency

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

5 Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 14 February 2012. The Directors have the power to amend and reissue the Financial Statements.



Christopher T Beare
Chair
14 February 2012



Victor P Hoog Antink
Chief Executive Officer
14 February 2012



Auditor's Independence Declaration

As lead auditor for the review of DEXUS Operations Trust for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'EA Barron', with a large, stylized loop at the end.

EA Barron
Partner
PricewaterhouseCoopers

Sydney
14 February 2012

DEXUS Operations Trust
Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2011

| | | 31 Dec 2011 | 31 Dec 2010 |
|--|------|-----------------|-----------------|
| | Note | \$'000 | \$'000 |
| Revenue from ordinary activities | | | |
| Management fee revenue | 2 | 41,527 | 42,397 |
| Property revenue | | 7,074 | 1,163 |
| Proceeds from sale of inventory | | 21,830 | - |
| Interest revenue | | 440 | 366 |
| Total revenue from ordinary activities | | 70,871 | 43,926 |
| Net fair value gain of investment properties | | 4,455 | - |
| Net foreign exchange gain | | 30 | - |
| Other income | | - | 216 |
| Total income | | 75,356 | 44,142 |
| Expenses | | | |
| Property expenses | | (2,525) | (201) |
| Cost of sale of inventory | | (19,110) | - |
| Finance costs | 3 | (13,687) | (7,764) |
| Net fair value loss of investment properties | | - | (18,909) |
| Depreciation and amortisation | | (1,231) | (1,104) |
| Impairment of inventory | | (2,014) | - |
| Impairment of goodwill | | (563) | (74) |
| Employee benefits expense | | (34,050) | (34,523) |
| Net foreign exchange loss | | - | (13) |
| Other expenses | | (6,589) | (6,887) |
| Total expenses | | (79,769) | (69,475) |
| Loss before tax | | (4,413) | (25,333) |
| Tax benefit | | | |
| Income tax benefit | | 1,947 | 1,938 |
| Total tax benefit | | 1,947 | 1,938 |
| Loss after tax | | (2,466) | (23,395) |
| Total comprehensive loss for the period | | (2,466) | (23,395) |
| Earnings per unit | | Cents | Cents |
| Basic earnings per unit on loss attributable to unitholders of the parent entity | | 0.03 | (0.44) |
| Diluted earnings per unit on loss attributable to unitholders of the parent entity | | 0.03 | (0.44) |

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

DEXUS Operations Trust
Consolidated Statement of Financial Position
As at 31 December 2011

| | Note | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|--------------------------------------|------|-----------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | | 13,572 | 13,229 |
| Receivables | | 23,799 | 26,084 |
| Current tax assets | | 1,015 | 1,015 |
| Inventories | 5 | 44,431 | 7,991 |
| Other | | 977 | 461 |
| Total current assets | | 83,794 | 48,780 |
| Non-current assets | | | |
| Investment properties | 4 | 223,598 | 192,306 |
| Property, plant and equipment | | 3,765 | 3,922 |
| Inventories | 5 | 74,480 | 104,247 |
| Deferred tax assets | | 34,231 | 28,052 |
| Intangible assets | 6 | 223,908 | 224,684 |
| Other | | 65 | 67 |
| Total non-current assets | | 560,047 | 553,278 |
| Total assets | | 643,841 | 602,058 |
| Current liabilities | | | |
| Payables | | 13,959 | 9,415 |
| Loans with related parties | 7 | 48,932 | 48,932 |
| Provisions | | 17,060 | 21,105 |
| Derivative financial instruments | | - | 773 |
| Total current liabilities | | 79,951 | 80,225 |
| Non-current liabilities | | | |
| Loans with related parties | 7 | 374,041 | 506,133 |
| Deferred tax liabilities | | 21,246 | 17,013 |
| Provisions | | 13,880 | 17,624 |
| Derivative financial instruments | | 3,823 | 2,587 |
| Other | | - | 19 |
| Total non-current liabilities | | 412,990 | 543,376 |
| Total liabilities | | 492,941 | 623,601 |
| Net assets/(liabilities) | | 150,900 | (21,543) |
| Equity | | | |
| Contributed equity | 8 | 201,244 | 26,335 |
| Reserves | | 42,738 | 42,738 |
| Accumulated losses | | (93,082) | (90,616) |
| Total equity | | 150,900 | (21,543) |

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

| | | Contributed | Asset revaluation | Accumulated | Total |
|---|------|------------------|----------------------|------------------|------------------|
| | Note | equity \$'000 | reserve \$'000 | losses \$'000 | equity \$'000 |
| Opening balance as at 1 July 2010 | | 26,335 | 42,738 | (61,325) | 7,748 |
| Loss after tax | | - | - | (23,395) | (23,395) |
| Transactions with owners in their capacity as owners: | | | | | |
| Contributions of equity, net of transaction costs | 8 | - | - | - | - |
| Closing balance as at 31 December 2010 | | 26,335 | 42,738 | (84,720) | (15,647) |
| Opening balance as at 1 July 2011 | | 26,335 | 42,738 | (90,616) | (21,543) |
| Loss after tax | | - | - | (2,466) | (2,466) |
| Transactions with owners in their capacity as owners: | | | | | |
| Capital contribution, net of transaction costs | 8 | 174,909 | - | - | 174,909 |
| Closing balance as at 31 December 2011 | | 201,244 | 42,738 | (93,082) | 150,900 |

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

DEXUS Operations Trust
Consolidated Statement of Cash Flows

For the half year ended 31 December 2011

| | 31 Dec 2011 \$'000 | 31 Dec 2010 \$'000 |
|---|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Receipts in the course of operations (inclusive of GST) | 54,967 | 40,050 |
| Payments in the course of operations (inclusive of GST) | (52,178) | (46,474) |
| Payments for property classified as inventory | (24,023) | (39,602) |
| Proceeds from sale of property classified as inventory | 21,830 | - |
| Interest received | 438 | 339 |
| Finance costs paid | (1,240) | (1,565) |
| Income tax received | - | (993) |
| Net cash outflow from operating activities | (206) | (48,245) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (860) | (681) |
| Payments for capital expenditure on investment properties | (20,427) | (25,182) |
| Net cash outflow from investing activities | (21,287) | (25,863) |
| Cash flows from financing activities | | |
| Borrowings provided to entities within DXS | (260,051) | (31,706) |
| Borrowings provided by entities within DXS | 106,979 | 106,199 |
| Proceeds from capital contribution | 174,979 | - |
| Capital contribution transaction costs | (70) | - |
| Net cash inflow from financing activities | 21,837 | 74,493 |
| Net increase in cash and cash equivalents | 344 | 385 |
| Cash and cash equivalents at the beginning of the period | 13,228 | 12,897 |
| Cash and cash equivalents at the end of the period | 13,572 | 13,282 |

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

Note 1

Summary of significant accounting policies

(a) Basis of preparation

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

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

These general purpose interim Financial Statements for the half year ended 31 December 2011 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Financial Statements do not include notes of the type normally included in an annual financial report. Accordingly these Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 30 June 2011 and any public pronouncements made by DXS during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of previous financial year and corresponding interim reporting period, unless otherwise stated.

(b) Critical accounting estimates

The preparation of Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgment in the process of applying the Trust's accounting policies. Other than the estimation of fair values relating to certain derivatives and other financial instruments, investment properties and intangible assets, 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 reporting period.

Note 2**Management Fee Revenue**

| | 31 Dec 2011 | 31 Dec 2010 |
|-------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Responsible Entity fees | 18,471 | 17,207 |
| Asset management fees | 5,004 | 5,097 |
| Property management fees | 11,559 | 12,328 |
| Capital works and development fees | 2,407 | 3,485 |
| Wages recovery and other fees | 4,086 | 4,280 |
| Total management fee revenue | 41,527 | 42,397 |

Note 3**Finance costs**

| | 31 Dec 2011 | 31 Dec 2010 |
|---|-----------------|----------------|
| | \$'000 | \$'000 |
| Interest paid to related parties | (21,181) | (18,013) |
| Amount capitalised | 9,196 | 9,694 |
| Other finance costs | (489) | (9) |
| Net fair value (loss)/gain of interest rate swaps | (1,213) | 564 |
| Total finance costs | (13,687) | (7,764) |

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 7.99% (2010: 7.83%)

Note 4**Non-current assets - investment properties**

| | | For the 6 months to 31 Dec 2011 | For the 12 months to 30 Jun 2011 |
|---|------|---------------------------------------|--|
| | Note | \$'000 | \$'000 |
| Opening balance at the beginning of the period | | 192,306 | 170,011 |
| Additions | | 26,072 | 45,463 |
| Lease incentives | | 547 | 2,236 |
| Lease incentives amortisation | | (119) | (159) |
| Rent straightlining | | 337 | 282 |
| Transfers to inventories | 5 | - | (6,448) |
| Net fair value gain/(loss) of investment properties | | 4,455 | (19,079) |
| Closing balance at the end of the period | | 223,598 | 192,306 |

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

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|-----------------------|-----------------------|
| Current assets | | |
| Land and properties held for resale | 44,431 | 7,991 |
| Total current assets - inventories | 44,431 | 7,991 |
| Non-current assets | | |
| Land and properties held for resale | 74,480 | 104,247 |
| Total non-current assets - inventories | 74,480 | 104,247 |
| Total assets - inventories | 118,911 | 112,238 |

(b) Reconciliation

| | | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|---|------|---|--|
| | Note | | |
| Opening balance at the beginning of the period | | 112,238 | 45,470 |
| Transfer from investment properties | 4 | - | 6,448 |
| Disposals | | (19,110) | (3,353) |
| Impairment | | (2,014) | - |
| Acquisitions, additions and other | | 27,797 | 63,673 |
| Closing balance at the end of the period | | 118,911 | 112,238 |

Acquisition

- On 29 November 2011, DEXUS Projects Pty Ltd (DXP) acquired undeveloped land at 3676 Ipswich Road, Wacol QLD.

Disposals

- On 21 July 2011, DXP disposed of two lots located at Templar Road, Erskine Park NSW for \$10.1 million.
- On 27 October 2011, DXP disposed of a 6,534sqm development for Loscam at Foundation Drive, Laverton VIC for \$11.7 million.

Note 6

Non-current assets - intangible assets

| | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|--|---|--|
| Management rights | | |
| Opening balance at the beginning of the period | 222,353 | 223,000 |
| Amortisation charge | (213) | (647) |
| Closing balance at the end of the period | 222,140 | 222,353 |
| Cost | 252,382 | 252,382 |
| Accumulated amortisation | (2,439) | (2,226) |
| Accumulated impairment | (27,803) | (27,803) |
| Total management rights | 222,140 | 222,353 |
| Goodwill | | |
| Opening balance at the beginning of the period | 2,331 | 2,525 |
| Impairment | (563) | (194) |
| Closing balance at the end of the period | 1,768 | 2,331 |
| Cost | 2,998 | 2,998 |
| Accumulated impairment | (1,230) | (667) |
| Total goodwill | 1,768 | 2,331 |
| Total intangible assets | 223,908 | 224,684 |

Management rights represent the asset management rights owned by DEXUS Holdings Pty Limited (DXH), a wholly-owned subsidiary of the Trust, which entitle it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of \$7,556,350) are measured at cost and amortised using the straight-line method over their estimated useful lives of 21 years. Management rights that are deemed to have an indefinite life are held at a value of \$214,584,150.

As at 31 December 2011, management had not identified any events or circumstances that would indicate an impairment of the carrying value of management rights associated with indefinite life trusts.

Note 7

Loans with related parties

| | 31 Dec 2011 \$'000 | 30 Jun 2011 \$'000 |
|---|-----------------------|-----------------------|
| Current liabilities - loans with related parties | | |
| Non-interest bearing loans with entities within DXS ¹ | 48,932 | 48,932 |
| Total current liabilities - loans with related parties | 48,932 | 48,932 |
| Non-current liabilities - loans with related parties | | |
| Interest bearing loans with related parties ² | 374,041 | 506,133 |
| Total non-current liabilities - loans with related parties | 374,041 | 506,133 |

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

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

Note 8

Contributed equity

(a) Contributed equity

| | For the 6 months to 31 Dec 2011 \$'000 | For the 12 months to 30 Jun 2011 \$'000 |
|--|---|--|
| Opening balance at the beginning of the period | 26,335 | 26,335 |
| Capital contribution | 174,979 | - |
| Capital contribution transaction costs | (70) | - |
| Closing balance at the end of the period | 201,244 | 26,335 |

In December 2011, DXS implemented the Capital Reallocation Proposal approved by security holders at the 2011 Annual General Meeting held on 31 October 2011. Under the Capital Reallocation Proposal, DOT and DDF made capital repayments to security holders of 3.616 cents for each DOT and DDF unit which was then compulsorily applied as a capital contribution to DIT and DXO units. Security holders did not receive any cash as part of the Capital Reallocation Proposal.

(b) Number of units on issue

| | For the 6 months to 31 Dec 2011 No. of units | For the 12 months to 30 Jun 2011 No. of units |
|--|---|--|
| Opening balance at the beginning of the period | 4,839,024,176 | 4,820,821,799 |
| Distributions reinvested | - | 18,202,377 |
| Closing balance at the end of the period | 4,839,024,176 | 4,839,024,176 |

Note 9

Distributions paid and payable

Dividends paid or payable by the Trust for the half year ended 31 December 2011 were nil (31 December 2010: nil).

Note 10

Contingent liabilities

The Trust together with DDF, DIT and DOT is a guarantor of a total of A\$1,397.5 million and US\$223.5 million (A\$220.1 million) of bank bilateral facilities, a total of A\$340.0 million of medium term notes, a total of US\$233.0 million (A\$229.4 million) of privately placed notes, and a total of US\$550.0 million (A\$541.6 million) public 144A senior notes, which have all been negotiated to finance the Trust and other entities within DXS. The guarantees have been given in support of debt outstanding and drawn against these facilities, and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Trust together with DIT, DOT and DDF is also a guarantor, on a subordinated basis, of RENTS (Real-estate perpetual ExchanGable 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 DXS's distribution payments, but subordinated to the claims of senior creditors.

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

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

Note 11

Events occurring after the reporting date

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

Note 12

Operating segments

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

| | |
|------------------------------------|---|
| Office - Australia and New Zealand | This operating segment comprises office space with any associated retail space; as well as car-parks and office developments in Australia and New Zealand. |
| Industrial - Australia | This operating segment 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 DXS and the third party funds management business. |
| Financial Services | The treasury function of DXS 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 portfolio. This operating segment does not meet the quantitative thresholds set out in AASB 8 <i>Operating Segments</i> due to its relatively small scale. As a result this non-core operating segment has been included in 'all other segments' in the operating segment information. |

¹ The Canadian asset was sold on 24 June 2011.

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

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

DEXUS Operations Trust

Directors' Declaration

For the half year ended 31 December 2011

In the Directors' opinion:

- (a) the Financial Statements and notes set out on pages 4 to 13 are in accordance with the *Corporations Act 2001*, including
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that DEXUS Operations Trust will be able to pay its debts as and when they become due and payable.

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



Christopher T Beare

Chair

14 February 2012



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of DEXUS Operations Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the DEXUS Operations Trust Group (the consolidated entity). The consolidated entity comprises both DEXUS Operations Trust (the Trust) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of DEXUS Operations Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A handwritten signature in black ink, appearing to read 'EA Barron', written over a circular stamp or seal.

EA Barron
Partner

Sydney
14 February 2012